

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

Form 10-K

S ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008

OR

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

Honeywell International Inc.

(Exact name of registrant as specified in its charter)

DELAWARE

22-2640650

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

101 Columbia Road

Morris Township, New Jersey

07962

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (973)455-2000

Securities registered pursuant to Section 12(b) of the Act:

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

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

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

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by

reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting stock held by nonaffiliates of the Registrant was approximately \$37.5 billion at June 30, 2008.

There were 735,181,035 shares of Common Stock outstanding at January 31, 2009.

Documents Incorporated by Reference

Part III: Proxy Statement for Annual Meeting of Shareowners to be held April 27, 2009.

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PART I.

Item 1. Business

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

We maintain an internet website at <http://www.honeywell.com>. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports, are available free of charge on our website under the heading "Investor Relations" (see "SEC Filings & Reports") immediately after they are filed with, or furnished to, the Securities and Exchange Commission (SEC). In addition, in this Form 10-K, the Company incorporates by reference certain information from parts of its proxy statement for the 2009 Annual Meeting of Stockholders, which we expect to file with the SEC on or about March 12, 2009, and which will also be available free of charge on our website.

Information relating to corporate governance at Honeywell, including 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 Honeywell directors, officers (including the Chief Executive Officer, Chief Financial Officer and Controller) and employees.

The certifications of our Chief Executive Officer and Chief Financial Officer pursuant to Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002 about the disclosure contained in this Annual Report on Form 10-K are included as Exhibits 31.1, 31.2, 32.1 and 32.2 to this Annual Report and are available free of charge on our website under the heading "Investor Relations" (see "SEC Filings & Reports"). Our Chief Executive Officer certified to the New York Stock Exchange (NYSE) on May 1, 2008, pursuant to Section 303A.12 of the NYSE's listing standards, that he was not aware of any violation by Honeywell of the NYSE's corporate governance listing standards as of that date.

Major Businesses

We globally manage our business operations through four businesses that are reported as operating segments: Aerospace, Automation and Control Solutions, Specialty Materials and Transportation Systems. Financial information related to our operating segments is included in Note 23 of Notes to Financial Statements in "Item 8. Financial Statements and Supplementary Data."

The major products/services, customers/uses and key competitors of each of our operating segments follows:

Aerospace

Our Aerospace segment is a leading global provider of integrated avionics, engines, systems and service solutions for aircraft manufacturers, airlines, business and general aviation, military, space and airport operations.

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Turbine propulsion engines	TFE731 turbofan TFE1042 turbofan ATF3 turbofan F124 turbofan ALF502 turbofan LF507 turbofan CFE738 turbofan HTF 7000 turbofan T53, T55 turboshaft T800 turboshaft	Business, regional, general aviation and military trainer aircraft Commercial and military helicopters Military vehicles	United Technologies Rolls Royce/Allison Turbomeca Williams

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Turbine propulsion engines (continued)	TF40B/50A HTS900 LT101-650/750/850 TPE 331 turboprop AGT1500 turboshaft Repair, overhaul and spare parts		
Auxiliary power units (APUs)	Airborne auxiliary power units Jet fuel starters Secondary power systems Ground power units Repair, overhaul and spare parts	Commercial, regional, business and military aircraft Ground power	United Technologies
Environmental control systems	Air management systems: Air conditioning Bleed air Cabin pressure control Air purification and treatment Gas Processing Heat Exchangers Turbo Systems Repair, overhaul and spare parts	Commercial, regional and general aviation aircraft Military aircraft Ground vehicles Spacecraft	Auxilec Barber Colman Dukes Eaton-Vickers General Electric Goodrich Liebherr Pacific Scientific Parker Hannifin TAT United Technologies
Electric power systems	Generators Power distribution & control Power conditioning Repair, overhaul and spare parts	Commercial, regional, business and military aircraft	General Electric Goodrich Safran United Technologies
Engine systems and accessories	Electronic and hydromechanical fuel controls Engine start systems Electronic engine controls Sensors Valves Electric and pneumatic power generation systems Thrust reverser actuation, pneumatic and electric	Commercial, regional and general aviation aircraft Military aircraft	BAE Controls Goodrich Parker Hannifin United Technologies
Avionics systems	Flight safety systems: Enhanced Ground Proximity Warning Systems (EGPWS) Traffic Alert and Collision Avoidance Systems (TCAS) Windshear detection systems Flight data and cockpit voice recorders Weather radar	Commercial, business and general aviation aircraft Government aviation	BAE Boeing/Jeppesen Garmin General Electric Goodrich Kaiser L3 Lockheed Martin Northrop Grumman Rockwell Collins Thales Trimble/Terra Universal Avionics Universal Weather

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Avionics systems (continued)	Communication, navigation and surveillance systems: Navigation & guidance systems Global positioning systems Satellite systems Integrated systems Flight management systems Cockpit display systems Data management and aircraft performance monitoring systems Aircraft information systems Network file servers Wireless network transceivers Weather information network Navigation database information Cabin management systems Vibration detection and monitoring Mission management systems Tactical data management systems		
Aircraft and Obstruction lighting	Inset lights Regulators Tower and obstruction lights Interior and exterior aircraft lighting	Commercial, regional, business, helicopter and military aviation aircraft (operators, OEMs, parts distributors and MRO service providers) General contractors (building and tower manufacturers), cell-phone companies	Bruce Hella/Goodrich LSI Luminator Siemens Whelen
Inertial sensor	Inertial sensor systems for guidance, stabilization, navigation and control Gyroscopes, accelerometers, inertial measurement units and thermal switches	Military and commercial vehicles Commercial spacecraft and launch vehicles Commercial, regional, business and military aircraft Transportation Missiles Munitions	Astronautics-Kearfott BAE Ball GEC General Electric L3 Com KVH Northrop Grumman Rockwell
Control products	Radar altimeters Pressure products Air data products Thermal switches Magnetic sensors	Military aircraft Missiles, UAVs Commercial applications	Ball Brothers BAE Druck Goodrich NavCom Northrop Grumman Rosemount Solarton
Space products and subsystems	Guidance subsystems Control subsystems Processing subsystems	Commercial and military-spacecraft DoD	BAE Ithaco L3

	Radiation hardened electronics and integrated circuits GPS-based range safety systems	FAA NASA	Northrop Grumman Raytheon
Management and technical services	Maintenance/operation and provision of space systems, services and facilities Systems engineering and integration Information technology services Logistics and sustainment	U.S. government space (NASA) DoD (logistics and information services) FAA DoE Local governments Commercial space ground segment systems and services	Bechtel Boeing Computer Sciences Dyncorp ITT Lockheed Martin Raytheon SAIC The Washington Group United Space Alliance

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Landing systems	Wheels and brakes Wheel and brake repair and overhaul services	Commercial airline, regional, business and military aircraft High performance commercial vehicles USAF, DoD, DoE Boeing, Airbus, Lockheed Martin	Dunlop Standard Aerospace Goodrich K&F Industries Messier-Bugatti NASCO

Automation and Control Solutions

Our Automation and Control Solutions segment is a leading global provider of environmental and combustion controls, sensing controls, security and life safety products and services and process automation and building solutions and services for homes, buildings and industrial facilities.

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Environmental and combustion controls; sensing controls	Heating, ventilating and air conditioning controls and components for homes and buildings Indoor air quality products including zoning, air cleaners, humidification, heat and energy recovery ventilators Controls plus integrated electronic systems for burners, boilers and furnaces Consumer household products including humidifiers and thermostats Electrical devices and switches Water controls Sensors, measurement, control and industrial components	Original equipment manufacturers (OEMs) Distributors Contractors Retailers System integrators Commercial customers and homeowners served by the distributor, wholesaler, contractor, retail and utility channels Package and materials handling operations Appliance manufacturers Automotive companies Aviation companies Food and beverage processors Medical equipment Heat treat processors Computer and business equipment manufacturers	Bosch Cherry Danfoss Eaton Emerson Endress & Hauser Holmes Invensys Johnson Controls Motorola Schneider Siemens United Technologies Yamatake
Security and life safety products and services	Security products and systems Fire products and systems Access controls and closed circuit television Home health monitoring and nurse call systems Gas detection products and systems Emergency lighting Distribution Hand held imagers Mobile and wireless computers Personal protection equipment	OEMs Retailers Distributors Commercial customers and homeowners served by the distributor, wholesaler, contractor, retail and utility channels Health care organizations Security monitoring service providers Industrial, fire service, utility distributors and U.S. Government	Bosch Draeger GE Intermec Technologoes Mine Safety Appliances Motorola Pelco Phillips Riken Keiki Siemens Tyco United Technologies 3M, Sperian Protection, Hubbell Inc.
Process automation products and solutions	Advanced control software and industrial automation systems for control and	Refining and petrochemical companies Chemical manufacturers	ABB AspenTech Emerson

monitoring of continuous,
batch and hybrid
operations
Production management
software
Communications systems for
Industrial Control
equipment and systems
Consulting, networking
engineering and
installation
Terminal automation
solutions
Process control
instrumentation
Field instrumentation
Analytical instrumentation
Recorders Controllers
Critical environment control
solutions and services
Aftermarket maintenance,
repair and upgrade

Oil and gas producers
Food and beverage
processors
Pharmaceutical companies
Utilities
Film and coated producers
Pulp and paper industry
Continuous web producers
in the paper, plastics,
metals, rubber, non-
wovens and printing
industries
Mining and mineral
industries

Invensys
Siemens
Yokogawa

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Building solutions and services	HVAC and building control solutions and services Energy management solutions and services Security and asset management solutions and services Enterprise building integration solutions Building information services Airport lighting and systems, visual docking guidance systems	Building managers and owners Contractors, architects and developers Consulting engineers Security directors Plant managers Utilities Large global corporations Public school systems Universities Local governments Public housing agencies Airports	Ameresco GroupMac Ingersoll Rand Invensys Johnson Controls Local contractors and utilities Safegate Schneider Siemens Trane Thorn United Technologies

Specialty Materials

Our Specialty Materials segment is a global leader in providing customers with high-performance specialty materials, including hydrocarbon processing technologies, catalysts, adsorbents, equipment and services, fluorine products, specialty films and additives, advanced fibers and composites, intermediates, specialty chemicals, electronic materials and chemicals.

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Resins & chemicals	Nylon polymer Caprolactam Ammonium sulfate Cyclohexanone Cyclohexanol (KA Oil)	Nylon for carpet fibers, engineered resins and packaging Fertilizer ingredients Specialty chemicals	BASF DSM
Hydrofluoric acid (HF)	Anhydrous and aqueous hydrofluoric acid	Fluorocarbons Steel Oil refining Chemical intermediates	Mexichem Flour Solvay
Fluorocarbons	Genetron® refrigerants, aerosol and insulation foam blowing agents Genesolv® solvents Oxyfume sterilant gases Ennovate 3000 blowing agent for refrigeration insulation	Refrigeration Air conditioning Polyurethane foam Precision cleaning Optical Appliances Hospitals Medical equipment manufacturers	Arkema Dupont Solvay Ineos
Fluorine specialties	Sulfur hexafluoride (SF ₆) Iodine pentafluoride (IF) Antimony pentafluoride (SbF ₅)	Electric utilities Magnesium gear manufacturers	Air Products Asahi Glass Solvay
Nuclear services	UF ₆ conversion services	Nuclear fuel Electric utilities	Cameco Comurhex Rosatom
Research and fine chemicals	Oxime-based fine chemicals Fluoroaromatics High-purity solvents	Agrichemicals Biotech	Avecia Degussa DSM E. Merck Thermo Fisher Scientific Lonza Sigma-Aldrich
Performance chemicals Imaging chemicals Chemical processing	HF derivatives Fluoroaromatics Catalysts	Diverse by product type	Atotech BASF DSM

sealants	Oxime-silanes		
Advanced fibers & composites	High modulus polyethylene fiber and shield composites Aramid shield composites	Bullet resistant vests, helmets and other armor applications Cut-resistant gloves Rope & cordage	DuPont DSM Teijin
Specialty films	Cast nylon film Bi-axially oriented nylon film Fluoropolymer film	Food and pharmaceutical packaging	American Biaxis CFP Daikin Kolon Unitika

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Specialty additives	Polyethylene waxes Paraffin waxes and blends PVC lubricant systems Processing aids Luminescent pigments	Coatings and inks PVC pipe, siding & profiles Plastics Reflective coatings Safety & security applications	BASF Clariant Eastman
Electronic chemicals	Ultra high-purity HF Inorganic acids Hi-purity solvents	Semiconductors Photovoltaics	Air Products Arch E. Merck
Semiconductor materials and services	Interconnect-dielectrics Interconnect-metals Semiconductor packaging materials Advanced polymers Sapphire substrates Anti-reflective coatings Thermo-couples	Semiconductors Microelectronics Telecommunications	BASF Brewer Dow Corning Foxconn Japan Energy Kyocera Shinko
Catalysts, adsorbents and specialties	Catalysts Molecular sieves Adsorbents Customer catalyst manufacturing	Petroleum, refining, petrochemical, gas processing, and manufacturing industries	Axens BASF WR Grace Haldor Shell/Criterion
Process technology and equipment	Technology licensing and engineering design of process units and systems Engineered products Proprietary equipment Training and development of technical personnel	Petroleum refining, petrochemical, and gas processing	Axens BP/Amoco Exxon-Mobil Chevron Lummus Global Chicago Bridge & Iron Koch Glitsch Linde AG Natco Shaw Group Shell/SGS
Renewable fuels and chemicals	Technology licensing of Process, catalysts, absorbents, Refining equipment and Services for producing renewable-based fuels and chemicals	Agricultural products	Nestle Oy Lurgi

Transportation Systems

Our Transportation Systems segment is one of the leading manufacturers of engine boosting systems for passenger cars and commercial vehicles, as well as a leading provider of automotive care and braking products.

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Charge-air systems	Turbochargers for gasoline and diesel engines	Passenger car, truck and off-highway OEMs Engine manufacturers Aftermarket distributors and dealers	Borg-Warner Holset IHI MHI
Thermal systems	Exhaust gas coolers Charge-air coolers Aluminum radiators Aluminum cooling modules	Passenger car, truck and off-highway OEMs Engine manufacturers Aftermarket distributors and dealers	Behr Modine Valeo
Aftermarket filters, spark	Oil, air, fuel, transmission	Automotive and heavy	AC Delco

plugs, electronic
components and car care
products

and coolant filters
PCV valves
Spark plugs
Wire and cable
Antifreeze/coolant
Windshield washer fluids
Waxes, washes and
specialty cleaners

vehicle aftermarket
channels, OEMs and
Original Equipment
Service Providers (OES)
Auto supply retailers
Specialty installers
Mass merchandisers

Bosch
Champion
Mann & Hummel
NGK
Peak/Old World Industries
Purolator
STP/ArmorAll
Turtle Wax
Zerex/Valvoline

Product/Service Classes	Major Products/Services	Major Customers/Uses	Key Competitors
Brake hard parts and other friction materials	Disc brake pads and shoes Drum brake linings Brake blocks Disc and drum brake components Brake hydraulic components Brake fluid Aircraft brake linings Railway linings	Automotive and heavy vehicle OEMs, OES, brake manufacturers and aftermarket channels Installers Railway and commercial/military aircraft OEMs and brake manufacturers	Advics Akebono Federal-Mogul ITT Corp JBI Nisshinbo TMD Friction

Aerospace Sales

Our sales to aerospace customers were 35 percent of our total sales in each of 2008, 2007 and 2006, respectively. Our sales to commercial aerospace original equipment manufacturers were 9, 10 and 10 percent of our total sales in 2008, 2007 and 2006, respectively. In addition, our sales to commercial aftermarket customers of aerospace products and services were 11 percent of our total sales in each of 2008, 2007 and 2006. Our Aerospace results of operations can be impacted by various industry and economic conditions. See "Item 1A. Risk Factors."

U.S. Government Sales

Sales to the U.S. Government (principally by our Aerospace segment), acting through its various departments and agencies and through prime contractors, amounted to \$4,240, \$4,011 and \$3,688 million in 2008, 2007 and 2006, respectively, which included sales to the U.S. Department of Defense, as a prime contractor and subcontractor, of \$3,412, \$3,192 and \$3,052 million in 2008, 2007 and 2006, respectively. U.S. defense spending increased in 2008 and is also expected to increase in 2009. We do not expect to be significantly affected by any proposed changes in 2009 federal spending due principally to the varied mix of the government programs which impact us (OEM production, engineering development programs, aftermarket spares and repairs and overhaul programs). Our contracts with the U.S. Government are subject to audits, investigations, and termination by the government. See "Item 1A. Risk Factors."

Backlog

Our total backlog at December 31, 2008 and 2007 was \$12,972 and \$12,303 million, respectively. We anticipate that approximately \$9,480 million of the 2008 backlog will be filled in 2009. We believe that backlog is not necessarily a reliable indicator of our future sales because a substantial portion of the orders constituting this backlog may be canceled at the customer's option.

Competition

We are subject to active competition in substantially all product and service areas. Competition is expected to continue in all geographic regions. Competitive conditions vary widely among the thousands of products and services provided by us, and vary by country. Depending on the particular customer or market involved, our businesses compete on a variety of factors, such as price, quality, reliability, delivery, customer service, performance, applied technology, product innovation and product recognition. Brand identity, service to customers and quality are generally important competitive factors for our products and services, and there is considerable price competition. Other competitive factors for certain products include breadth of product line, research and development efforts and technical and managerial capability. While our competitive position varies among our products and services, we believe we are a significant competitor in each of our major product and service classes. However, a number of our products and services are sold in competition with those of a large number of other companies, some of which have substantial financial resources and significant technological capabilities. In addition, some of our products compete with the captive component divisions of original equipment manufacturers. See Item 1A "Risk Factors" for further discussion.

International Operations

We are engaged in manufacturing, sales, service and research and development mainly in the United States, Europe, Canada, Asia and Latin America. U.S. exports and foreign manufactured products are significant to our operations. U.S. exports comprised 10, 10 and 11 percent of our total sales in 2008, 2007 and 2006, respectively. Foreign manufactured products and services, mainly in Europe, were 39, 39 and 37 percent of our total sales in 2008, 2007 and 2006, respectively.

Approximately 19 percent of total 2008 sales of Aerospace-related products and services were exports of U.S. manufactured products and systems and performance of services such as aircraft repair and overhaul. Exports were principally made to Europe, Canada, Asia and Latin America. Foreign manufactured products and systems and performance of services comprised approximately 14 percent of total 2008 Aerospace sales. The principal manufacturing facilities outside the U.S. are in Europe, with less significant operations in Canada and Asia.

Approximately 2 percent of total 2008 sales of Automation and Control Solutions products were exports of U.S. manufactured products. Foreign manufactured products and performance of services accounted for 57 percent of total 2008 Automation and Control Solutions sales. The principal manufacturing facilities outside the U.S. are in Europe with less significant operations in Asia and Canada.

Approximately 14 percent of total 2008 sales of Specialty Materials products and services were exports of U.S. manufactured products. Exports were principally made to Asia and Latin America. Foreign manufactured products and performance of services comprised 24 percent of total 2008 Specialty Materials sales. The principal manufacturing facilities outside the U.S. are in Europe, with less significant operations in Asia and Canada.

Exports of U.S. manufactured products comprised 1 percent of total 2008 sales of Transportation Systems products. Foreign manufactured products accounted for 71 percent of total 2008 sales of Transportation Systems. The principal manufacturing facilities outside the U.S. are in Europe, with less significant operations in Asia and Latin America.

Financial information including net sales and long-lived assets related to geographic areas is included in Note 24 of Notes to Financial Statements in "Item 8. Financial Statements and Supplementary Data". Information regarding the economic, political, regulatory and other risks associated with international operations is included in "Item 1A. Risk Factors."

Raw Materials

The principal raw materials used in our operations are generally readily available. We experienced no significant problems in the purchase of key raw materials and commodities in 2008. We are not dependent on any one supplier for a material amount of our raw materials, except related to phenol, a raw material used in our Specialty Materials segment. We purchase phenol under a supply agreement with one supplier. We have no reason to believe there is any material risk to this supply.

The costs of certain key raw materials, including natural gas, benzene (the key component in phenol), ethylene, fluorspar and sulfur in our Specialty Materials business, steel, nickel, other metals and ethylene glycol in our Transportation Systems business, and nickel, titanium and other metals in our Aerospace business, are expected to remain volatile. In addition, in 2008 certain large long-term fixed supplier price agreements expired, primarily relating to components used by our Aerospace business, which in the aggregate, subjected us to higher volatility in certain component costs. We will continue to attempt to offset raw material cost increases with formula or long-term supply agreements, price increases and hedging activities where feasible. We have no reason to believe a shortage of raw materials will cause any material adverse impact during 2009. See "Item 1A. Risk Factors" for further discussion.

We are highly dependent on our suppliers and subcontractors in order to meet commitments to our customers. In addition, many major components and product equipment items are procured or subcontracted on a single-source basis with a number of domestic and foreign companies. We maintain a qualification and performance surveillance process to control risk associated with such reliance on third parties. While we believe that sources of supply for raw materials and components are

generally adequate, it is difficult to predict what effects shortages or price increases may have in the future. Furthermore, the inability of these suppliers to meet their quality and/or delivery commitments to us, due to bankruptcy, natural disasters or any other reason, may result in significant costs and delay, including those in connection with the required recertification of parts from new suppliers with our customers or regulatory agencies.

Patents, Trademarks, Licenses and Distribution Rights

Our segments are not dependent upon any single patent or related group of patents, or any licenses or distribution rights. We own, or are licensed under, a large number of patents, patent applications and trademarks acquired over a period of many years, which relate to many of our products or improvements to those products and which are of importance to our business. From time to time, new patents and trademarks are obtained, and patent and trademark licenses and rights are acquired from others. We also have distribution rights of varying terms for a number of products and services produced by other companies. In our judgment, those rights are adequate for the conduct of our business. We believe that, in the aggregate, the rights under our patents, trademarks and licenses are generally important to our operations, but we do not consider any patent, trademark or related group of patents, or any licensing or distribution rights related to a specific process or product, to be of material importance in relation to our total business. See "Item 1A. Risk Factors" for further discussion.

We have registered trademarks for a number of our products and services, including Honeywell, Aclar, Ademco, Autolite, Bendix, Enovate, Fire-Lite, FRAM, Garrett, Genetron, Hand Held, Holts, Jurid, Metrologic, MK, North, Notifier, Novar, Prestone, Redex, Simoniz, Spectra, System Sensor and UOP.

Research and Development

Our research activities are directed toward the discovery and development of new products, technologies and processes and the development of new uses for existing products. The Company has research and development activities in the U.S., Europe, India and China.

Research and development (R&D) expense totaled \$1,543, \$1,459 and \$1,411 million in 2008, 2007 and 2006, respectively. The increase in R&D expense in 2008 compared to 2007 of 6 percent was mainly due to additional product, design and development costs in Automation and Control Solutions, increased expenditures on the development of products for new aircraft platforms and increased expenditures on the development of turbocharging systems for new platforms. The increase in R&D expense in 2007 compared to 2006 of 3 percent was mainly due to additional product, design and development costs in Automation and Control Solutions and increased expenditures on the development of turbocharging systems for new platforms. Customer-sponsored (principally the U.S. Government) R&D activities amounted to an additional \$903, \$881 and \$777 million in 2008, 2007 and 2006, respectively.

Environment

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

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

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

Further information, including the current status of significant environmental matters and the financial impact incurred for remediation of such environmental matters, if any, is included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in Note 21 of Notes to Financial Statements in "Item 8. Financial Statements and Supplementary Data," and in "Item 1A. Risk Factors."

Employees

We have approximately 128,000 employees at December 31, 2008, of which approximately 58,000 were located in the United States.

Item 1A. Risk Factors

Cautionary Statement about Forward-Looking Statements

We have described many of the trends and other factors that drive our business and future results in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations”, including the overview of the Company and each of our segments and the discussion of their respective economic and other factors and areas of focus for 2009. These sections and other parts of this report (including this Item 1A) contain “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934.

Forward-looking statements are those that address activities, events or developments that management intends, expects, projects, believes or anticipates will or may occur in the future. They are based on management’s assumptions and assessments in light of past experience and trends, current economic and industry conditions, expected future developments and other relevant factors. They are not guarantees of future performance, and actual results, developments and business decisions may differ significantly from those envisaged by our forward-looking statements. We do not undertake to update or revise any of our forward-looking statements. Our forward-looking statements are also subject to risks and uncertainties that can affect our performance in both the near-and long-term. These forward-looking statements should be considered in light of the information included in this Form 10-K, including, in particular, the factors discussed below.

Risk Factors

Our business, operating results, cash flows and financial condition are subject to various risks and uncertainties, including, without limitation, those set forth below, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results.

Industry and economic conditions may adversely affect the market and operating conditions of our customers, which in turn can affect demand for our products and services and our results of operations.

The operating results of our segments are impacted by general global industry and economic conditions that can cause changes in spending and capital investment patterns, demand for our products and services and the level of our manufacturing and shipping costs. The operating results of our Aerospace segment, which generated 35 percent of our consolidated revenues in 2008, are directly tied to cyclical industry and economic conditions, including global demand for air travel as reflected in new aircraft production, the deferral or cancellation of orders for new aircraft, delays in launch schedules for new aircraft platforms, the retirement of older aircraft, global flying hours, and business and general aviation aircraft utilization rates, as well as changes in customer buying patterns with respect to aftermarket parts, supplier consolidation, factory transitions, capacity constraints, and the level and mix of U.S. Government appropriations for defense and space programs (as further discussed in other risk factors below). The challenging operating environment faced by the commercial airline industry is expected to continue and may be influenced by a wide variety of factors including declining global flying hours, aircraft fuel prices, labor issues, airline consolidation, airline insolvencies, terrorism and safety concerns as well as changes in regulations. Future terrorist actions or pandemic health issues could dramatically reduce both the demand for air travel and our Aerospace aftermarket sales and margins. The operating results of our Automation and Control Solutions (ACS) segment, which generated 38 percent of our consolidated revenues in 2008, are impacted by the level of global residential and commercial construction (including retrofits and upgrades), capital spending and operating expenditures on building and process automation, industrial plant capacity utilization and expansion, and global economic growth rates. Specialty Materials’ operating results, which generated 14 percent of our consolidated revenues in 2008, are impacted by global economic growth rates, capacity utilization for chemical, industrial, refining, petrochemical and semiconductor plants, and commodity demand volatility. Transportation Systems’ operating results, which generated 13 percent of our consolidated revenues in 2008, are impacted by global production and demand for automobiles and trucks equipped with turbochargers, regulatory changes regarding automobile and truck emissions

and fuel economy, delays in launch schedules for new automotive platforms, and consumer demand and spending for automotive aftermarket and car care products. The challenging operating environment faced by global automotive and truck manufacturers is expected to continue and may be influenced by a wide variety of factors, including access to and terms of government assistance, ability to reduce record high inventory levels, ability to reduce operating costs, and the ability of consumers to obtain financing for new vehicle purchases. Each of the segments is impacted by volatility in raw material prices (as further described below) and non-material inflation.

Raw material price fluctuations and the ability of key suppliers to meet quality and delivery requirements can increase the cost of our products and services and impact our ability to meet commitments to customers.

The cost of raw materials is a key element in the cost of our products, particularly in our Specialty Materials (benzene (the key component in phenol), natural gas, ethylene, fluorspar and sulfur), Transportation Systems (nickel, steel, other metals and ethylene glycol) and Aerospace (nickel, titanium and other metals) segments. Our inability to offset material price inflation through increased prices to customers, formula or long-term fixed price contracts with suppliers, productivity actions or through commodity hedges could adversely affect our results of operations.

Our manufacturing operations are also highly dependent upon the delivery of materials (including raw materials) by outside suppliers and their assembly of major components and subsystems used in our products in a timely manner and in full compliance with purchase order terms and conditions, quality standards, and applicable laws and regulations. In addition, many major components and product equipment items are procured or subcontracted on a single-source basis; in limited circumstances these suppliers are the sole source of the component or equipment. Our ability to manage inventory and meet delivery requirements may be constrained by our suppliers' ability to adjust delivery of long-lead time products during times of volatile demand. Our suppliers may fail to perform according to specifications as and when required and we may be unable to identify alternate suppliers or to otherwise mitigate the consequences of their non-performance. The supply chains for our businesses could also be disrupted by external events such as natural disasters, extreme weather events, pandemic health issues, terrorist actions, labor disputes or governmental actions. Our inability to fill our supply needs would jeopardize our ability to fulfill obligations under commercial and government contracts, which could, in turn, result in reduced sales and profits, contract penalties or terminations, and damage to customer relationships. Transitions to new suppliers may result in significant costs and delays, including those related to the required recertification of parts obtained from new suppliers with our customers and/or regulatory agencies. In addition, because our businesses cannot always immediately adapt their cost structure to changing market conditions, our manufacturing capacity for certain products may at times exceed or fall short of our production requirements, which could adversely impact our operating costs, profitability and customer and supplier relationships.

Our future growth is largely dependent upon our ability to develop new technologies that achieve market acceptance with acceptable margins.

Our businesses operate in global markets that are characterized by rapidly changing technologies and evolving industry standards. Accordingly, our future growth rate depends upon a number of factors, including our ability to (i) identify emerging technological trends in our target end-markets, (ii) develop and maintain competitive products, (iii) enhance our products by adding innovative features that differentiate our products from those of our competitors and prevent commoditization of our products, (iv) develop, manufacture and bring products to market quickly and cost-effectively, and (v) develop and retain individuals with the requisite expertise.

Our ability to develop new products based on technological innovation can affect our competitive position and requires the investment of significant resources. These development efforts divert resources from other potential investments in our businesses, and they may not lead to the development of new technologies or products on a timely basis or that meet the needs of our customers as fully as competitive offerings. In addition, the markets for our products may not develop

or grow as we currently anticipate. The failure of our technologies or products to gain market acceptance due to more attractive offerings by our competitors could significantly reduce our revenues and adversely affect our competitive standing and prospects.

Protecting our intellectual property is critical to our innovation efforts. We own or are licensed under a large number of U.S. and non-U.S. patents and patent applications, trademarks and copyrights. Our intellectual property rights may be challenged, invalidated or infringed upon by third parties or we may be unable to maintain, renew or enter into new licenses of third party proprietary intellectual property on commercially reasonable terms. In some non-U.S. countries, laws affecting intellectual property are uncertain in their application, which can affect the scope or enforceability of our patents and other intellectual property rights. Any of these events or factors could diminish or cause us to lose the competitive advantages associated with our intellectual property, subject us to judgments, penalties and significant litigation costs, and/or temporarily or permanently disrupt our sales and marketing of the affected products or services.

An increasing percentage of our sales and operations is in non-U.S. jurisdictions and is subject to the economic, political, regulatory and other risks of international operations.

Our international operations, including U.S. exports, comprise a growing proportion of our operating results. Our strategy calls for increasing sales to and operations in overseas markets, including developing markets such as Mexico, China, India and the Middle East. In 2008, 49 percent of our total sales (including products manufactured in the U.S. and in international locations) were outside of the U.S. including 29 percent in Europe and 10 percent in Asia. Risks related to international operations include exchange control regulations, wage and price controls, employment regulations, foreign investment laws, import, export and other trade restrictions (such as embargoes and trade restrictions), changes in regulations regarding transactions with state-owned enterprises, nationalization of private enterprises, government instability, our ability to hire and maintain qualified staff in these regions and maintaining the safety of our employees. The cost of compliance with increasingly complex and often conflicting regulations worldwide can also impair our flexibility in modifying product, marketing, pricing or other strategies for growing our businesses, as well as our ability to improve productivity and maintain acceptable operating margins.

As we continue to grow our businesses internationally, our operating results could be increasingly affected by the relative strength of the European and Asian economies and the impact of exchange rate fluctuations. We do have a policy to reduce the risk of volatility through hedging activities, but such activities bear a financial cost and may not always be available to us and may not be successful in eliminating such volatility.

We may be required to recognize impairment charges for our long-lived assets or available for sale investments.

At December 31, 2008, the net carrying value of long-lived assets (property, plant and equipment, goodwill and other intangible assets) and available for sale securities totaled approximately \$17.4 billion and \$0.1 billion, respectively. In accordance with generally accepted accounting principles, we periodically assess these assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to our business, unexpected significant changes or planned changes in use of the assets, divestitures and market capitalization declines may result in impairments to goodwill and other long-lived assets. An other than temporary decline in the market value of our available for sale securities may also result in an impairment charge. Future impairment charges could significantly affect our results of operations in the periods recognized. Impairment charges would also reduce our consolidated shareholders' equity and increase our debt-to-total-capitalization ratio, which could negatively impact our credit rating and access to the public debt and equity markets.

A change in the level of U.S. Government defense and space funding or the mix of programs to which such funding is allocated could adversely impact sales of Aerospace's defense and space-related product and services.

Sales of our defense and space-related products and services are largely dependent upon government budgets, particularly the U.S. defense budget. Sales as a prime contractor and subcontractor to the U.S. Department of Defense comprised approximately 27 and 9 percent of Aerospace and total sales, respectively, for the year ended December 31, 2008. Although U.S. defense spending increased in 2008 and is expected to increase again in 2009, we cannot predict the extent to which total funding and/or funding for individual programs will be included, increased or reduced as part of the 2010 and subsequent budgets ultimately approved by Congress, or be included in the scope of separate supplemental appropriations. We also cannot predict the impact of potential changes in priorities due to military transformation and planning and/or the nature of war-related activity on existing, follow-on or replacement programs. A shift in defense or space spending to programs in which we do not participate and/or reductions in funding for or termination of existing programs could adversely impact our results of operations.

As a supplier of military and other equipment to the U.S. Government, we are subject to unusual risks, such as the right of the U.S. Government to terminate contracts for convenience and to conduct audits and investigations of our operations and performance.

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

Our contracts with the U.S. Government are subject to audits. Like many other government contractors, we have received audit reports that recommend downward price adjustments to certain contracts to comply with various government regulations. We have made adjustments and paid voluntary refunds in appropriate cases and may do so in the future.

U.S. Government contracts are subject to termination by the government, either for the convenience of the government or for our failure to perform under the applicable contract. In the case of a termination for convenience, we are typically entitled to reimbursement for our allowable costs incurred, plus termination costs and a reasonable profit. If a contract is terminated by the government for our failure to perform we could be liable for additional costs incurred by the government in acquiring undelivered goods or services from any other source and any other damages suffered by the government.

We are also subject to government investigations of business practices and compliance with government procurement regulations. If Honeywell or one of its businesses were charged with wrongdoing as a result of any such investigation or other government investigations (including violations of certain environmental or export laws), it could be suspended from bidding on or receiving awards of new government contracts, suspended from contract performance pending the completion of legal proceedings and/or have its export privileges suspended. The U.S. Government also reserves the right to debar a contractor from receiving new government contracts for fraudulent, criminal or other egregious misconduct. Debarment generally does not exceed three years.

Our reputation and ability to do business may be impacted by the improper conduct of employees, agents or business partners.

We cannot ensure that our extensive compliance controls, policies and procedures will in all instances protect us from reckless or criminal acts committed by our employees, agents or business partners that would violate the laws of the jurisdictions in which the Company operates, including laws governing payments to government officials, competition and data privacy. Any improper actions could subject us to civil or criminal investigations, monetary and non-monetary penalties and could adversely impact our ability to conduct business, results of operations and reputation.

Changes in legislation or government regulations or policies can have a significant impact on our results of operations.

The sales and margins of each of our segments are directly impacted by government regulations. Safety and performance regulations (including mandates of the Federal Aviation Administration and other similar international regulatory bodies requiring the installation of equipment on aircraft), product certification requirements and government procurement practices can impact Aerospace sales, research and development expenditures, operating costs and profitability. The demand for and cost of providing Automation and Control Solutions products, services and solutions can be impacted by fire, security, safety, health care, environmental and energy efficiency standards and regulations. Specialty Materials' results of operations can be affected by environmental (e.g. government regulation of fluorocarbons), safety and energy efficiency standards and regulations, while emissions and energy efficiency standards and regulations can impact the demand for turbochargers in our Transportation Systems segment. Legislation or regulations regarding areas such as labor and employment, employee benefit plans, tax, health and safety matters, import, export and trade, intellectual property, product certification, product liability and environmental remediation may impact the results of each of our operating segments and our consolidated results.

Completed acquisitions may not perform as anticipated or be integrated as planned, and divestitures may not occur as planned.

We regularly review our portfolio of businesses and pursue growth through acquisitions and seek to divest non-core businesses. We may not be able to complete transactions on favorable terms, on a timely basis or at all. In addition, our results of operations and cash flows may be adversely impacted by (i) the failure of acquired businesses to meet or exceed expected returns, (ii) the discovery of unanticipated issues or liabilities, (iii) the failure to integrate acquired businesses into Honeywell on schedule and/or to achieve synergies in the planned amount or within the expected timeframe, (iv) the inability to dispose of non-core assets and businesses on satisfactory terms and conditions and within the expected timeframe, and (v) the degree of protection provided by indemnities from sellers of acquired companies and the obligations under indemnities provided to purchasers of our divested businesses.

We cannot predict with certainty the outcome of litigation matters, government proceedings and other contingencies and uncertainties.

We are subject to a number of lawsuits, investigations and disputes (some of which involve substantial amounts claimed) arising out of the conduct of our business, including matters relating to commercial transactions, government contracts, product liability (including asbestos), prior acquisitions and divestitures, employment, employee benefits plans, intellectual property, import and export matters and environmental, health and safety matters. Resolution of these matters can be prolonged and costly, and the ultimate results or judgments are uncertain due to the inherent uncertainty in litigation and other proceedings. Moreover, our potential liabilities are subject to change over time due to new developments, changes in settlement strategy or the impact of evidentiary requirements, and we may be required to pay damage awards or settlements, or become subject to damage awards or settlements, that could have a material adverse effect on our results of operations, cash flows and financial condition. While we maintain insurance for certain risks, the amount of our insurance coverage may not be adequate to cover the total amount of all insured claims and liabilities. It also is not possible to obtain insurance to protect against all our operational risks and liabilities. The

incurrence of significant liabilities for which there is no or insufficient insurance coverage could adversely affect our results of operations, cash flows, liquidity and financial condition.

Our operations and the prior operations of predecessor companies expose us to the risk of material environmental liabilities.

Mainly because of past operations and operations of predecessor companies, we are subject to potentially material liabilities related to the remediation of environmental hazards and to claims of personal injuries or property damages that may be caused by hazardous substance releases and exposures. We have incurred remedial response and voluntary clean-up costs for site contamination and are a party to lawsuits and claims associated with environmental and safety matters, including past production of products containing hazardous substances. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future. We are subject to various federal, state, local and foreign government requirements regulating the discharge of materials into the environment or otherwise relating to the protection of the environment. These laws and regulations can impose substantial fines and criminal sanctions for violations, and require installation of costly equipment or operational changes to limit emissions and/or decrease the likelihood of accidental hazardous substance releases. We incur, and expect to continue to incur capital and operating costs to comply with these laws and regulations. In addition, changes in laws, regulations and enforcement of policies, the discovery of previously unknown contamination or new technology or information related to individual sites, or the imposition of new clean-up requirements or remedial techniques could require us to incur costs in the future that would have a negative effect on our financial condition or results of operations.

Our expenses include significant costs related to employee health and retiree health and pension benefits.

With approximately 128,000 employees, including approximately 58,000 in the U.S., our expenses relating to employee health and retiree health and pension benefits are significant. In recent years, we have experienced significant increases in certain of these costs, largely as a result of economic factors beyond our control, in particular, ongoing increases in health care costs well in excess of the rate of inflation. Continued increasing health-care costs, volatility in investment returns and discount rates, as well as changes in other assumptions used to calculate retiree health and pension benefit expenses, may adversely affect our financial position, results of operations or require significant contributions to our pension plans.

Additional tax expense or additional tax exposures could affect our future profitability

We are subject to income taxes in both the United States and various non-U.S. jurisdictions, and our domestic and international tax liabilities are dependent upon the distribution of income among these different jurisdictions. In 2008, our tax expense represented 26.5 percent of our income before tax, and includes estimates of additional tax which may be incurred for tax exposures and reflects various estimates and assumptions, including assessments of future earnings of the Company that could effect the valuation of our deferred tax assets. Our future results could be adversely affected by changes in the effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in the overall profitability of the Company, changes in tax legislation, changes in the valuation of deferred tax assets and liabilities, the results of audits and examinations of previously filed tax returns and continuing assessments of our tax exposures.

Volatility of credit markets or macro-economic factors could adversely affect our business

Changes in U.S. and global financial and equity markets, including market disruptions, limited liquidity, and interest rate volatility, may increase the cost of financing as well as the risks of refinancing maturing debt. In addition, our borrowing costs can be affected by short and long-term ratings assigned by independent rating agencies. A decrease in these ratings could increase our cost of borrowing.

The current tightening of credit could also adversely affect our customers' ability to obtain financing, primarily in our long cycle businesses and airline industry operations. Delays in our customers' ability to obtain financing, or the unavailability of financing could adversely affect our results of operations. The inability of our suppliers to obtain financing could result in the need to transition to alternate suppliers, which could result in significant incremental cost and delay, as discussed above. Lastly, the disruptions in the U.S. and global financial markets could impact the financial institutions with which we do business.

Item 1B. Unresolved Staff Comments

Not Applicable

Item 2. Properties

We have approximately 1,400 locations consisting of plants, research laboratories, sales offices and other facilities. Our headquarters and administrative complex is located at Morris Township, New Jersey. Our plants are generally located to serve large marketing areas and to provide accessibility to raw materials and labor pools. Our properties are generally maintained in good operating condition. Utilization of these plants may vary with sales to customers and other business conditions; however, no major operating facility is significantly idle. We own or lease warehouses, railroad cars, barges, automobiles, trucks, airplanes and materials handling and data processing equipment. We also lease space for administrative and sales staffs. Our properties and equipment are in good operating condition and are adequate for our present needs. We do not anticipate difficulty in renewing existing leases as they expire or in finding alternative facilities.

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

Aerospace

Anniston, AL (leased)	South Bend, IN	Urbana, OH
Glendale, AZ (leased)	Olathe, KS	Greer, SC
Phoenix, AZ	Minneapolis, MN	Toronto, Canada
Tempe, AZ	Plymouth, MN	Raunheim, Germany
Tucson, AZ	Rocky Mount, NC	Singapore (leased)
Torrance, CA	Albuquerque, NM	Yeovil, UK (leased)
Clearwater, FL		

Automation and Control Solutions

Phoenix, AZ (leased)	Golden Valley, MN	Chihuahua, Mexico
San Diego, CA (leased)	Skaneateles Falls, NY (leased)	Juarez, Mexico
Northford, CT	Mosbach, Germany	(partially leased)
Freeport, IL	Neuss, Germany	Tijuana, Mexico
	Schonaich, Germany	(leased)
		Emmen, Netherlands
		Newhouse, Scotland

Specialty Materials

Mobile, AL	Geismar, LA	Colonial Heights, VA
Des Plaines, IL	Shreveport, LA	Hopewell, VA
Metropolis, IL	Pottsville, PA	Spokane, WA
Baton Rouge, LA	Orange, TX	Seelze, Germany
	Chesterfield, VA	

Transportation Systems

Shanghai, China	Atessa, Italy	Mexicali, Mexico
Conde, France	Kodama, Japan	(partially leased)
Glinde, Germany	Ansan, Korea	Barcelona, Spain
Waterford, Ireland	(leased)	

Item 3. Legal Proceedings

We are subject to a number of lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. See a discussion of environmental, asbestos and other litigation matters in Note 21 of Notes to Financial Statements in “Item 8. Financial Statements and Supplementary Data.”

Environmental Matters Involving Potential Monetary Sanctions in Excess of \$100,000

None.

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable.

Executive Officers of the Registrant

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

Name, Age, Date First Elected an Executive Officer	Business Experience
David M. Cote (a), 56 2002	Chairman of the Board and Chief Executive Officer since July 2002.
Adriane M. Brown, 50 2005	President and Chief Executive Officer Transportation Systems since January 2005. Vice President and General Manager of Engine Systems & Accessories from September 2001 to December 2004.
Roger Fradin, 55 2004	President and Chief Executive Officer Automation and Control Solutions since January 2004.
Robert J. Gillette, 48 2001	President and Chief Executive Officer Aerospace since January 2005. President and Chief Executive Officer Transportation Systems from July 2001 to December 2004.
Andreas C. Kramvis, 56 2008	President and Chief Executive Officer Specialty Materials since March 2008. President of Environmental and Combustion Controls from September 2002 to February 2008.
David J. Anderson, 59 2003	Senior Vice President and Chief Financial Officer since June 2003.
Larry E. Kittelberger, 60 2001	Senior Vice President Technology and Operations since October 2006. Senior Vice President Administration and Chief Information Officer from August 2001 to October 2006.
Peter M. Kreindler, 63 1992	Senior Vice President, Government and Regulatory Affairs since September 2008. Senior Vice President and General Counsel from January 1992 to August 2008.
Mark R. James, 47 2007	Senior Vice President Human Resources and Communications since November 2007. Vice President of Human Resources and Communications for Aerospace from October 2004 to November 2007. Vice President of Human Resources for Aerospace Electronic Systems from March 2001 to October 2004.

(a) Also a Director.

Part II.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market and dividend information for Honeywell's common stock is included in Note 26 of Notes to Financial Statements in "Item 8. Financial Statements and Supplementary Data."

The number of record holders of our common stock at December 31, 2008 was 66,634.

Honeywell did not purchase any of its common stock, par value \$1 per share, for the quarter ending December 31, 2008. Honeywell purchased a total of 27,400,000 shares of common stock in 2008. Under the Company's previously reported \$3.0 billion share repurchase program, \$1.3 billion remained available as of December 31, 2008 for additional share repurchases. The amount and timing of future repurchases may vary depending on market conditions and the level of operating and other investing activities.

Performance Graph

The following graph compares the five-year cumulative total return on our Common Stock to the total returns on the Standard & Poor's 500 Stock Index and a composite of Standard & Poor's Aerospace and Defense and Industrial Conglomerates indices, on an equally weighted basis (the "Composite Index"). The selection and weighting of the Aerospace and Defense component of the Composite Index was deemed appropriate in light of the fact that Honeywell's Aerospace segment has accounted for, on average, approximately 50% of our aggregate segment profit over the past three completed fiscal years. The selection and weighting of the Industrial Conglomerates component of the Composite Index reflects the diverse and distinct range of non-aerospace businesses conducted by Honeywell and their contribution to our overall segment profits. The annual changes for the five-year period shown in the graph are based on the assumption that \$100 had been invested in Honeywell stock and each index on December 31, 2003 and that all dividends were reinvested.

□

HONEYWELL INTERNATIONAL INC.

Item 6. Selected Financial Data

	Years Ended December 31,				
	2008	2007	2006	2005	2004
(Dollars in millions, except per share amounts)					
Results of Operations					
Net sales	\$ 36,556	\$ 34,589	\$ 31,367	\$ 27,652	\$ 25,593
Income from continuing operations	2,792	2,444	2,078	1,564	1,246
Per Common Share					
Earnings from continuing operations:					
Basic	3.79	3.20	2.53	1.85	1.45
Assuming dilution	3.76	3.16	2.51	1.84	1.45
Dividends	1.10	1.00	0.9075	0.825	0.75
Financial Position at Year-End					
Property, plant and equipment—net	4,934	4,985	4,797	4,658	4,331
Total assets	35,490	33,805	30,941	31,633	30,570
Short-term debt	2,510	2,238	1,154	2,024	1,204
Long-term debt	5,865	5,419	3,909	3,082	4,069
Total debt	8,375	7,657	5,063	5,106	5,273
Shareowners' equity(1)	7,187	9,222	9,720	10,762	10,777

(1) For the year ended December 31, 2006 shareowners' equity includes a reduction of \$1,512 related to the adoption of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans".

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand the results of operations and financial condition of Honeywell International Inc. ("Honeywell") for the three years ended December 31, 2008. All references to Notes relate to Notes to the Financial Statements in "Item 8—Financial Statements and Supplementary Data".

CONSOLIDATED RESULTS OF OPERATIONS

Net Sales

	2008	2007	2006
	(Dollars in millions)		
Net sales	\$ 36,556	\$ 34,589	\$ 31,367
% change compared with prior year	6%	10%	

The change in net sales in 2008 and 2007 is attributable to the following:

	2008 Versus 2007	2007 Versus 2006
Price	2%	1%
Volume	—	6
Foreign Exchange	1	2
Acquisitions/Divestitures	3	1

The increase in full year 2008 sales was partially offset by a 6 percent decrease in sales during the fourth quarter of 2008 compared to the prior year period. A discussion of net sales by segment can be found in the Review of Business Segments section of this MD&A.

Cost of Products and Services Sold

	2008	2007	2006
	(Dollars in millions)		
Cost of products and services sold	\$ 27,994	\$ 26,300	\$ 24,096
Gross margin %	23.4 %	24.0 %	23.2 %

Gross margin decreased by 0.6 of a percentage point in 2008 compared with 2007 primarily due to (i) higher repositioning charges and (ii) decreases of 2.2 and 1.4 percent, respectively, in our Transportation Systems and Specialty Materials segments, primarily due to lower sales volume, partially offset by (i) lower pension and other post retirement benefits expense, (ii) higher margins in our Automation and Controls Solutions segment of 0.8 of a percentage point mainly resulting from productivity savings, and (iii) higher margins in our Aerospace segment of 0.2 of a percentage point mainly resulting from sales volume growth and increased prices. We expect pension and other post retirement expense to increase in 2009.

Gross margin increased by 0.8 of a percentage point in 2007 compared with 2006 primarily due to (i) higher margins in our Specialty Materials segment of 1.0 percentage point mainly due to the continued growth of UOP, (ii) higher margins in our Aerospace segment of 0.8 of a percentage point mainly resulting from sales volume growth, increased prices and productivity savings, and (iii) lower pension and other post retirement benefits expense of 0.3 of a percentage point, which were partially offset by lower margins in our Transportation Systems segment of 1.0 percentage point primarily attributable to lower Consumer Products Group ("CPG") sales volume and operational planning and production issues.

For further discussion of segment results, see "Review of Business Segments".

Selling, General and Administrative Expenses

	2008	2007	2006
	(Dollars in millions)		
Selling, general and administrative expenses	\$ 5,033	\$ 4,565	\$ 4,210
Percent of sales	13.8 %	13.2 %	13.4 %

Selling general and administrative expenses (SG&A) as a percentage of sales increased by 0.6 of a percentage point in 2008 compared with 2007. The increase was primarily due to higher SG&A in our Automation and Control Solutions segment mainly due to acquisitions, partially offset by decreases in SG&A in our Specialty Materials and Aerospace segments mainly due to cost savings initiatives and the positive impact of prior repositioning actions.

SG&A as a percentage of sales decreased by 0.2 of a percentage point in 2007 compared with 2006. SG&A as a percentage of sales decreased in all of our segments primarily due to the benefits from cost savings initiatives and the positive impact of prior repositioning actions. A reduction of 0.1 of a percentage point from lower pension and other post retirement benefits expense was offset by higher repositioning costs.

Other (Income)/Expense

	2008	2007	2006
	(Dollars in millions)		
Gain on sale of non-strategic businesses and assets	\$ (635)	\$ (19)	\$ (30)
Equity (income)/loss of affiliated companies	(63)	(10)	(13)
Interest income	(102)	(81)	(94)
Foreign exchange	52	34	18
Other (net)	20	23	8
Total	<u>\$ (728)</u>	<u>\$ (53)</u>	<u>\$ (111)</u>

Other income increased by \$675 million in 2008 compared to 2007 primarily due to a higher gain on sale of non-strategic businesses and assets representing the sale of our Consumables Solutions

business and higher income from equity method investments (mainly in our Specialty Material segment).

Other income decreased by \$58 million, or 52 percent in 2007 compared to 2006 primarily as a result of lower interest income due to interest received on a favorable tax settlement in 2006 and higher foreign exchange losses due to changes in exchange rates.

Interest and Other Financial Charges

	2008	2007	2006
	(Dollars in millions)		
Interest and other financial charges	\$ 456	\$ 456	\$ 374
% change compared with prior year	—%	22%	

Interest and other financial charges were flat in 2008 compared to 2007 due to higher debt balances offset by lower borrowing costs. Interest and other financial charges increased by 22 percent in 2007 compared with 2006, due to higher debt balances and higher borrowing costs.

Tax Expense

	2008	2007	2006
	(Dollars in millions)		
Tax expense	\$ 1,009	\$ 877	\$ 720
Effective tax rate	26.5%	26.4%	25.7%

The effective tax rate increased by 0.1 of a percentage point in 2008 compared with 2007 due principally to a higher overall state effective tax rate and a decreased impact from the settlement of audits, partially offset by a decrease in the foreign effective tax rate. The effective tax rate was lower than the U.S. statutory rate of 35 percent primarily due to earnings taxed at lower foreign tax rates.

The effective tax rate increased by 0.7 of a percentage point in 2007 compared with 2006 due principally to the expiration of the tax benefit on export sales, partially offset by a decrease in the overall state and foreign effective tax rate, an increase in the tax benefit for the domestic manufacturing deduction, and the favorable resolution of certain tax audits. The effective tax rate was lower than the statutory rate of 35 percent due in part to tax benefits derived from lower foreign taxes and benefits from tax planning strategies.

In 2009, the effective tax could change based upon the Company's operating results and the outcome of tax positions taken regarding previously filed tax returns currently under audit by various Federal, State and foreign tax authorities, several of which may be utilized in the foreseeable future. The Company believes that it has adequate reserves for these matters, the outcome of which could materially impact the results of operations and operating cash flows in the period they are resolved.

Income From Continuing Operations

	2008	2007	2006
	(Dollars in millions, except per share amounts)		
Income from continuing operations	\$ 2,792	\$ 2,444	\$ 2,078
Earnings per share of common stock—assuming dilution	\$ 3.76	\$ 3.16	\$ 2.51

The increase of \$0.60 in earnings (diluted) per share from continuing operations in 2008 compared with 2007 primarily relates to (i) the gain on sale of the Consumables Solutions business, (ii) lower pension and other post retirement expense, (iii) an increase in segment profit (most significantly in Automation and Control Solutions and Aerospace, partially offset by a decline in Transportation Systems segment profit) and (iv) a reduction in the number of shares outstanding due to share repurchases, partially offset by increased repositioning costs.

The increase of \$0.65 in earnings (diluted) per share from continuing operations in 2007 compared with 2006 primarily relates to an increase in segment profit (most significantly in Aerospace and Automation and Control Solutions), a reduction in the number of shares outstanding due to share



repurchases, and lower pension and other post retirement expense, partially offset by increased repositioning costs.

For further discussion of segment results, see "Review of Business Segments".

Income From Discontinued Operations

Income from discontinued operations of \$5 million, or \$0.01 earnings per share (diluted) in 2006 relates to the operating results of the Indalex business which was sold in February 2006 to Sun Capital Partners, Inc.

BUSINESS OVERVIEW

This Business Overview provides a summary of Honeywell and its four reportable operating segments (Aerospace, Automation and Control Solutions, Specialty Materials and Transportation Systems), including their respective areas of focus for 2009 and the relevant economic and other factors impacting their results, and a discussion of each segment's results for the three years ended December 31, 2008. Each of these segments is comprised of various product and service classes that serve multiple end markets. See Note 23 to the financial statements for further information on our reportable segments and our definition of segment profit.

Economic and Other Factors

In addition to the factors listed below with respect to each of our operating segments, our consolidated operating results are principally driven by:

- Impact of global economic growth rates (US, Europe and emerging regions) and industry conditions on demand in our key end markets;
- Overall sales mix, in particular the mix of Aerospace original equipment and aftermarket sales and the mix of Automation and Control Solutions (ACS) products and services sales;
- The extent to which cost savings from productivity actions are able to offset or exceed the impact of material and non-material inflation;
- The impact of the pension discount rate on pension expense and pension asset returns on funding requirements; and
- The impact of changes in foreign currency exchange rate, particularly the US dollar-Euro exchange rate.

Areas of Focus for 2009

The areas of focus for 2009, which are generally applicable to each of our operating segments, include:

- Driving profitable growth by building innovative products that address customer needs;
- Achieving sales growth, technological excellence and manufacturing capability through global expansion, especially focused on emerging regions in China, India and the Middle East;
- Proactively managing raw material costs through formula and long term supply agreements, price increases and hedging activities, where feasible;
- Driving cash flow conversion through effective working capital management and capital investment in our businesses, thereby enabling liquidity, repayment of debt, strategic acquisitions, and the ability to return value to shareholders;
- Actively monitoring trends in short-cycle end markets, such as the Transportations Systems turbo business, ACS products businesses, Aerospace business and general aviation aftermarket and Specialty Materials resins and chemicals, and continuing to take proactive cost actions;
- Align and prioritize investments in long-term growth vs. short-term demand volatility;
- Driving productivity savings through execution of repositioning actions;

- Actively reducing discretionary spending with focus on non-customer related costs;
- Proactively managing capacity utilization, supply chain and inventory demand while achieving customer satisfaction;
- Utilizing our enablers Honeywell Operating System (HOS), Functional Transformation and Velocity Product Development (VPD) to standardize the way we work, increase quality and reduce the costs of product manufacturing, reduce costs and enhance the quality of our administrative functions and improve business operations through investments in systems and process improvements;
- Monitoring both suppliers and customers for signs of liquidity constraints, limiting exposure to any resulting inability to meet delivery commitments or pay amounts due, and identifying alternate sources of supply as necessary; and
- Managing Corporate costs, including costs incurred for asbestos and environmental matters, pension and other post-retirement expenses and our tax expense.

Review of Business Segments

	2008	2007	2006
	(Dollars in millions)		
Net Sales			
Aerospace	\$ 12,650	\$ 12,236	\$ 11,124
Automation and Control Solutions	14,018	12,478	11,020
Specialty Materials	5,266	4,866	4,631
Transportation Systems	4,622	5,009	4,592
Corporate	—	—	—
	<u>\$ 36,556</u>	<u>\$ 34,589</u>	<u>\$ 31,367</u>
Segment Profit			
Aerospace	\$ 2,300	\$ 2,197	\$ 1,892
Automation and Control Solutions	1,622	1,405	1,223
Specialty Materials	721	658	568
Transportation Systems	406	583	574
Corporate	(204)	(189)	(177)
	<u>\$ 4,845</u>	<u>\$ 4,654</u>	<u>\$ 4,080</u>

A reconciliation of segment profit to income from continuing operations before taxes follows:

	2008	2007	2006
	(Dollars in millions)		
Segment profit	\$ 4,845	\$ 4,654	\$ 4,080
Other income (expense)(1)	665	53	111
Interest and other financial charges	(456)	(456)	(374)
Stock compensation expense(2),(3)	(128)	(65)	(77)
Pension and other postretirement benefits (expense)(2)	(113)	(322)	(459)
Repositioning and other charges(2)	(1,012)	(543)	(483)
Income from continuing operations before taxes	<u>\$ 3,801</u>	<u>\$ 3,321</u>	<u>\$ 2,798</u>

(1) Equity income/(loss) of affiliated companies was included in Segment Profit, on a prospective basis, commencing January 1, 2008. Other income/(expense) as presented above includes equity income/(loss) of affiliated companies of \$10 and \$13 million for the years ended December 31, 2007 and 2006, respectively.

(2) Amounts included in cost of products and services sold and selling, general and administrative expenses.



- (3) Costs associated with restricted stock units (“RSU”) were excluded from Segment Profit, on a prospective basis, commencing January 1, 2008. Stock compensation expense, including RSU expense, totaled \$112 and \$106 million for the years ended December 31, 2007 and 2006, respectively. Stock option expense is included for all periods presented.

Aerospace

Overview

Aerospace is a leading global supplier of aircraft engines, avionics, and related products and services for aircraft manufacturers, airlines, aircraft operators, military services, and defense and space contractors. Our Aerospace products and services include auxiliary power units, propulsion engines, environmental control systems, engine controls, flight safety, communications, navigation, radar and surveillance systems, aircraft lighting, management and technical services, advanced systems and instruments, aircraft wheels and brakes and repair and overhaul services. Aerospace sells its products to original equipment (OE) manufacturers in the air transport, regional, business and general aviation aircraft segments, and provides spare parts and repair and maintenance services for the aftermarket (principally to aircraft operators). The United States Government is also a major customer for our defense and space products.

Economic and Other Factors

Aerospace operating results are principally driven by:

- New aircraft production rates and delivery schedules set by commercial air transport, regional jet, business and general aviation OE manufacturers, as well as airline profitability and retirement of aircraft from service;
- Global demand for commercial air travel as reflected in global flying hours and utilization rates for corporate and general aviation aircraft, as well as the demand for spare parts and maintenance and repair services for aircraft currently in use;
- Level and mix of U.S. Government appropriations for defense and space programs and military activity; and
- Availability and price volatility of raw materials such as titanium and other metals.

Results of Operations

	2008	2007	2006
	(Dollars in millions)		
Net sales	\$ 12,650	\$ 12,236	\$ 11,124
% change compared with prior year	3 %	10 %	
Segment profit	\$ 2,300	\$ 2,197	\$ 1,892
% change compared with prior year	5 %	16 %	

Aerospace sales by major customer end-markets were as follows:

Customer End-Markets	% of Aerospace Sales			% Change in Sales	
	2008	2007	2006	2008 Versus 2007	2007 Versus 2006
Commercial:					
Air transport and regional original equipment	14 %	16 %	16 %	(6) %	10 %
Air transport and regional aftermarket	23	22	22	4	8
Business and general aviation original equipment	11	11	12	5	16
Business and general aviation aftermarket	10	10	10	6	16
Defense and Space	42	41	40	6	8
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>3 %</u>	<u>10 %</u>



2008 compared with 2007

Aerospace sales increased by 3 percent in 2008. Details regarding the net increase in sales by customer end-markets are as follows:

- Air transport and regional original equipment (OE) sales decreased by 6 percent in 2008. The decrease is driven by the sale of our Consumables Solutions business, partially offset by increased deliveries to our air transport customers, notwithstanding a decrease in total aircraft production rates at major OEM's mainly due to a strike at a major OEM, which was settled in the fourth quarter. We expect sales to OE customers to decline in the first quarter of 2009 due to reduced delivery schedules in light of order deferrals and cancellations and platform mix.
- Air transport and regional aftermarket sales increased by 4 percent in 2008 primarily due to increased volume, the price of spare parts and aftermarket growth driven by flight hour growth. Consistent with our previously reported expectations, the growth rate in global flying hours slowed to 3 percent in 2008, including a 2 percent decline in the fourth quarter and is expected to decline further in the first quarter of 2009. In addition, aftermarket customers may change buying patterns and reduce inventory levels.
- Business and general aviation OE sales increased by 5 percent in 2008 due to continued demand in the business jet end market as evidenced by an increase in new business jet deliveries (which is expected to decline in the first quarter of 2009), improved pricing and continued additions to the fractional ownership and charter fleets (which is expected to decline in the first quarter of 2009). In 2008 sales to this end-market primarily consisted of sales of Primus Epic integrated avionics systems and the TFE 731 and HTF 7000 engines.
- Business and general aviation aftermarket sales increased by 6 percent in 2008. The increase was primarily due to increased revenue under maintenance service agreements and higher sales of spare parts both of which are expected to decline in the first quarter of 2009, consistent with the expected decrease in business jet utilization.
- Defense and space sales increased by 6 percent in 2008. The increase was primarily due to logistics services (including the positive impact of the acquisition of Dimensions International, a defense logistics business), helicopter OE sales, an increase in government funded engineering related to the Orion (CEV) program, higher sales of specialty foam insulation, certain surface systems and classified space programs.

Aerospace segment profit increased by 5 percent in 2008 compared to 2007 due primarily to increased prices, productivity and sales volume growth. These increases are partially offset by inflation, the Consumable Solutions divestiture and higher spending to support new platform growth. We expect segment profit to decline in the first quarter of 2009 primarily due to the expected adverse sales impacts noted above.

2007 compared with 2006

Aerospace sales increased by 10 percent in 2007. Details regarding the net increase in sales by customer end-markets are as follows:

- Air transport and regional original equipment (OE) sales increased by 10 percent in 2007 compared to 2006. This increase was driven by increased deliveries to air transport customers primarily due to higher aircraft production rates at major OE manufacturers.
- Air transport and regional aftermarket sales increased by 8 percent in 2007. The increase was a result of increased sales volumes and price of spare parts and maintenance activity relating to the approximately 6 percent increase in global flying hours.
- Business and general aviation OE sales increased by 16 percent in 2007. The increase is due to continued demand in the business jet end market as evidenced by an increase in new business jet deliveries, as well as the launch of new aircraft platforms. Sales to this end-market primarily consisted of sales of Primus Epic integrated avionics systems and the TFE 731 and HTF 7000 engines.

- Business and general aviation aftermarket sales increased by 16 percent in 2007. This was primarily due to increased revenue under maintenance service agreements and higher sales of spare parts.
- Defense and space sales increased by 8 percent in 2007. The increase was primarily due to higher sales of surface systems, a 2 percent positive impact of the acquisition of Dimensions International and an increase in space sales, including engineering activities relating to the Orion (CEV) program.

Aerospace segment profit increased by 16 percent in 2007 compared to 2006 due primarily to sales volume growth, increased prices and productivity, partially offset by inflation.

2009 Areas of Focus

Aerospace's primary areas of focus for 2009 include:

- Focus on cost structure initiatives to maintain profitability in the face of challenging conditions in the aerospace industry, such as lower flight hours and order deferrals and cancellations;
- Aligning inventory, production and research and development with customer demand and production schedules;
- Pursuit of new defense and space platforms and growth opportunities;
- Continuing to design equipment that enhances the safety, performance and durability of aerospace and defense equipment, while reducing weight and operating costs; and
- Delivering world-class customer service and achieving cycle and lead time reduction to improve responsiveness to customer demand.

Automation and Control Solutions (ACS)

Overview

ACS provides innovative solutions that make homes, buildings, industrial sites and infrastructure more efficient, safe and comfortable. Our ACS products and services include controls for heating, cooling, indoor air quality, ventilation, humidification, lighting and home automation; advanced software applications for home/building control and optimization; sensors, switches, control systems and instruments for measuring pressure, air flow, temperature and electrical current; security, fire and gas detection; personal protection equipment; access control; video surveillance; remote patient monitoring systems; products for automatic identification and data collection, installation, maintenance and upgrades of systems that keep buildings safe, comfortable and productive; and automation and control solutions for industrial plants, including advanced software and automation systems that integrate, control and monitor complex processes in many types of industrial settings.

Economic and Other Factors

ACS's operating results are principally driven by:

- The growth of global commercial construction (including retrofits and upgrades);
- Demand for residential security and environmental control retrofits and upgrades;
- Demand for energy efficient products and solutions;
- Industrial production;
- Government and public sector spending;
- U.S. and European economic conditions;
- Economic growth rates in developed (U.S. and Europe) and emerging markets;
- The strength of capital and operating spending on process (including petrochemical and refining) and building automation; and



- Changes to energy, fire, security, health care, safety and environmental concerns and regulations.

Results of Operations

	2008	2007	2006
	(Dollars in millions)		
Net sales	\$ 14,018	\$ 12,478	\$ 11,020
% change compared with prior year	12 %	13 %	
Segment profit	\$ 1,622	\$ 1,405	\$ 1,223
% change compared with prior year	15 %	15 %	

2008 compared with 2007

ACS sales increased by 12 percent in 2008 compared with 2007, including 10 percent net growth from acquisitions and divestitures. Although foreign exchange had minimal impact on full year sales, there was a 9 percent negative impact of foreign exchange on fourth quarter sales.

- Sales in our Products businesses grew by 15 percent, including (i) the positive impact of acquisitions, most significantly Norcross Safety Products, Metrologic Instruments, Hand Held Products Inc and Maxon Corporation, (ii) continued strong demand for life safety products, particularly fire systems and sensors and (iii) increased sales of our environmental and combustion products, driven by new products and demand for energy efficient controls, including growth across all regions. These factors were partially offset by decreases in sales volumes of our security (reflecting U.S. and European residential construction softness) and sensing and controls products (most notably automotive customers), reflecting softness in the U.S. and Europe.
- Sales in our Solutions businesses increased by 8 percent primarily due to (i) volume growth, driven by continued orders growth and strong conversion to sales from our orders backlog and (ii) the positive impact of acquisitions, most significantly Enraf Holding B.V.

ACS segment profit increased by 15 percent in 2008 compared with 2007 principally due to increased productivity savings, acquisitions, and improved pricing, partially offset by inflation.

2007 compared with 2006

ACS sales increased by 13 percent in 2007 compared with 2006, including 4 percent favorable impact of foreign exchange and net growth from acquisitions and divestitures of 2 percent.

- Sales in our Products businesses grew by 11 percent, driven by (i) increased sales of security products primarily due to growth in intrusion products, European distribution sales and emerging markets, (ii) continued strong demand for life safety products and (iii) introduction of new environmental and combustion control products.
- Sales in our Solutions businesses increased by 17 percent with growth in all regions, driven by energy retrofit and refining services projects, global infrastructure expansion, continued growth in orders and conversion to sales from our order backlog, as well as the favorable impact of foreign exchange.

ACS segment profit increased by 15 percent in 2007 compared with 2006 principally due to increased Products and Solutions sales volume and productivity savings, partially offset by inflation. We continue to experience a change in mix resulting from stronger sales growth in our Solutions businesses that historically have lower margins than our Products businesses.

2009 Areas of Focus

ACS's primary areas of focus for 2009 include:

- Extending technology leadership: lowest total installed cost and integrated product solutions;
- Defending and extending our installed base through customer productivity and globalization;

- Sustaining strong brand recognition through our brand and channel management;
- Centralization and standardization of global software development capabilities;
- Continuing to identify, execute and integrate acquisitions in or adjacent to the markets which we serve;
- Continuing to establish emerging markets presence and capability;
- Process solutions for asset management and energy efficiency; and
- Continuing to invest in new product development.

Specialty Materials

Overview

Specialty Materials develops and manufactures high-purity, high-quality and high-performance chemicals and materials for applications in the refining, petrochemical, automotive, healthcare, agricultural, packaging, refrigeration, appliance, housing, semiconductor, wax and adhesives segments. Specialty Materials also provides process technology, products and services for the petroleum refining, petrochemical and other industries. Specialty Materials' product portfolio includes fluorocarbons, caprolactam, ammonium sulfate for fertilizer, specialty films, advanced fibers, customized research chemicals and intermediates, electronic materials and chemicals, catalysts, and adsorbents.

Economic and Other Factors

Specialty Materials operating results are principally driven by:

- Level of capital spending and capacity and utilization rates in refining and petrochemical end markets;
- Degree of pricing volatility in raw materials such as benzene (the key component in phenol), fluorspar, natural gas, ethylene and sulfur;
- Impact of environmental and energy efficiency regulations;
- Extent of change in order rates from global semiconductor customers;
- Global demand for non-ozone depleting Hydro fluorocarbons (HFC's);
- Condition of the US residential housing industry; and
- Global demand for commodities such as caprolactam and ammonium sulfate.

Results of Operations

	2008	2007	2006
	(Dollars in millions)		
Net sales	\$ 5,266	\$ 4,866	\$ 4,631
% change compared with prior year	8%	5%	
Segment profit	\$ 721	\$ 658	\$ 568
% change compared with prior year	10%	16%	

2008 compared with 2007

Specialty Materials sales increased by 8 percent in 2008 compared to 2007 primarily driven by (i) increased pricing reflecting the pass-through of higher raw material costs and other pricing actions (including benefits from formula based pricing arrangements), most significantly in Resins and Chemicals and Fluorine Products, and (ii) an 8 percent increase in UOP sales as a result of higher volume sales in its products and projects businesses. Full year 2008 sales growth was partially offset by a 12 percent sales decline in revenue during the fourth quarter, primarily in our Resins and Chemicals business due to sharp declines in global demand for commodities such as caprolactam and ammonium sulfate.

Specialty Materials segment profit increased by 10 percent in 2008 compared with 2007. This increase is due principally to increased UOP, Fluorine Products and Resins and Chemicals sales as a result of the factors discussed above and higher income from our joint ventures, partially offset by the impacts of hurricanes Gustav and Ike and the fourth quarter sales decline noted below. Overall, the effects of increased pricing reflecting the pass-through of higher raw material costs and other pricing actions (including benefits from formula based pricing arrangements) and productivity gains more than offset raw material (most significantly sulfur) and other inflation.

In 2009, we expect continued declines in global demand for commodities such as caprolactam and ammonium sulfate, as well as demand from semiconductor customers, and delays in the timing of new unit deliveries of UOP products and catalyst reloads.

2007 compared with 2006

Specialty Materials sales increased by 5 percent in 2007 compared to 2006 driven by (i) a 16 percent increase in UOP sales primarily as a result of higher volume in its projects business principally due to capacity expansion in the refining and petrochemical industries and (ii) a 4 percent increase in Specialty Products sales due in large part to increased sales of electronic chemicals and specialty additives and higher sales to customers in the health care industry. Partially offsetting these increases was a 6 percent decrease in Fluorine Products sales primarily due to lower refrigerant pricing and lower sales volume of foam blowing agents used in insulating material as a result of continued weakness in the U.S. housing market.

Specialty Materials segment profit increased by 16 percent in 2007 compared with 2006 principally due to increased UOP and Specialty Products sales partially offset by the decline in Fluorine Products sales as a result of the factors discussed above. Additionally, the effects of increased pricing and productivity more than offset raw material and other cost inflation.

2009 Areas of Focus

Specialty Materials primary areas of focus for 2009 include:

- Achieving productivity savings and pricing actions to offset inflation and reduced capacity utilization;
- Managing business exposure to commodity market conditions;
- Reduce manufacturing costs and drive quality and delivery improvement through improved plant operational performance;
- Timing of UOP catalyst sales and conversion of confirmed backlog;
- Prioritizing capital expenditures;
- Developing new products that address energy efficiency, renewable energy sources, global warming and security regulations;
- Increasing product differentiation; and
- Continued contract wins and development of new process technologies and products in the petrochemical and refining industries.

Transportation Systems

Overview

Transportation Systems provides automotive products that improve the performance, efficiency, and appearance of cars, trucks, and other vehicles through state-of-the-art technologies, world class brands and global solutions to customers' needs. Transportation Systems' products include turbochargers and charge-air and thermal systems; car care products including anti-freeze (Prestone(R)), filters (Fram(R)), spark plugs (Autolite(R)), and cleaners, waxes and additives (Holts(R)); and brake hard parts and other friction materials (Bendix(R) and Jurid(R)). Transportation

Systems sells its products to original equipment (“OE”) automotive and truck manufacturers (e.g., BMW, Caterpillar, Daimler, Renault, Ford, and Volkswagen), wholesalers and distributors and through the retail aftermarket.

Economic and Other Factors

Transportation Systems operating results are principally driven by:

- Financial strength and stability of automotive OE manufacturers;
- Global demand for automobile and truck production;
- Turbo penetration rates for new engine platforms;
- Global consumer preferences for boosted diesel passenger cars;
- Degree of volatility in raw material prices, including nickel and steel;
- Automotive aftermarket trends such as consumer confidence, miles driven, and consumer preference for branded vs. private label aftermarket and car care products;
- Regulations mandating lower emissions and improved fuel economy; and
- Consumers’ ability to obtain financing for new vehicle purchases.

Results of Operations

	2008	2007	2006
	(Dollars in millions)		
Net sales	\$ 4,622	\$ 5,009	\$ 4,592
% change compared with prior year	(8 %)	9 %	
Segment profit	\$ 406	\$ 583	\$ 574
% change compared with prior year	(30 %)	2 %	

2008 compared with 2007

Transportation Systems sales decreased by 8 percent in 2008 compared with 2007, primarily due to lower volumes, most significantly in the second half of 2008, partially offset by the favorable impact of foreign exchange.

- Turbo Technologies sales decreased by 9 percent primarily due to decreased volume from a broad decline in vehicle production due to challenging automotive industry conditions in the U.S. and Europe, which accelerated in the second half of 2008, impacting sales to both our commercial and light vehicle engine manufacturers, partially offset by the favorable impact of foreign exchange. We also continue to see a shift in consumer preference towards lower displacement engines, as well as the delay of new platform launches.
- Consumer Products Group (“CPG”) sales decreased by 10 percent primarily due to lower sales of automotive aftermarket products reflecting lower miles driven and the impact of lower consumer confidence on discretionary spending, partially offset by higher prices (including the pass through of ethylene glycol cost increases).
- Friction Materials sales were essentially unchanged, primarily due to the favorable impact of foreign exchange and increased pricing offset by lower original equipment and aftermarket product sales volume.

Transportation Systems segment profit decreased by 30 percent in 2008 compared with 2007 primarily due to volume declines, as discussed above, material and non-material cost inflation and investments in product development to support future Turbo platforms. These factors were partially offset by increased productivity and the favorable impact of foreign exchange.

2007 compared with 2006

Transportation Systems sales increased 9 percent in 2007 compared with 2006, primarily due to the 5 percent favorable impact of foreign exchange and increased Turbo Technologies sales volume.

- Turbo Technologies sales increased by 12 percent primarily due to the favorable impact of foreign exchange and strong sales to European light vehicle manufacturers, resulting from increased production and diesel penetration rates, as well as sales related to the launch of new turbo platforms by these customers, partially offset by lower sales to commercial vehicle engine manufacturers.
- Consumer Products Group (“CPG”) sales increased by 4 percent primarily due to the favorable impact of foreign exchange and higher prices (primarily to pass through ethylene glycol cost increases). This higher pricing was offset by lower sales volume, primarily due to continued softness in the US automotive aftermarket.

Transportation System segment profit increased by 2 percent in 2007 compared with 2006 primarily due to increased productivity, increased prices and lower warranty expense partially offset by the impact of inflation (primarily relating to nickel components), investment in product development to support future Turbo platforms, costs associated with CPG product introductions and CPG operational planning and production issues.

2009 Areas of Focus

Transportation Systems primary areas of focus in 2009 include:

- Sustaining superior turbocharger technology through successful platform launches;
- Maintaining the high quality of current products while executing new product introductions;
- Increasing global penetration and share of diesel and gasoline turbocharger OEM demand;
- Increasing plant productivity to address capacity challenges generated by volatility in product demand and elevated OEM inventory levels ;
- Align cost structure to reflect current economic outlook, and successful execution of repositioning actions;
- Alignment of development efforts and costs with new turbo platform launch schedules; and
- Further global expansion and extension of established strong product brands in CPG.

Repositioning and Other Charges

See Note 3 to the financial statements for a discussion of repositioning and other charges incurred in 2008, 2007 and 2006. The 2008 and 2007 repositioning actions are expected to generate incremental pretax savings of approximately \$180 million in 2009 compared with 2008 principally from planned workforce reductions. Cash expenditures for severance and other exit costs necessary to execute our repositioning actions were \$157, \$92 and \$142 million in 2008, 2007 and 2006, respectively. Such expenditures for severance and other exit costs have been funded principally through operating cash flows. Cash expenditures for severance and other exit costs necessary to execute the remaining actions are expected to approximate \$250 million in 2009 and will be funded through operating cash flows.

The following tables provide details of the pretax impact of total net repositioning and other charges by segment.

	Years Ended December 31,		
	2008	2007	2006
	(Dollars in millions)		
Aerospace			
Net repositioning charge	<u>\$ 84</u>	<u>\$ 37</u>	<u>\$ 10</u>

	Years Ended December 31,		
	2008	2007	2006
	(Dollars in millions)		
Automation and Control Solutions			
Net repositioning charge	\$ 164	\$ 127	\$ 39
	<u>\$ 164</u>	<u>\$ 127</u>	<u>\$ 39</u>
	Years Ended December 31,		
	2008	2007	2006
	(Dollars in millions)		
Specialty Materials			
Net repositioning charge	\$ 37	\$ 5	\$ 11
Business impairment charges	—	9	12
Arbitration award related to phenol supply agreement	—	—	(18)
Probable and reasonably estimable environmental liabilities	5	—	—
	<u>\$ 42</u>	<u>\$ 14</u>	<u>\$ 5</u>
	Years Ended December 31,		
	2008	2007	2006
	(Dollars in millions)		
Transportation Systems			
Net repositioning charge	\$ 103	\$ 19	\$ 32
Asbestos related litigation charges, net of insurance	125	100	261
Probable and reasonably estimable environmental liabilities	4	—	—
Other	1	—	—
	<u>\$ 233</u>	<u>\$ 119</u>	<u>\$ 293</u>
	Years Ended December 31,		
	2008	2007	2006
	(Dollars in millions)		
Corporate			
Net repositioning charge	\$ 36	\$ 3	\$ 10
Asbestos related litigation charges, net of insurance	—	—	(135)
Probable and reasonably estimable environmental liabilities	456	225	210
Other	(3)	18	51
	<u>\$ 489</u>	<u>\$ 246</u>	<u>\$ 136</u>

LIQUIDITY AND CAPITAL RESOURCES

The Company continues to manage its businesses to maximize operating cash flows as the primary source of liquidity. In addition to our available cash and operating cash flows, additional sources of liquidity include committed credit lines, short-term debt from the commercial paper market, long-term borrowings, and access to the public debt and equity markets, as well as the ability to sell trade accounts receivables. We continue to balance our cash and financing uses through investment in our existing core businesses, acquisition activity, share repurchases and dividends.

Cash Flow Summary

Our cash flows from operating, investing and financing activities, as reflected in the Consolidated Statement of Cash Flows for the years ended December 31, 2008, 2007 and 2006 are summarized as follows:

	2008	2007	2006
	(Dollars in millions)		
Cash provided by (used for):			
Operating activities	\$ 3,791	\$ 3,911	\$ 3,211
Investing activities	(2,023)	(1,782)	(614)
Financing activities	(1,370)	(1,574)	(2,649)
Effect of exchange rate changes on cash	(162)	50	42
Net increase/(decrease) in cash and cash equivalents	<u>\$ 236</u>	<u>\$ 605</u>	<u>\$ (10)</u>

2008 compared with 2007

Cash provided by operating activities decreased by \$120 million during 2008 compared with 2007 primarily due to a decrease in accrued liabilities of \$475 million (decreased advances from customers and deferred income) and higher cash tax payments of \$336 million (most significantly due to the sale of the Consumables Solutions business) partially offset by increased earnings, lower cash payments for asbestos of \$121 million, and a decrease in working capital (lower accounts and other receivable offset by higher accounts payable).

Cash used for investing activities increased by \$241 million during 2008 compared with 2007 due primarily to higher spending for acquisitions partially offset by higher proceeds from sales of businesses. In 2008, cash paid for acquisitions, net of cash acquired was \$2,181 million primarily for Safety Products Holding, Inc. (Norcross) and Metrologic Instruments, Inc. compared to \$1,150 million in 2007, primarily for our acquisitions of Dimensions International, Enraf Holding B.V., Hand Held Products, Inc, and Maxon Corporation. Cash proceeds from divestitures were \$909 million in 2008, compared to \$51 million in 2007 primarily due to the sale of Consumables Solutions.

Cash used for financing activities decreased by \$204 million during 2008 compared with 2007 primarily due to a \$2,527 million decrease in repurchases of common stock partially offset by decreases in net proceeds from debt (including commercial paper) of \$1,797 million and a decrease in proceeds from issuance of common stock primarily related to stock option exercises of \$457 million.

2007 compared with 2006

Cash provided by operating activities increased by \$700 million during 2007 compared with 2006 primarily due to increased earnings, an increase in accrued liabilities of \$349 million (primarily compensation, benefits and other employee related accruals, as well as customer advances and deferred income), a \$55 million decrease in repositioning payments partially offset by decreased deferred income tax expense of \$118 million and increased working capital usage of \$68 million (accounts and other receivables, inventory and accounts payable).

Cash used for investing activities increased by \$1,168 million during 2007 compared with 2006 due primarily to higher spending for acquisitions, and lower proceeds from sales of businesses. In 2007, cash paid for acquisitions, net of cash acquired was \$1,150 million primarily for Dimensions International, Enraf Holding B.V., Hand Held Products, Inc, and Maxon Corporation, compared to \$633

million in 2006, primarily for our acquisitions of First Technologies and Gardiner Groupe. Sale proceeds from divestitures was \$51 million in the 2007, compared to \$665 million in 2006 primarily due to the sale of Indalex in February 2006 for \$425 million, First Technology Safety & Analysis business (FTSA) for \$93 million in May 2006 and the sale of First Technology Automotive Business in December 2006 for \$90 million.

Cash used for financing activities decreased by \$1,075 million during 2007 compared with 2006 primarily due to a \$2,620 million increase in net proceeds from debt (including commercial paper and short term borrowings), a \$306 million reduction in cash used for payment of debt assumed with acquisitions, and an increase in proceeds from issuance of common stock primarily related to stock option exercises of \$207 million; partially offset by increases in repurchases of common stock of \$2,090 million.

Liquidity

Each of our businesses is focused on implementing strategies to improve working capital turnover in 2009 to increase operating cash flows. Considering the current economic environment in which each of our businesses operate and our business plans and strategies, including our focus on growth, cost reduction and productivity initiatives, we believe that our cash balances and operating cash flows will remain our principal source of liquidity. In addition to our available cash and operating cash flows, additional sources of liquidity include committed credit lines, short term debt from the commercial paper markets, long-term borrowings, and access to the public debt and equity markets, as well as our ability to sell trade accounts receivables.

A source of liquidity is our ability to issue short-term debt in the commercial paper market. Commercial paper notes are sold at a discount and have a maturity of not more than 270 days from date of issuance. Borrowings under the commercial paper program are available for general corporate purposes as well as for financing potential acquisitions. There was \$1,431 million of commercial paper outstanding at December 31, 2008.

Our ability to access the commercial paper market, and the related cost of these borrowings, is affected by the strength of our credit rating and market conditions. Our credit ratings are periodically reviewed by the major independent debt-rating agencies. As of December 31, 2008, Standard and Poor's, Fitch's, and Moody's Rating Services have ratings on our long-term debt of A and A and A2 respectively, and short-term debt of A-1, F1 and P1 respectively, and maintained Honeywell's ratings outlook as "stable". In 2009, we will support our credit rating through debt repayments. To date, the company has not experienced any limitations in our ability to access these sources of liquidity. We maintain \$3.8 billion of committed bank revolving credit facilities in support of our commercial paper program, \$2.8 billion of which is secured through mid-May 2012.

In May 2007 Honeywell entered into a \$2.8 billion Amended and Restated Five-Year Credit Agreement ("Credit Agreement") with a syndicate of banks. Commitments under the Credit Agreement can be increased pursuant to the terms of the Credit Agreement to an aggregated amount not to exceed \$3.5 billion. This credit facility contains a \$700 million sub-limit for the issuance of letters of credit. The Credit Agreement is maintained for general corporate purposes, including support for the issuance of commercial paper and replaces the previous \$2.3 billion five year credit agreement dated April 27, 2006 ("Prior Agreement"). At December 31, 2008, there were no borrowings or letters of credit issued under the credit facility. The Credit Agreement does not restrict Honeywell's ability to pay dividends, nor does it contain financial covenants.

In February 2008, the Company issued \$600 million 4.25% Senior Notes due 2013 and \$900 million 5.30% Senior Notes due 2018 (collectively, the "Senior Notes"). The Senior Notes are senior unsecured and unsubordinated obligations of Honeywell and rank equally with all of Honeywell's existing and future senior unsecured debt and senior to all of Honeywell's subordinated debt. The offering resulted in gross proceeds of \$1.5 billion, offset by \$13 million in discount and issuance costs. Proceeds from the Senior Notes were used to repay outstanding commercial paper.

We also have a current shelf registration statement filed with the Securities and Exchange Commission under which we may issue additional debt securities, common stock and preferred stock that may be offered in one or more offerings on terms to be determined at the time of the offering. Net

proceeds of any offering would be used for general corporate purposes, including repayment of existing indebtedness, capital expenditures and acquisitions.

We also sell interests in designated pools of trade accounts receivables to third parties. The sold receivables were over-collateralized by \$93 million at December 31, 2008 and we retain a subordinated interest in the pool of receivables representing that over-collateralization as well as an undivided interest in the balance of the receivables pools. New receivables are sold under the agreement as previously sold receivables are collected. The retained interests in the receivables are reflected at the amounts expected to be collected by us, and such carrying value approximates the fair value of our retained interests. The sold receivables were \$500 million at both December 31, 2008 and 2007.

We monitor the third-party depository institutions that hold our cash and cash equivalents on a daily basis. Our emphasis is primarily on safety of principal and secondarily on maximizing yield on those funds. We diversify our cash and cash equivalents among counterparties to minimize exposure to any one of these entities.

We are also monitoring the ability of our customers to obtain financing in order to mitigate any adverse impact on our revenues, primarily in our long cycle businesses.

In addition to our normal operating cash requirements, our principal future cash requirements will be to fund capital expenditures, debt repayments, dividends, employee benefit obligations, environmental remediation costs, asbestos claims, severance and exit costs related to repositioning actions, share repurchases and any strategic acquisitions.

Specifically, we expect our primary cash requirements in 2009 to be as follows:

- Capital expenditures—we expect to spend approximately \$800 million for capital expenditures in 2009 primarily for cost reduction, maintenance, replacement, growth, and production and capacity expansion.
- Debt repayments—there are \$1,023 million of scheduled long-term debt maturities in 2009. We expect to refinance some of these maturities in the debt capital markets during 2009 and reduce overall debt balances.
- Share repurchases—Under the Company's previously announced \$3.0 billion share repurchase program, \$1.3 billion remained available as of December 31, 2008 for additional share repurchases. The amount and timing of repurchases may vary depending on market conditions and the level of operating and other investing activities.
- Dividends—we expect to pay approximately \$900 million in dividends on our common stock in 2009, reflecting a 10 percent increase in the 2009 dividend rate.
- Asbestos claims—we expect our cash spending for asbestos claims and our cash receipts for related insurance recoveries to be approximately \$171 and \$4 million, respectively, in 2009. See Asbestos Matters in Note 21 to the financial statements for further discussion.
- Pension contributions—In 2009, we are not required to make any contributions to our U.S. pension plans to satisfy minimum statutory funding requirements. However, we do plan to make voluntary contributions of Honeywell common stock to the U.S. plan in 2009 totaling approximately \$800 million to improve the funded status of our plans. We also expect to make cash contributions to our non-U.S. plans of approximately \$140 million in 2009. See Note 22 to the financial statements for further discussion of pension contributions.
- Repositioning actions—we expect that cash spending for severance and other exit costs necessary to execute the previously announced repositioning actions will approximate \$250 million in 2009.
- Environmental remediation costs—we expect to spend approximately \$330 million in 2009 for remedial response and voluntary clean-up costs. See Environmental Matters in Note 21 to the financial statements for additional information.

We continuously assess the relative strength of each business in our portfolio as to strategic fit, market position, profit and cash flow contribution in order to upgrade our combined portfolio and identify business units that will most benefit from increased investment. We identify acquisition

candidates that will further our strategic plan and strengthen our existing core businesses. We also identify businesses that do not fit into our long-term strategic plan based on their market position, relative profitability or growth potential. These businesses are considered for potential divestiture, restructuring or other repositioning actions subject to regulatory constraints. In 2008 and 2007, we realized \$909 million and \$51 million, respectively, in cash proceeds from sales of non-strategic businesses.

In July 2008, the Company completed the sale of its Consumables Solutions business to B/E Aerospace (“B/E”) for \$1.05 billion, consisting of approximately \$901 million in cash and six million shares of B/E common stock. As discussed in Note 3 to the financial statements, this transaction resulted in a pre-tax gain of \$623 million, \$417 million net of tax. These proceeds, along with our other sources and uses of liquidity, as discussed above, were utilized to investment in our existing core businesses and fund acquisition activity, share repurchases and dividends.

Based on past performance and current expectations, we believe that our operating cash flows will be sufficient to meet our future cash needs. Our available cash, committed credit lines, access to the public debt and equity markets as well as our ability to sell trade accounts receivables, provide additional sources of short-term and long-term liquidity to fund current operations, debt maturities, and future investment opportunities. Based on our current financial position and expected economic performance, we do not believe that our liquidity will be adversely impacted by an inability to access our sources of financing.

Contractual Obligations and Probable Liability Payments

Following is a summary of our significant contractual obligations and probable liability payments at December 31, 2008:

	Total(6)	Payments by Period			Thereafter
		2009	2010-2011	2012-2013	
(Dollars in millions)					
Long-term debt, including capitalized leases(1)	\$ 6,888	\$ 1,023	\$ 1,642	\$ 1,006	\$ 3,217
Interest payments on long-term debt, including capitalized leases	3,536	383	560	423	2,170
Minimum operating lease payments	1,292	323	427	228	314
Purchase obligations(2)	1,698	798	459	317	124
Estimated environmental liability payments(3)	946	330	300	200	116
Asbestos related liability payments(4)	1,709	171	919	384	235
Asbestos insurance recoveries(5)	(1,033)	(4)	(107)	(118)	(804)
	<u>\$ 15,036</u>	<u>\$ 3,024</u>	<u>\$ 4,200</u>	<u>\$ 2,440</u>	<u>\$ 5,372</u>

(1) Assumes all long-term debt is outstanding until scheduled maturity.

(2) Purchase obligations are entered into with various vendors in the normal course of business and are consistent with our expected requirements.

(3) The payment amounts in the table only reflect the environmental liabilities which are probable and reasonably estimable as of December 31, 2008. See Environmental Matters in Note 21 to the financial statements for additional information.

(4) These amounts are estimates of asbestos related cash payments for NARCO and Bendix based on our asbestos related liabilities which are probable and reasonably estimable as of December 31, 2008. NARCO estimated payments are based on the terms and conditions, including evidentiary requirements, specified in the definitive agreements or agreements in principle and pursuant to Trust Distribution Procedures. Bendix payments are based on our estimate of pending and future claims. Projecting future events is subject to many uncertainties that could cause asbestos

liabilities to be higher or lower than those projected and recorded. See Asbestos Matters in Note 21 to the financial statements for additional information.

- (5) These amounts represent probable insurance recoveries through 2018 based on our insurance recoveries that are deemed probable for asbestos related liabilities as of December 31, 2008. See Asbestos Matters in Note 21 to the financial statements for additional information.
- (6) The table excludes \$671 million of uncertain tax positions. See Note 6 to the financial statements.

The table also excludes our pension and other postretirement benefits (OPEB) obligations. We made voluntary cash contributions of \$42, \$42 and \$68 million to our U.S. pension plans in 2008, 2007 and 2006, respectively. In December 2008, we also made a voluntary contribution of \$200 million of Honeywell common stock to our U.S. plans to improve the funded status of our plans which deteriorated during 2008 due to the significant asset losses resulting from the poor performance of the equity markets. During 2009, we plan to make additional voluntary contributions of Honeywell common stock to our U.S. plans totaling approximately \$800 million to improve the funded status of our plans. Any additional future plan contributions necessary to satisfy minimum statutory funding requirements are dependent upon actual plan asset returns and interest rates. Assuming that actual plan returns are consistent with our expected plan return of 9 percent in 2009, interest rates remain constant, and there are no additional changes to U.S. pension funding legislation, we expect that we would be required to make contributions to our U.S. pension plans of approximately \$360, \$700, \$1,000 and \$800 million in 2010, 2011, 2012 and 2013, respectively, to satisfy minimum statutory funding requirements. We may also make voluntary contributions to our U.S. pension plans from time to time. We also expect to make cash contributions to our non-U.S. plans of approximately \$140 million in 2009. Payments due under our OPEB plans are not required to be funded in advance, but are paid as medical costs are incurred by covered retiree populations, and are principally dependent upon the future cost of retiree medical benefits under our plans. We expect our OPEB payments to approximate \$204 million in 2009 net of the benefit of approximately \$15 million from the Medicare prescription subsidy. See Note 22 to the financial statements for further discussion of our pension and OPEB plans.

Off-Balance Sheet Arrangements

Following is a summary of our off-balance sheet arrangements:

Guarantees—We have issued or are a party to the following direct and indirect guarantees at December 31, 2008:

	Maximum Potential Future Payments (Dollars in millions)
Operating lease residual values	\$ 39
Other third parties' financing	4
Unconsolidated affiliates' financing	3
Customer financing	16
	<u>\$ 62</u>

We do not expect that these guarantees will have a material adverse effect on our consolidated results of operations, financial position or liquidity.

In connection with the disposition of certain businesses and facilities we have indemnified the purchasers for the expected cost of remediation of environmental contamination, if any, existing on the date of disposition. Such expected costs are accrued when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated.

Retained Interests in Factored Pools of Trade Accounts Receivables—As a source of liquidity, we sell interests in designated pools of trade accounts receivables to third parties. The sold receivables (\$500 million at December 31, 2008) are over-collateralized and we retain a subordinated interest in the pool of receivables representing that over-collateralization as well as an undivided interest in the balance of the receivables pools. The over-collateralization provides credit support to the

purchasers of the receivable interest by limiting their losses in the event that a portion of the receivables sold becomes uncollectible. At December 31, 2008, our retained subordinated and undivided interests at risk were \$93 and \$480 million, respectively. Based on the underlying credit quality of the receivables placed into the designated pools of receivables being sold, we do not expect that any losses related to our retained interests at risk will have a material adverse effect on our consolidated results of operations, financial position or liquidity.

Environmental Matters

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

With respect to environmental matters involving site contamination, we continually conduct studies, individually or jointly with other potentially responsible parties, to determine the feasibility of various remedial techniques to address environmental matters. It is our policy (see Note 1 to the financial statements) to record appropriate liabilities for environmental matters when remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. Such liabilities are based on our best estimate of the undiscounted future costs required to complete the remedial work. The recorded liabilities are adjusted periodically as remediation efforts progress or as additional technical or legal information becomes available. Given the uncertainties regarding the status of laws, regulations, enforcement policies, the impact of other potentially responsible parties, technology and information related to individual sites, we do not believe it is possible to develop an estimate of the range of reasonably possible environmental loss in excess of our recorded liabilities. We expect to fund expenditures for these matters from operating cash flow. The timing of cash expenditures depends on a number of factors, including the timing of litigation and settlements of remediation liability, personal injury and property damage claims, regulatory approval of cleanup projects, execution timeframe of projects, remedial techniques to be utilized and agreements with other parties.

Remedial response and voluntary cleanup payments were \$320, \$267 and \$264 million in 2008, 2007 and 2006, respectively, and are currently estimated to be approximately \$330 million in 2009. We expect to fund such expenditures from operating cash flow.

Remedial response and voluntary cleanup costs charged against pretax earnings were \$466, \$230 and \$218 million in 2008, 2007 and 2006, respectively. At December 31, 2008 and 2007, the recorded liabilities for environmental matters was \$946 and \$799 million, respectively. In addition, in 2008 and 2007 we incurred operating costs for ongoing businesses of approximately \$69 and \$81 million, respectively, relating to compliance with environmental regulations.

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

See Note 21 to the financial statements for a discussion of our commitments and contingencies, including those related to environmental matters and toxic tort litigation.

Financial Instruments

As a result of our global operating and financing activities, we are exposed to market risks from changes in interest and foreign currency exchange rates and commodity prices, which may adversely

affect our operating results and financial position. We minimize our risks from interest and foreign currency exchange rate and commodity price fluctuations through our normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We do not use derivative financial instruments for trading or other speculative purposes and do not use leveraged derivative financial instruments. A summary of our accounting policies for derivative financial instruments is included in Note 1 to the financial statements. We also hold investments in marketable equity securities, which exposes us to market volatility, as discussed in Note 16 to the financial statements.

We conduct our business on a multinational basis in a wide variety of foreign currencies. Our exposure to market risk from changes in foreign currency exchange rates arises from international financing activities between subsidiaries, foreign currency denominated monetary assets and liabilities and anticipated transactions arising from international trade. Our objective is to preserve the economic value of non-functional currency cash flows. We attempt to hedge transaction exposures with natural offsets to the fullest extent possible and, once these opportunities have been exhausted, through foreign currency forward and option agreements with third parties. Our principal currency exposures relate to the U.S. dollar, Euro, British pound, Canadian dollar, Hong Kong dollar, Mexican peso, Swiss franc, Czech koruna, Chinese renminbi, Indian rupee, and Japanese yen.

Our exposure to market risk from changes in interest rates relates primarily to our net debt and pension obligations. As described in Notes 14 and 16 to the financial statements, we issue both fixed and variable rate debt and use interest rate swaps to manage our exposure to interest rate movements and reduce overall borrowing costs.

Financial instruments, including derivatives, expose us to counterparty credit risk for nonperformance and to market risk related to changes in interest or currency exchange rates. We manage our exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties, and procedures to monitor concentrations of credit risk. Our counterparties are substantial investment and commercial banks with significant experience using such derivative instruments. We monitor the impact of market risk on the fair value and expected future cash flows of our derivative and other financial instruments considering reasonably possible changes in interest and currency exchange rates and restrict the use of derivative financial instruments to hedging activities.

The following table illustrates the potential change in fair value for interest rate sensitive instruments based on a hypothetical immediate one-percentage-point increase in interest rates across all maturities, the potential change in fair value for foreign exchange rate sensitive instruments based on a 10 percent weakening of the U.S. dollar versus local currency exchange rates across all maturities, and the potential change in fair value of contracts hedging commodity purchases based on a 20 percent decrease in the price of the underlying commodity across all maturities at December 31, 2008 and 2007.

	Face or Notional Amount	Carrying Value(1)	Fair Value(1)	Estimated Increase (Decrease) In Fair Value
(Dollars in millions)				
December 31, 2008				
Interest Rate Sensitive Instruments				
Long-term debt (including current maturities)	\$ (6,888)	\$ (6,888)	\$ (7,082)	\$ (354)
Interest rate swap agreements	—	—	—	—
Foreign Exchange Rate Sensitive Instruments				
Foreign currency exchange contracts(2)	3,030	(27)	(27)	126
Commodity Price Sensitive Instruments				
Forward commodity contracts(3)	8	(4)	(4)	(1)
December 31, 2007				
Interest Rate Sensitive Instruments				
Long-term debt (including current maturities)	\$ (5,817)	\$ (5,837)	\$ (5,928)	\$ (281)
Interest rate swap agreements	300	20	20	(45)
Foreign Exchange Rate Sensitive Instruments				
Foreign currency exchange contracts(2)	3,295	4	4	12
Commodity Price Sensitive Instruments				
Forward commodity contracts(3)	8	—	—	(1)

(1) Asset or (liability).

(2) Changes in the fair value of foreign currency exchange contracts are offset by changes in the fair value or cash flows of underlying hedged foreign currency transactions.

(3) Changes in the fair value of forward commodity contracts are offset by changes in the cash flows of underlying hedged commodity transactions.

The above discussion of our procedures to monitor market risk and the estimated changes in fair value resulting from our sensitivity analyses are forward-looking statements of market risk assuming certain adverse market conditions occur. Actual results in the future may differ materially from these estimated results due to actual developments in the global financial markets. The methods used by us to assess and mitigate risk discussed above should not be considered projections of future events.

CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated financial statements in accordance with generally accepted accounting principles is based on the selection and application of accounting policies that require us to make significant estimates and assumptions about the effects of matters that are inherently uncertain. We consider the accounting policies discussed below to be critical to the understanding of our financial statements. Actual results could differ from our estimates and assumptions, and any such differences could be material to our consolidated financial statements.

We have discussed the selection, application and disclosure of these critical accounting policies with the Audit Committee of our Board of Directors and our Independent Registered Public Accountants. New accounting standards effective in 2008 which had a material impact on our consolidated financial statements are described in the Recent Accounting Pronouncements section in Note 1 to the financial statements.

Contingent Liabilities—We are subject to a number of lawsuits, investigations and claims (some of which involve substantial dollar amounts) that arise out of the conduct of our global business operations or those of previously owned entities. These contingencies primarily relate to product liabilities (including asbestos), contractual matters, and environmental, health and safety matters. We recognize a liability for any contingency that is probable of occurrence and reasonably estimable. We continually assess the likelihood of any adverse judgments or outcomes to our contingencies, as well as potential amounts or ranges of probable losses, and recognize a liability, if any, for these contingencies based on a

Careful analysis of each matter with the assistance of outside legal counsel and, if applicable, other experts. Such analysis includes making judgments concerning matters such as

the costs associated with environmental matters, the outcome of negotiations, the number and cost of pending and future asbestos claims, and the impact of evidentiary requirements. Because most contingencies are resolved over long periods of time, liabilities may change in the future due to new developments (including new discovery of fact, changes in legislation and outcomes of similar cases through the judicial system), changes in assumptions or changes in our settlement strategy. For a discussion of our contingencies related to environmental, asbestos and other matters, including management's judgment applied in the recognition and measurement of specific liabilities, see Notes 1 and 21 to the financial statements.

Asbestos Related Contingencies and Insurance Recoveries—We are a defendant in personal injury actions related to products containing asbestos (refractory and friction products). We recognize a liability for any asbestos related contingency that is probable of occurrence and reasonably estimable. Regarding North American Refractories Company (NARCO) asbestos related claims, we accrue for pending claims based on terms and conditions, including evidentiary requirements, in definitive agreements or agreements in principle with current claimants. We also accrued for the probable value of future NARCO asbestos related claims through 2018 based on the disease criteria and payment values contained in the NARCO trust as described in Note 21 to the financial statements. In light of the inherent uncertainties in making long term projections regarding claims filing rates and disease manifestation, we do not believe that we have a reasonable basis for estimating NARCO asbestos claims beyond 2018 under Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies" (SFAS No. 5). Regarding Bendix asbestos related claims, we accrue for the estimated value of pending claims based on expected claim resolution values and historic dismissal rates. We also accrue for the estimated cost of future anticipated claims related to Bendix for the next five years based on our assessment of additional claims that may be brought against us and anticipated resolution values in the tort system. We value Bendix pending and future claims using the average resolution values for the previous three years. We will continue to update the expected resolution values used to estimate the cost of pending and future Bendix claims during the fourth quarter each year. For additional information see Note 21 to the financial statements. We continually assess the likelihood of any adverse judgments or outcomes to our contingencies, as well as potential ranges of probable losses and recognize a liability, if any, for these contingencies based on an analysis of each individual issue with the assistance of outside legal counsel and, if applicable, other experts.

In connection with the recognition of liabilities for asbestos related matters, we record asbestos related insurance recoveries that are deemed probable. In assessing the probability of insurance recovery, we make judgments concerning insurance coverage that we believe are reasonable and consistent with our historical experience with our insurers, our knowledge of any pertinent solvency issues surrounding insurers, various judicial determinations relevant to our insurance programs and our consideration of the impacts of any settlements with our insurers. At December 31, 2008, we have recorded insurance receivables of \$877 million that can be specifically allocated to NARCO related asbestos liabilities. We also have \$1.9 billion in coverage remaining for Bendix related asbestos liabilities although there are gaps in our coverage due to insurance company insolvencies, certain uninsured periods and insurance settlements. Our insurance is with both the domestic insurance market and the London excess market. While the substantial majority of our insurance carriers are solvent, some of our individual carriers are insolvent, which has been considered in our analysis of probable recoveries. Projecting future events is subject to various uncertainties that could cause the insurance recovery on asbestos related liabilities to be higher or lower than that projected and recorded. Given the inherent uncertainty in making future projections, we reevaluate our projections concerning our probable insurance recoveries in light of any changes to the projected liability, our recovery experience or other relevant factors that may impact future insurance recoveries. See Note 21 to the financial statements for a discussion of management's judgments applied in the recognition and measurement of insurance recoveries for asbestos related liabilities.

Defined Benefit Pension Plans—We maintain defined benefit pension plans covering a majority of our employees and retirees. For financial reporting purposes, net periodic pension expense is calculated based upon a number of actuarial assumptions, including a discount rate for plan obligations and an expected long-term rate of return on plan assets. We determine the expected long-term rate of return on plan assets utilizing historic and expected plan asset returns over varying long-term periods

combined with current market conditions and broad asset mix considerations (see Note 22 to the financial statements for actual and targeted asset allocation percentages for our pension plans). The discount rate reflects the market rate on December 31 (measurement date) for high-quality fixed-income investments with maturities corresponding to our benefit obligations and is subject to change each year. Further information on all our major actuarial assumption is included in Note 22 to the financial statements.

The key assumptions used in developing our 2008, 2007 and 2006 net periodic pension expense for our U.S. plans included the following:

	2008	2007	2006
Discount rate	6.50 %	6.00 %	5.75 %
Assets:			
Expected rate of return	9 %	9 %	9 %
Actual rate of return	(29 %)	9 %	14 %
Actual 10 year average annual compounded rate of return	4 %	9 %	10 %

The discount rate can be volatile from year to year because it is determined based upon prevailing interest rates as of the measurement date. We will use a 6.95 percent discount rate in 2009, reflecting the increase in the market interest rate environment since December 31, 2007. We plan to continue to use an expected rate of return on plan assets of 9 percent for 2009 based principally on our historical experience of actual plan returns. The net losses for our pension plans were \$6.0 billion at December 31, 2008 compared with \$1.7 billion at December 31, 2007. This increase of \$4.3 billion is due primarily to asset losses in our U.S. plans in 2008 due to the poor performance of the equity markets throughout 2008. The net losses at December 31, 2008 principally result from actual plan asset returns below expected rates of return in 2008 and from the decline each year in the discount rate for the period 2002 through 2006. Since our adoption of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans (SFAS No. 158) as of December 31, 2006 which is discussed in detail in Notes 1 and 22 to the financial statements such losses have been recognized as a component of other comprehensive income (loss), net of tax. In the future we will continue to systematically recognize such net losses in net periodic pension expense in accordance with Statement of Financial Accounting Standards No. 87, "Employers Accounting for Pensions" (SFAS No. 87). Under SFAS No. 87, we use the market-related value of plan assets reflecting changes in the fair value of plan assets over a three-year period. Further, net losses in excess of 10 percent of the greater of the market-related value of plan assets or the plans' projected benefit obligation (the corridor) are recognized over a six-year period.

Changes in net periodic pension expense may occur in the future due to changes in our expected rate of return on plan assets and discount rate resulting from economic events. The following table highlights the sensitivity of our U.S. pension obligations and expense to changes in these assumptions, assuming all other assumptions remain constant:

Change in Assumption	Impact on Annual Pension Expense	Impact on PBO
0.25 percentage point decrease in discount rate	Increase \$50 million	Increase \$303 million
0.25 percentage point increase in discount rate	Decrease \$50 million	Decrease \$295 million
0.25 percentage point decrease in expected rate of return on assets	Increase \$29 million	—
0.25 percentage point increase in expected rate of return on assets	Decrease \$29 million	—

Net periodic pension expense for our pension plans is expected to be approximately \$170 million in 2009, a \$193 million increase from 2008 due principally to an increase in the amortization of net losses in our U.S. plans. The increase in the amortization of net losses results principally from asset losses due to the poor performance of the equity markets throughout 2008.

In 2008, 2007 and 2006 we were not required to make contributions to satisfy minimum statutory funding requirements in our U.S. pension plans. However, we made voluntary cash contributions of \$42, \$42 and \$68 million to our U.S. pension plans in 2008, 2007 and 2006, respectively, for government contracting purposes. In December 2008, we also made a voluntary contribution of \$200

million of Honeywell common stock to our U.S. plans to improve the funded status of our plans which deteriorated during 2008 due to the significant asset losses resulting from the poor performance of the equity markets. During 2009, we plan to make additional voluntary contributions of Honeywell common stock to our U.S. plans totaling approximately \$800 million to improve the funded status of our plans. Any additional future plan contributions necessary to satisfy minimum statutory funding requirements are dependent upon actual plan asset returns and interest rates. Assuming that actual plan returns are consistent with our expected plan return of 9 percent in 2009, interest rates remain constant, and there are no additional changes to U.S. pension funding legislation, we expect that we would be required to make contributions to our U.S. pension plans of approximately \$360, \$700, \$1,000 and \$800 million in 2010, 2011, 2012 and 2013, respectively, to satisfy minimum statutory funding requirements. We also expect to contribute approximately \$140 million in cash in 2009 to our non-U.S. defined benefit pension plans to satisfy regulatory funding standards.

Long-Lived Assets (including Tangible and Definite-Lived Intangible Assets)—To conduct our global business operations and execute our business strategy, we acquire tangible and intangible assets, including property, plant and equipment and definite-lived intangible assets. At December 31, 2008, the net carrying amount of these long-lived assets totaled \$6.8 billion. The determination of useful lives (for depreciation/amortization purposes) and whether or not these assets are impaired involves the use of accounting estimates and assumptions, changes in which could materially impact our financial condition or operating performance if actual results differ from such estimates and assumptions. We periodically evaluate the recoverability of the carrying amount of our long-lived assets whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset group may not be fully recoverable. The principal factors we consider in deciding when to perform an impairment review are as follows:

- significant under-performance (i.e., declines in sales, earnings or cash flows) of a business or product line in relation to expectations;
- annual operating plans or five-year strategic plans that indicate an unfavorable trend in operating performance of a business or product line;
- significant negative industry or economic trends; and
- significant changes or planned changes in our use of the assets.

Once it is determined that an impairment review is necessary, recoverability of assets is measured by comparing the carrying amount of the asset grouping to the estimated future undiscounted cash flows. If the carrying amount exceeds the estimated future undiscounted cash flows, the asset grouping is considered to be impaired. The impairment is then measured as the difference between the carrying amount of the asset grouping and its fair value. We use the best information available to determine fair value, which are usually either market prices (if available) or an estimate of the future discounted cash flow. The key estimates in our discounted cash flow analysis include expected industry growth rates, our assumptions as to volume, selling prices and costs, and the discount rate selected. As described in more detail in the repositioning and other charges section of our MD&A, we have recorded impairment charges related to long-lived assets of \$78 and \$23 million in 2008 and 2007, respectively, principally related to manufacturing plant and equipment in facilities scheduled to close or be downsized and certain administrative facilities and information technology equipment in our Corporate segment.

Goodwill Impairment Testing—Goodwill represents the excess of acquisition costs over the fair value of the net tangible assets and identifiable intangible assets acquired in a business combination. Goodwill is not amortized, but is subject to impairment testing. Our Goodwill balance, \$10.2 billion as of December 31, 2008, is subject to impairment testing annually as of March 31, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable, using the guidance and criteria described in Statement of Financial Accounting Standards No. 142, (SFAS No. 142) “Goodwill and Other Intangible Assets”. This testing compares carrying values to fair values and, when appropriate, the carrying value is reduced to fair value. The fair value of our reporting units is estimated utilizing a discounted cash flow approach incorporating historic and projected future operating performance. This impairment test involves the use of accounting estimates and assumptions, changes in which could materially impact our financial condition or operating

performance if actual results differ from such estimates and assumptions. We completed our annual impairment test as of March 31, 2008 and determined that there was no impairment as of that date.

Income Taxes—Deferred tax assets and liabilities are determined based on the difference between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Our provision for income taxes is based on domestic and international statutory income tax rates and tax planning opportunities in the jurisdictions in which we operate. Significant judgment is required in determining income tax provisions as well as deferred tax asset and liability balances, including the estimation of valuation allowances and the evaluation of tax positions.

As of December 31, 2008, we recognized a net deferred tax asset of \$2,762 million, less a valuation allowance of \$445 million. Net deferred tax assets are primarily comprised of net deductible temporary differences, net operating loss carryforwards and tax credit carryforwards that are available to reduce taxable income in future periods. The determination of the amount of valuation allowance to be provided on recorded deferred tax assets involves estimates regarding (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, and (3) the impact of tax planning strategies. A valuation allowance is required when it is more likely than not that all or a portion of a deferred tax asset will not be realized. In assessing the need for a valuation allowance, we consider all available positive and negative evidence, including past operating results, projections of future taxable income and the feasibility of ongoing tax planning strategies. The projections of future taxable income include a number of estimates and assumptions regarding our volume, pricing and costs. Additionally, valuation allowances related to deferred tax assets can be impacted by changes to tax laws.

Our net deferred tax asset of \$2,762 million is comprised of \$2,267 million related to U.S. operations and \$495 million related to non-U.S. operations. The U.S. net deferred tax asset of \$2,267 million is comprised of net deductible temporary differences, tax credit carryforwards and state tax net operating losses which we believe will more likely than not be realized through the generation of future taxable income in the U.S. and tax planning strategies. We maintain a valuation allowance of \$6 million against such asset related to state net operating losses. The non-U.S. net deferred tax asset of \$495 million is comprised principally of net operating and capital loss carryforwards, mainly in Germany, France and the United Kingdom. We maintain a valuation allowance of \$439 million against these deferred tax assets reflecting our historical experience and lower expectations of taxable income over the applicable carryforward periods. As more fully described in Note 6 to the financial statements, our valuation allowance decreased by \$45 million and \$26 million in 2008 and 2007, respectively, and increased by \$39 in 2006. In the event we determine that we will not be able to realize our net deferred tax assets in the future, we will reduce such amounts through a charge to income in the period such determination is made. Conversely, if we determine that we will be able to realize net deferred tax assets in excess of the carrying amounts, we will decrease the recorded valuation allowance through a credit to income in the period that such determination is made.

Significant judgment is required in determining income tax provisions under Statement of Financial Accounting Standards No. 109 “Accounting for Income Taxes” (SFAS No. 109) and in evaluating tax positions. We establish additional provisions for income taxes when, despite the belief that tax positions are fully supportable, there remain certain positions that do not meet the minimum probability threshold, as defined by FASB Interpretation (“FIN”) No. 48, “Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement 109” (“FIN 48”), which is a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority. In the normal course of business, the Company and its subsidiaries are examined by various Federal, State and foreign tax authorities. We regularly assess the potential outcomes of these examinations and any future examinations for the current or prior years in determining the adequacy of our provision for income taxes. We continually assess the likelihood and amount of potential adjustments and adjust the income tax provision, the current tax liability and deferred taxes in the period in which the facts that give rise to a revision become known.

Sales Recognition on Long-Term Contracts—In 2008, we recognized approximately 13 percent of our total net sales using the percentage-of-completion method for long-term contracts in our

Automation and Control Solutions, Aerospace and Specialty Materials segments. These long-term contracts are measured on the cost-to-cost basis for engineering-type contracts and the units-of-delivery basis for production-type contracts. Accounting for these contracts involves management judgment in estimating total contract revenue and cost. Contract revenues are largely determined by negotiated contract prices and quantities, modified by our assumptions regarding contract options, change orders, incentive and award provisions associated with technical performance and price adjustment clauses (such as inflation or index-based clauses). Contract costs are incurred over a period of time, which can be several years, and the estimation of these costs requires management judgment. Cost estimates are largely based on negotiated or estimated purchase contract terms, historical performance trends and other economic projections. Significant factors that influence these estimates include inflationary trends, technical and schedule risk, internal and subcontractor performance trends, business volume assumptions, asset utilization, and anticipated labor agreements. Revenue and cost estimates are regularly monitored and revised based on changes in circumstances. Anticipated losses on long-term contracts are recognized when such losses become evident. We maintain financial controls over the customer qualification, contract pricing and estimation processes to reduce the risk of contract losses.

OTHER MATTERS

Litigation

See Note 21 to the financial statements for a discussion of environmental, asbestos and other litigation matters.

Recent Accounting Pronouncements

See Note 1 to the financial statements for a discussion of recent accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Information relating to market risk is included in Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations under the caption "Financial Instruments".

Item 8. Financial Statements and Supplementary Data

HONEYWELL INTERNATIONAL INC. CONSOLIDATED STATEMENT OF OPERATIONS

	Years Ended December 31,		
	2008	2007	2006
	(Dollars in millions, except per share amounts)		
Product sales	\$ 29,212	\$ 27,805	\$ 25,165
Service sales	7,344	6,784	6,202
Net sales	36,556	34,589	31,367
Costs, expenses and other			
Cost of products sold	23,043	21,629	19,649
Cost of services sold	4,951	4,671	4,447
	27,994	26,300	24,096
Selling, general and administrative expenses	5,033	4,565	4,210
Other (income)/expense	(728)	(53)	(111)
Interest and other financial charges	456	456	374
	32,755	31,268	28,569
Income from continuing operations before taxes	3,801	3,321	2,798
Tax expense	1,009	877	720
Income from continuing operations	2,792	2,444	2,078
Income from discontinued operations, net of taxes	—	—	5
Net income	<u>\$ 2,792</u>	<u>\$ 2,444</u>	<u>\$ 2,083</u>
Earnings (loss) per share of common stock—basic:			
Income from continuing operations	\$ 3.79	\$ 3.20	\$ 2.53
Income from discontinued operations	—	—	0.01
Net income	<u>\$ 3.79</u>	<u>\$ 3.20</u>	<u>\$ 2.54</u>
Earnings (loss) per share of common stock—assuming dilution:			
Income from continuing operations	\$ 3.76	\$ 3.16	\$ 2.51
Income from discontinued operations	—	—	0.01
Net income	<u>\$ 3.76</u>	<u>\$ 3.16</u>	<u>\$ 2.52</u>

The Notes to Financial Statements are an integral part of this statement.

HONEYWELL INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEET

December 31,
2008 **2007**
(Dollars in millions)

ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,065	\$ 1,829
Accounts, notes and other receivables	6,129	6,387
Inventories	3,848	3,861
Deferred income taxes	922	1,241
Other current assets	299	367
Total current assets	13,263	13,685
Investments and long-term receivables	670	500
Property, plant and equipment—net	4,934	4,985
Goodwill	10,185	9,175
Other intangible assets—net	2,267	1,498
Insurance recoveries for asbestos related liabilities	1,029	1,086
Deferred income taxes	2,135	637
Prepaid pension benefit cost	62	1,256
Other assets	945	983
Total assets	<u>\$ 35,490</u>	<u>\$ 33,805</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 3,773	\$ 3,962
Short-term borrowings	56	64
Commercial paper	1,431	1,756
Current maturities of long-term debt	1,023	418
Accrued liabilities	6,006	5,741
Total current liabilities	12,289	11,941
Long-term debt	5,865	5,419
Deferred income taxes	698	734
Postretirement benefit obligations other than pensions	1,799	2,025
Asbestos related liabilities	1,538	1,405
Other liabilities	6,114	3,059
CONTINGENCIES		
SHAREOWNERS' EQUITY		
Capital—common stock—Authorized 2,000,000,000 shares (par value \$1 per share):		
—issued 957,599,900 shares	958	958
—additional paid-in capital	3,994	4,014
Common stock held in treasury, at cost:		
2008—223,013,668 shares; 2007—211,046,037 shares	(10,206)	(9,479)
Accumulated other comprehensive income (loss)	(3,809)	(544)
Retained earnings	16,250	14,273
Total shareowners' equity	7,187	9,222
Total liabilities and shareowners' equity	<u>\$ 35,490</u>	<u>\$ 33,805</u>

The Notes to Financial Statements are an integral part of this statement.

HONEYWELL INTERNATIONAL INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Years Ended December 31,		
	2008	2007	2006
	(Dollars in millions)		
Cash flows from operating activities:			
Net income	\$ 2,792	\$ 2,444	\$ 2,083
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	903	837	794
Gain on sale of non-strategic businesses and assets	(635)	(19)	(30)
Repositioning and other charges	1,012	543	483
Payments of repositioning and other charges	(446)	(504)	(559)
Pension and other postretirement expense	113	322	459
Pension and other postretirement benefit payments	(214)	(300)	(353)
Stock option expense	128	65	77
Deferred income taxes	115	332	450
Excess tax benefits from share based payment arrangements	(21)	(86)	(31)
Other	81	180	50
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:			
Accounts, notes and other receivables	392	(467)	(573)
Inventories	(161)	(183)	(128)
Other current assets	25	17	(11)
Accounts payable	(152)	397	516
Accrued liabilities	(141)	333	(16)
Net cash provided by operating activities	3,791	3,911	3,211
Cash flows from investing activities:			
Expenditures for property, plant and equipment	(884)	(767)	(733)
Proceeds from disposals of property, plant and equipment	53	98	87
Increase in investments	(6)	(20)	—
Decrease in investments	18	6	—
Cash paid for acquisitions, net of cash acquired	(2,181)	(1,150)	(633)
Proceeds from sales of businesses, net of fees paid	909	51	665
Other	68	—	—
Net cash (used for) investing activities	(2,023)	(1,782)	(614)
Cash flows from financing activities:			
Net (decrease)/increase in commercial paper	(325)	1,078	(86)
Net (decrease) in short-term borrowings	(1)	(3)	(224)
Payment of debt assumed with acquisitions	—	(40)	(346)
Proceeds from issuance of common stock	146	603	396
Proceeds from issuance of long-term debt	1,487	1,885	1,239
Payments of long-term debt	(428)	(430)	(1,019)
Excess tax benefits from share based payment arrangements	21	86	31
Repurchases of common stock	(1,459)	(3,986)	(1,896)
Cash dividends paid on common stock	(811)	(767)	(744)
Net cash (used for) financing activities	(1,370)	(1,574)	(2,649)
Effect of foreign exchange rate changes on cash and cash equivalents	(162)	50	42

Net increase/(decrease) in cash and cash equivalents	236	605	(10)
Cash and cash equivalents at beginning of period	1,829	1,224	1,234
Cash and cash equivalents at end of period	<u>\$ 2,065</u>	<u>\$ 1,829</u>	<u>\$ 1,224</u>

The Notes to Financial Statements are an integral part of this statement.

HONEYWELL INTERNATIONAL INC.
CONSOLIDATED STATEMENT OF SHAREOWNERS' EQUITY

	Common Stock Issued		Additional Paid-in Capital	Common Stock Held in Treasury		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareowners' Equity
	Shares	Amount		Shares	Amount			
(In millions, except per share amounts)								
Balance at December 31, 2005	957.6	\$ 958	\$ 3,626	(128.1)	\$ (5,027)	\$ (25)	\$ 11,230	\$ 10,762
Net income							2,083	2,083
Foreign exchange translation adjustments						233		233
Change in fair value of effective cash flow hedges						(3)		(3)
Minimum pension liability adjustment						196		196
Other Comprehensive Income (Loss)								2,509
Pension and other postretirement benefits (including related tax benefits of \$912)						(1,708)		(1,708)
Common stock issued for employee savings and option plans (including related tax benefits of \$31)			29	16.2	573			602
Stock based compensation expense			77					77
Reclassification to equity of obligations settled in stock			112					112
Repurchases of common stock				(45.4)	(1,896)			(1,896)
Dividends on common stock (\$0.9075 per share)							(750)	(750)
Other owner changes			1	.3	11			12
Balance at December 31, 2006	957.6	958	3,845	(157.0)	(6,339)	(1,307)	12,563	9,720
Net income							2,444	2,444
Foreign exchange translation adjustments						248		248
Pension and other postretirement benefits (including related tax benefits of \$285)						518		518
Change in fair value of effective cash flow hedges						(3)		(3)

Other Comprehensive Income (Loss)								3,207
Common stock issued for employee savings and option plans (including related tax benefits of \$101)			101	20.0	837			938
Stock based compensation expense			65					65
Repurchases of common stock				(74.2)	(3,987)			(3,987)
Uncertain tax positions							33	33
Dividends on common stock (\$1.00 per share)							(767)	(767)
Other owner changes			3	.2	10			13
Balance at December 31, 2007	957.6	958	4,014	(211.0)	(9,479)	(544)	14,273	9,222
Net income							2,792	2,792
Foreign exchange translation adjustments						(614)		(614)
Pension and other postretirement benefits (including related tax benefits of \$1,583)						(2,576)		(2,576)
Change in fair value of effective cash flow hedges						(24)		(24)
Change in fair value of available for sale investments						(51)		(51)
Other Comprehensive Income (Loss)								(473)
Common stock issued for employee savings and option plans (including related tax benefits of \$28)			21	9.0	427			448
Common stock contributed to pension plans			(90)	6.1	290			200
Stock based compensation expense			51					51
Repurchases of common stock				(27.4)	(1,459)			(1,459)
Dividends on common stock (\$1.10 per share)							(815)	(815)
Other owner changes			(2)	.3	15			13
Balance at December 31, 2008	<u>957.6</u>	<u>\$ 958</u>	<u>\$ 3,994</u>	<u>223.0</u>	<u>\$ (10,206)</u>	<u>\$ (3,809)</u>	<u>\$ 16,250</u>	<u>\$ 7,187</u>

The Notes to Financial Statements are an integral part of this statement.

HONEYWELL INTERNATIONAL INC.
NOTES TO FINANCIAL STATEMENTS
(Dollars in millions, except per share amounts)

Note 1—Summary of Significant Accounting Policies

Accounting Principles—The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. The following is a description of the significant accounting policies of Honeywell International Inc.

Principles of Consolidation—The consolidated financial statements include the accounts of Honeywell International Inc. and all of its subsidiaries and entities in which a controlling interest is maintained. Our consolidation policy requires the consolidation of entities where a controlling financial interest is obtained as well as consolidation of variable interest entities in which we bear a majority of the risk to the entities' potential losses or stand to gain from a majority of the entities' expected returns. All intercompany transactions and balances are eliminated in consolidation.

Cash and Cash Equivalents—Cash and cash equivalents include cash on hand and on deposit and highly liquid, temporary cash investments with an original maturity of three months or less.

Inventories—Inventories are valued at the lower of cost or market using the first-in, first-out or the average cost method and the last-in, first-out (LIFO) method for certain qualifying domestic inventories.

Investments—Investments in affiliates over which we have a significant influence, but not a controlling interest, are accounted for using the equity method of accounting. Other investments are carried at market value, if readily determinable, or at cost. All equity investments are periodically reviewed to determine if declines in fair value below cost basis are other-than-temporary. Significant and sustained decreases in quoted market prices or a series of historic and projected operating losses by investees are strong indicators of other-than-temporary declines. If the decline in fair value is determined to be other-than-temporary, an impairment loss is recorded and the investment is written down to a new carrying value.

Property, Plant and Equipment—Property, plant and equipment are recorded at cost, including any asset retirement obligations, less accumulated depreciation. For financial reporting, the straight-line method of depreciation is used over the estimated useful lives of 10 to 50 years for buildings and improvements and 2 to 16 years for machinery and equipment. Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143) and FASB Interpretation No. 47 ("FIN 47") require recognition of the fair value of obligations associated with the retirement of tangible long-lived assets when there is a legal obligation to incur such costs. Upon initial recognition of a liability, the cost is capitalized as part of the related long-lived asset and depreciated over the corresponding asset's useful life. See Note 11 and Note 17 for additional details.

Goodwill and Indefinite-Lived Intangible Assets—Goodwill represents the excess of acquisition costs over the fair value of tangible net assets and identifiable intangible assets of businesses acquired. Goodwill and certain other intangible assets deemed to have indefinite lives are not amortized. Intangible assets determined to have definite lives are amortized over their useful lives. Goodwill and indefinite lived intangible assets are subject to impairment testing annually as of March 31, or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable, using the guidance and criteria described in Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". This testing compares carrying values to fair values and, when appropriate, the carrying value of these assets is reduced to fair value. We completed our annual goodwill impairment test as of March 31, 2008 and determined that there was no impairment as of that date. See Note 12 for additional details on goodwill balances.

Other Intangible Assets with Determinable Lives—Other intangible assets with determinable lives consist of customer lists, technology, patents and trademarks and other intangibles and are amortized over their estimated useful lives, ranging from 2 to 24 years.

Long-Lived Assets—We periodically evaluate the recoverability of the carrying amount of long-lived assets (including property, plant and equipment and intangible assets with determinable lives) whenever events or changes in circumstances indicate that the carrying amount of an asset may not

HONEYWELL INTERNATIONAL INC.
NOTES TO FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share amounts)

be fully recoverable. We evaluate events or changes in circumstances based on a number of factors including operating results, business plans and forecasts, general and industry trends and, economic projections and anticipated cash flows. An impairment is assessed when the undiscounted expected future cash flows derived from an asset are less than its carrying amount. Impairment losses are measured as the amount by which the carrying value of an asset exceeds its fair value and are recognized in earnings. We also continually evaluate the estimated useful lives of all long-lived assets and periodically revise such estimates based on current events.

Sales Recognition—Product and service sales are recognized when persuasive evidence of an arrangement exists, product delivery has occurred or services have been rendered, pricing is fixed or determinable, and collection is reasonably assured. Service sales, principally representing repair, maintenance and engineering activities in our Aerospace and Automation and Control Solutions segments, are recognized over the contractual period or as services are rendered. Sales under long-term contracts in the Aerospace and Automation and Control Solutions segments are recorded on a percentage-of-completion method measured on the cost-to-cost basis for engineering-type contracts and the units-of-delivery basis for production-type contracts. Provisions for anticipated losses on long-term contracts are recorded in full when such losses become evident. Revenues from contracts with multiple element arrangements are recognized as each element is earned based on the relative fair value of each element provided the delivered elements have value to customers on a standalone basis. Amounts allocated to each element are based on its objectively determined fair value, such as the sales price for the product or service when it is sold separately or competitor prices for similar products or services.

Allowance for Doubtful Accounts—We maintain allowances for doubtful accounts for estimated losses as a result of customer's inability to make required payments. We estimate anticipated losses from doubtful accounts based on days past due, as measured from the contractual due date, historical collection history and incorporate changes in economic conditions that may not be reflected in historical trends for example, customers in bankruptcy, liquidation or reorganization. Receivables are written-off against the allowance for doubtful accounts when they are determined uncollectible. Such determination includes analysis and consideration of the particular conditions of the account, including time intervals since last collection, success of outside collection agencies activity, solvency of customer and any bankruptcy proceedings.

Environmental Expenditures—Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and that do not provide future benefits, are expensed as incurred. Liabilities are recorded when environmental remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. Such liabilities are based on our best estimate of the undiscounted future costs required to complete the remedial work. The recorded liabilities are adjusted periodically as remediation efforts progress or as additional technical, regulatory or legal information becomes available. Given the uncertainties regarding the status of laws, regulations, enforcement policies, the impact of other potentially responsible parties, technology and information related to individual sites, we do not believe it is possible to develop an estimate of the range of reasonably possible environmental loss in excess of our recorded liabilities.

Asbestos Related Contingencies and Insurance Recoveries—Honeywell is a defendant in personal injury actions related to products containing asbestos (refractory and friction products). We recognize a liability for any asbestos related contingency that is probable of occurrence and reasonably estimable. Regarding North American Refractories Company (NARCO) asbestos related claims, we accrue for pending claims based on terms and conditions, including evidentiary requirements, in definitive agreements or agreements in principle with current claimants. We also accrue for the probable value of future NARCO asbestos related claims through 2018 based on the disease criteria and payment values contained in the NARCO trust as described in Note 21. In light of the inherent

HONEYWELL INTERNATIONAL INC.
NOTES TO FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share amounts)

uncertainties in making long term projections regarding claims filing rates and disease manifestation, we do not believe that we have a reasonable basis for estimating NARCO asbestos claims beyond 2018 under Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies" (SFAS No. 5). Regarding Bendix asbestos related claims, we accrue for the estimated value of pending claims based on expected claim resolution values and historic dismissal rates. We also accrue for the estimated cost of future anticipated claims related to Bendix for the next five years based on our assessment of additional claims that may be brought against us and anticipated resolution values in the tort system. We value Bendix pending and future claims using average resolution values for the previous three years. We will continue to update the expected resolution values used to estimate the cost of pending and future Bendix claims during the fourth quarter each year. For additional information see Note 21. We continually assess the likelihood of any adverse judgments or outcomes to our contingencies, as well as potential ranges of probable losses and recognize a liability, if any, for these contingencies based on an analysis of each individual issue with the assistance of outside legal counsel and, if applicable, other experts.

In connection with the recognition of liabilities for asbestos related matters, we record asbestos related insurance recoveries that are deemed probable. In assessing the probability of insurance recovery, we make judgments concerning insurance coverage that we believe are reasonable and consistent with our historical experience with our insurers, our knowledge of any pertinent solvency issues surrounding insurers, various judicial determinations relevant to our insurance programs and our consideration of the impacts of any settlements with our insurers.

Aerospace Sales Incentives—We provide sales incentives to commercial aircraft manufacturers and airlines in connection with their selection of our aircraft equipment, predominately wheel and braking system hardware and auxiliary power units, for installation on commercial aircraft. These incentives principally consist of free or deeply discounted products, but also include credits for future purchases of product and upfront cash payments. These costs are recognized in the period incurred as cost of products sold or as a reduction to sales, as appropriate. For aircraft manufacturers, incentives are recorded when the products are delivered; for airlines, incentives are recorded when the associated aircraft are delivered by the aircraft manufacturer to the airline.

Research and Development—Research and development costs for company-sponsored research and development projects are expensed as incurred. Such costs are principally included in Cost of Products Sold and were \$1,543, \$1,459 and \$1,411 million in 2008, 2007 and 2006, respectively.

Stock-Based Compensation Plans—The principal awards issued under our stock-based compensation plans, which are described in Note 20, include non-qualified stock options and restricted stock units (RSUs). The cost for such awards is measured at the grant date based on the fair value of the award. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods (generally the vesting period of the equity award) and is included in selling, general and administrative expense in our Consolidated Statement of Operations. SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123R) requires forfeitures to be estimated at the time of grant in order to estimate the portion of the award that will ultimately vest. The estimate is based on our historical rates of forfeiture.

Pension and Other Postretirement Benefits—We sponsor both funded and unfunded U.S. and non-U.S. defined benefit pension plans covering the majority of our employees and retirees. We also sponsor postretirement benefit plans that provide health care benefits and life insurance coverage to eligible retirees. For our U.S. defined benefit pension plans we use the market-related value of plan assets reflecting changes in the fair value of plan assets over a three-year period. Further, net actuarial (gains) or losses in excess of 10 percent of the greater of the market-related value of plan assets or the plans' projected benefit obligation (the corridor) are recognized over a six-year period. We adopted

HONEYWELL INTERNATIONAL INC.
NOTES TO FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share amounts)

SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (SFAS No. 158) as of December 31, 2006. See Note 22 for additional disclosures.

Foreign Currency Translation—Assets and liabilities of subsidiaries operating outside the United States with a functional currency other than U.S. dollars are translated into U.S. dollars using year-end exchange rates. Sales, costs and expenses are translated at the average exchange rates in effect during the year. Foreign currency translation gains and losses are included as a component of Accumulated Other Comprehensive Income (Loss). For subsidiaries operating in highly inflationary environments, inventories and property, plant and equipment, including related expenses, are remeasured at the exchange rate in effect on the date the assets were acquired, while monetary assets and liabilities are remeasured at year-end exchange rates. Remeasurement adjustments for these subsidiaries are included in earnings.

Derivative Financial Instruments—As a result of our global operating and financing activities, we are exposed to market risks from changes in interest and foreign currency exchange rates and commodity prices, which may adversely affect our operating results and financial position. We minimize our risks from interest and foreign currency exchange rate and commodity price fluctuations through our normal operating and financing activities and, when deemed appropriate through the use of derivative financial instruments. Derivative financial instruments are used to manage risk and are not used for trading or other speculative purposes and we do not use leveraged derivative financial instruments. Derivative financial instruments used for hedging purposes must be designated and effective as a hedge of the identified risk exposure at the inception of the contract. Accordingly, changes in fair value of the derivative contract must be highly correlated with changes in fair value of the underlying hedged item at inception of the hedge and over the life of the hedge contract.

All derivatives are recorded on the balance sheet as assets or liabilities and measured at fair value. For derivatives designated as hedges of the fair value of assets or liabilities, the changes in fair values of both the derivatives and the hedged items are recorded in current earnings. For derivatives designated as cash flow hedges, the effective portion of the changes in fair value of the derivatives are recorded in Accumulated Other Comprehensive Income (Loss) and subsequently recognized in earnings when the hedged items impact earnings. Cash flows of such derivative financial instruments are classified consistent with the underlying hedged item.

Transfers of Financial Instruments—Sales, transfers and securitization of financial instruments are accounted for under Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". We sell interests in designated pools of trade accounts receivables to third parties. The receivables are removed from the Consolidated Balance Sheet at the time they are sold. The value assigned to our subordinated interests and undivided interests retained in trade receivables sold is based on the relative fair values of the interests retained and sold. The carrying value of the retained interests approximates fair value due to the short-term nature of the collection period for the receivables.

Income Taxes—Deferred tax liabilities or assets reflect temporary differences between amounts of assets and liabilities for financial and tax reporting. Such amounts are adjusted, as appropriate, to reflect changes in tax rates expected to be in effect when the temporary differences reverse. A valuation allowance is established to offset any deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The determination of the amount of a valuation allowance to be provided on recorded deferred tax assets involves estimates regarding (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, and (3) the impact of tax planning strategies. In assessing the need for a valuation allowance, we consider all available positive and negative evidence, including past operating results, projections of future taxable income and the feasibility of ongoing tax planning strategies. The projections of future taxable income include a number of estimates and

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assumptions regarding our volume, pricing and costs. Additionally, valuation allowances related to deferred tax assets can be impacted by changes to tax laws.

Significant judgment is required in determining income tax provisions under Statement of Financial Accounting Standards No. 109 “Accounting for Income Taxes” (SFAS No. 109) and in evaluating tax positions. We establish additional provisions for income taxes when, despite the belief that tax positions are fully supportable, there remain certain positions that do not meet the minimum probability threshold, as defined by FASB Interpretation (“FIN”) No. 48, “Accounting for Uncertainty in Income Taxes” (FIN 48), which is a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority. In the normal course of business, the Company and its subsidiaries are examined by various Federal, State and foreign tax authorities. We regularly assess the potential outcomes of these examinations and any future examinations for the current or prior years in determining the adequacy of our provision for income taxes. We continually assess the likelihood and amount of potential adjustments and adjust the income tax provision, the current tax liability and deferred taxes in the period in which the facts that give rise to a revision become known.

In June 2006, the Financial Accounting Standards Board (“FASB”) issued FIN 48, which establishes a single model to address accounting for uncertain tax positions. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement classification, interest and penalties, accounting in interim periods, disclosure and transition. Upon adoption as of January 1, 2007, we reduced our existing reserves for uncertain tax positions by \$33 million, largely related to a reduction in state income tax matters, partially offset by a net increase for federal and international tax reserves.

Earnings Per Share—Basic earnings per share is based on the weighted average number of common shares outstanding. Diluted earnings per share is based on the weighted average number of common shares outstanding and all dilutive potential common shares outstanding.

Use of Estimates—The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and related disclosures in the accompanying notes. Actual results could differ from those estimates. Estimates and assumptions are periodically reviewed and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary.

Reclassifications—Certain prior year amounts have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements—In September 2006, the FASB issued Statement of Financial Accounting Standard (“SFAS”) No. 157, “Fair Value Measurements” (SFAS No. 157). SFAS No. 157 establishes a common definition for fair value to be applied to US GAAP requiring use of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. Issued in February 2008, FSP 157-1 “Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13” removed leasing transactions accounted for under Statement 13 and related guidance from the scope of SFAS No. 157. FSP 157-2 “Partial Deferral of the Effective Date of Statement 157” (FSP 157-2), deferred the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2008.

In October 2008, the FASB issued FSP 157-3 “Determining Fair Value of a Financial Asset in a Market That is Not Active” (FSP 157-3). FSP 157-3 clarified the application of SFAS No. 157 in an inactive market. It demonstrated how the fair value of a financial asset is determined when the market

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for that financial asset is inactive. FSP 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued.

The implementation of SFAS No. 157 for financial assets and financial liabilities, effective January 1, 2008, did not have a material impact on our consolidated financial position and results of operations. The implementation of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, effective January 1, 2009 did not have a material impact on our consolidated financial position and results of operations.

SFAS No. 157, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). SFAS No. 157 classifies the inputs used to measure fair value into the following hierarchy:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	Unadjusted quoted prices in active markets for similar assets or liabilities, or Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or Inputs other than quoted prices that are observable for the asset or liability
Level 3	Unobservable inputs for the asset or liability

The Company utilizes the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company has determined that our financial assets and liabilities are level 2 in the fair value hierarchy. The following table sets forth the Company's financial assets and liabilities that were accounted for, at fair value on a recurring basis as of December 31, 2008:

	December 31, 2008
Assets:	
Foreign currency exchange contracts	\$ 7
Available for sale investments	\$ 23
Forward commodity contracts	—
Liabilities:	
Foreign currency exchange contracts	\$ 34
Forward commodity contracts	\$ 4

As a result of our global operating and financing activities, the Company is exposed to market risks from changes in interest and foreign currency exchange rates and commodity prices, which may adversely affect our operating results and financial position. When deemed appropriate, we minimize our risks from interest and foreign currency exchange rate and commodity price fluctuations through the use of derivative financial instruments. Derivative financial instruments are used to manage risk and are not used for trading or other speculative purposes and we do not use leveraged derivative financial instruments. The forward foreign currency exchange contracts and forward commodity purchase agreements are valued using broker quotations, or market transactions in either the listed or over-the-counter markets. As such, these derivative instruments are classified within level 2. The Company also holds investments in marketable equity securities that are designated as available for sale and are valued using market transactions in over-the-counter markets. As such, these investments are classified within level 2.

In February 2007, the FASB issued SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS No. 159). SFAS No. 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the

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fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The implementation of this standard did not have a material impact on our consolidated financial position and results of operations.

In March 2007, the FASB ratified Emerging Issues Task Force (“EITF”) Issue No. 06-10 “Accounting for Collateral Assignment Split-Dollar Life Insurance Agreements” (EITF 06-10). EITF 06-10 provides guidance for determining a liability for postretirement benefit obligations as well as recognition and measurement of the associated asset on the basis of the terms of the collateral assignment agreement. EITF 06-10 is effective for fiscal years beginning after December 15, 2007. The implementation of this standard did not have a material impact on our consolidated financial position and results of operations.

In June 2007, the FASB ratified EITF 06-11 “Accounting for the Income Tax Benefits of Dividends on Share-Based Payment Awards” (EITF 06-11). EITF 06-11 provides that tax benefits associated with dividends on share-based payment awards be recorded as a component of additional paid-in capital. EITF 06-11 is effective, on a prospective basis, for fiscal years beginning after December 15, 2007. The implementation of this standard did not have a material impact on our consolidated financial position and results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations” (SFAS No. 141R). SFAS No. 141R provides revised guidance on how acquirers recognize and measure the consideration transferred, identifiable assets acquired, liabilities assumed, contingencies, noncontrolling interests, and goodwill acquired in a business combination. SFAS No. 141R also expands required disclosures surrounding the nature and financial effects of business combinations. SFAS No. 141R is effective, on a prospective basis, for fiscal years beginning after December 15, 2008. Upon adoption, this standard will not have a material impact on our consolidated financial position and results of operations. However, if the Company enters into any business combinations after the adoption of SFAS No. 141R, a transaction may significantly impact the Company’s consolidated financial position and results of operations as compared to the Company’s recent acquisitions, accounted for under existing GAAP requirements, due to the changes described above.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements” (SFAS No. 160). SFAS No. 160 establishes requirements for ownership interests in subsidiaries held by parties other than the Company (sometimes called “minority interests”) be clearly identified, presented, and disclosed in the consolidated statement of financial position within equity, but separate from the parent’s equity. All changes in the parent’s ownership interests are required to be accounted for consistently as equity transactions and any noncontrolling equity investments in unconsolidated subsidiaries must be measured initially at fair value. SFAS No. 160 is effective, on a prospective basis, for fiscal years beginning after December 15, 2008. However, presentation and disclosure requirements must be retrospectively applied to comparative financial statements. The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

In December 2007, the FASB issued SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133), Implementation Issue No. E23, “Hedging—General: Issues Involving the Application of the Shortcut Method under Paragraph 68” (Issue E23). Issue E23 amends SFAS 133 to explicitly permit use of the shortcut method for hedging relationships in which interest rate swaps have nonzero fair value at the inception of the hedging relationship, provided certain conditions are met. Issue E23 was effective for hedging relationships designated on or after January 1, 2008. The implementation of this guidance did not have a material impact on our consolidated financial position and results of operations.

In March 2008, the FASB issued SFAS No. 161, “Disclosures About Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133” (SFAS No. 161). SFAS No. 161 expands quarterly disclosure requirements in SFAS No. 133 about an entity’s derivative instruments

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and hedging activities. SFAS No. 161 is effective for fiscal years beginning after November 15, 2008. The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

In April 2008, the FASB issued FSP 142-3, "Determination of the Useful Life of Intangible Assets", (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets". FSP 142-3 is effective for fiscal years beginning after December 15, 2008. The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" (SFAS No. 162). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS No. 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles". The implementation of this standard did not have a material impact on our consolidated financial position and results of operations.

In June 2008, the FASB issued FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" (FSP EITF 03-6-1). FSP EITF 03-6-1 clarified that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common shareholders. Awards of this nature are considered participating securities and the two-class method of computing basic and diluted earnings per share must be applied. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008. The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

In June 2008, the FASB ratified EITF Issue No. 07-5, "Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock" (EITF 07-5). EITF 07-5 provides that an entity should use a two step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions. It also clarifies on the impact of foreign currency denominated strike prices and market-based employee stock option valuation instruments on the evaluation. EITF 07-5 is effective for fiscal years beginning after December 15, 2008. The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

In June 2008, the FASB ratified EITF Issue No. 08-3, "Accounting for Lessees for Maintenance Deposits Under Lease Arrangements" (EITF 08-3). EITF 08-3 provides guidance for accounting for nonrefundable maintenance deposits. It also provides revenue recognition accounting guidance for the lessor. EITF 08-3 is effective for fiscal years beginning after December 15, 2008. The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

In September 2008, the FASB issued FSP 133-1 and FIN 45-4, "Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161" (FSP 133-1 and FIN 45-4). FSP 133-1 and FIN 45-4 amends and enhances disclosure requirements for sellers of credit derivatives and financial guarantees. It also clarifies that the disclosure requirements of SFAS No. 161 are effective for quarterly periods beginning after November 15, 2008, and fiscal years that include those periods. FSP 133-1 and FIN 45-4 is effective for reporting periods (annual or interim) ending after November 15, 2008. The implementation of this standard did not have a material impact on our consolidated financial position and results of operations.

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In September 2008, the FASB ratified EITF Issue No. 08-5, “Issuer’s Accounting for Liabilities Measured at Fair Value With a Third-Party Credit Enhancement” (EITF 08-5). EITF 08-5 provides guidance for measuring liabilities issued with an attached third-party credit enhancement (such as a guarantee). It clarifies that the issuer of a liability with a third-party credit enhancement (such as a guarantee) should not include the effect of the credit enhancement in the fair value measurement of the liability. EITF 08-5 is effective for the first reporting period beginning after December 15, 2008. The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

In November 2008, the FASB ratified EITF Issue No. 08-6, “Equity method Investment Accounting Considerations” (EITF 08-6). EITF 08-6 addresses a number of matters associated with the impact of SFAS No. 141R and SFAS No. 160 on the accounting for equity method investments including initial recognition and measurement and subsequent measurement issues. EITF 08-6 is effective, on a prospective basis, for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

In November 2008, the FASB ratified EITF Issue No. 08-07, “Accounting for Defensive Intangible Assets” (EITF 08-7). EITF 08-7 provides guidance for accounting for defensive intangible assets subsequent to their acquisition in accordance with SFAS No. 141R and SFAS No. 157 including the estimated useful life that should be assigned to such assets. EITF 08-7 is effective for intangible assets acquired on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company is currently assessing the impact of EITF 08-7 on its consolidated financial position and results of operations.

In November 2008, the FASB ratified EITF Issue No. 08-08, “Accounting for an Instrument (or an Embedded Feature) with a Settlement Amount That Is Based on the Stock of an Entity’s Consolidated Subsidiary” (EITF 08-8). EITF 08-8 clarifies whether a financial instrument for which the payoff to the counterparty is based, in whole or in part, on the stock of an entity’s consolidated subsidiary is indexed to the reporting entity’s own stock. EITF 08-8 is effective fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years. The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

In December 2008, the FASB issued FSP FAS 140-4 and FIN 46(R)-8, “Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities” (FSP 140-4 and 46(R)-8). FSP 140-4 and 46(R)-8 requires additional disclosures about transfers of financial assets and involvement with variable interest entities. FSP 140-4 and 46(R)-8 is effective for the first reporting period (annual or interim) ending after December 15, 2008. The implementation of this standard did not have a material impact on our consolidated financial position and results of operations.

In December 2008, the FASB issued FSP 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets” (FSP 132(R)-1). FSP 132(R)-1 provides guidance on an employer’s disclosures about plan assets of a defined benefit pension or other postretirement plan. FSP 132(R)-1 is effective for fiscal years ending after December 15, 2009. The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

In January 2009, the FASB issued FSP EITF 99-20-1, “Amendments to the Impairment Guidance of EITF Issue No. 99-20” (FSP 99-20-1). FSP 99-20-1 amends the impairment guidance in EITF Issue No. 99-20, “Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets,” to achieve more consistent determination of whether an other-than-temporary impairment has occurred. FSP 99-20-1 is effective, on a prospective basis, for interim and annual reporting periods ending after December 15, 2008. The implementation of this standard did not have a material impact on our consolidated financial position and results of operations.

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Note 2—Acquisitions and Divestitures

We acquired businesses for an aggregate cost of \$2,181, \$1,190, and \$979 million in 2008, 2007 and 2006, respectively. All of our acquisitions were accounted for under the purchase method of accounting, and accordingly, the assets and liabilities of the acquired businesses were recorded at their estimated fair values at the dates of acquisition. Significant acquisitions made in these years are discussed below.

In May 2008, the Company completed the acquisition of Safety Products Holding, Inc, which through its subsidiary Norcross Safety Products L.L.C. (Norcross) is a leading manufacturer of personal protective equipment. The purchase price, net of cash acquired, was approximately \$1.2 billion and was allocated to tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date.

The following table summarizes the estimated fair values of the assets and liabilities acquired as of the acquisition date.

Accounts and other receivables	\$ 102
Inventories	118
Other current assets	28
Property, plant and equipment	65
Intangible assets	708
Other assets and deferred charges	3
Accounts payable	(27)
Accrued liabilities	(74)
Deferred income taxes	(274)
Other long-term liabilities	(26)
Net assets acquired	623
Goodwill	598
Purchase price	<u>\$ 1,221</u>

The Company has assigned \$708 million to intangible assets, predominantly customer relationships, trade names, and technology. These intangibles assets are being amortized over their estimated lives using straight line and accelerated amortization methods. The value assigned to the trade names of approximately \$264 million is classified as an indefinite lived intangible. The excess of the purchase price over the estimated fair values of net assets acquired (approximately \$598 million) was recorded as goodwill. This goodwill is non-deductible for tax purposes. This acquisition was accounted for by the purchase method, and, accordingly, results of operations are included in the consolidated financial statements from the date of acquisition. The results from the acquisition date through December 31, 2008 are included in the Automation and Control Solutions segment and were not material to the consolidated financial statements.

In July 2008, the Company completed the sale of its Consumables Solutions business to B/E Aerospace (B/E) for \$1.05 billion, consisting of approximately \$901 million in cash and six million shares of B/E common stock. In connection with the completion of the sale, the Company and B/E entered into, among other things, exclusive supply and license agreements and a stockholder agreement. Because of the extent of the Company's cash flows associated with the supply and license agreements, the Consumables Solutions business is not classified as discontinued operations. The provisions of the license and supply agreements were determined to be at-market. As such, we have not allocated any portion of the proceeds to these agreements. The pre-tax gain of \$623 million is classified as Other (Income)/Expense in our Statement of Operations. The gain on sale was approximately \$417 million net of tax. The sale of the Consumables Solutions business, within the Aerospace segment, is consistent with the Company's strategic focus on core product areas utilizing advanced technologies.

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In July 2008, the Company completed the acquisition of Metrologic Instruments, Inc. (Metrologic), a leading manufacturer of data capture and collection hardware and software, for a purchase price of approximately \$715 million, net of cash acquired. The purchase price for the acquisition was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at acquisition date. The Company has assigned \$248 million to identifiable intangible assets, predominantly customer relationships, technology and trademarks. These intangible assets are being amortized over their estimated lives which range from 1-15 years using straight line and accelerated amortization methods. The excess of the purchase price over the estimated fair values of net assets acquired (approximately \$440 million) was recorded as goodwill. This goodwill is non-deductible for tax purposes. This acquisition was accounted for by the purchase method, and, accordingly, results of operations are included in the consolidated financial statements from the date of acquisition. The results from the acquisition date through December 31, 2008, are included in the Automation and Control Solutions segment and were not material to the consolidated financial statements.

In December 2007, the Company, specifically the Automation and Control Solutions segment, completed the acquisition of Maxon Corporation, a leading industrial combustion business, for a purchase price of approximately \$185 million. The purchase price for the acquisition was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at acquisition date. The Company has assigned \$70 million to identifiable intangible assets, predominantly customer relationships and trademarks. These intangible assets are being amortized over their estimated lives which range from 7-20 years using straight line and accelerated amortization methods. The value assigned to the trade marks of approximately \$10 million is classified as an indefinite lived intangible. The excess of the purchase price over the estimated fair values of net assets acquired approximating \$114 million, was recorded as goodwill. This goodwill is non-deductible for tax purposes. This acquisition was accounted for by the purchase method, and, accordingly, results of operations are included in the consolidated financial statements from the date of acquisition. The results from the acquisition date through December 31, 2007 were not material to the consolidated financial statements.

In December 2007, the Company, specifically the Automation and Control Solutions segment, completed the acquisition of Hand Held Products, Inc. a privately held automatic identification and data collection company, for a purchase price of approximately \$390 million. The purchase price for the acquisition was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The Company has assigned \$101 million to identifiable intangible assets, predominantly customer relationships and existing technology. These intangible assets are being amortized over their estimated lives which range from 1 to 15 years using straight-line and accelerated amortization methods. The excess of the purchase price over the estimated fair values of net assets acquired approximating \$257 million, was recorded as goodwill. This goodwill is non- deductible for tax purposes. This acquisition was accounted for by the purchase method, and, accordingly, results of operations are included in the consolidated financial statements from the date of acquisition. The results from the acquisition date through December 31, 2007 were not material to the consolidated financial statements.

In July 2007, the Company completed the acquisition of Dimensions International, a defense logistics business, for a purchase price of approximately \$233 million. The purchase price for the acquisition was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The Company has assigned \$21 million to identifiable intangible assets, predominantly contractual relationships. These intangible assets are being amortized over their estimated life of 5 years using straight-line and accelerated amortization methods. The excess of the purchase price over the estimated fair values of net assets acquired approximating \$183 million, was recorded as goodwill. Goodwill will be deducted over a 15 year period for tax purposes. This acquisition was accounted for by the purchase method, and, accordingly, results

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of operations are included in the consolidated financial statements from the date of acquisition. The results from the acquisition date through December 31, 2007 are included in the Aerospace segment and were not material to the consolidated financial statements.

In July 2007, the Company completed the acquisition of Enraf Holding B.V., a provider of comprehensive solutions for the control and management of transportation, storage and blending operations in the oil and gas industry, for a purchase price of approximately \$264 million, including the assumption of approximately \$40 million of debt. The purchase price for the acquisition was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The Company has assigned \$90 million to identifiable intangible assets, predominantly customer relationships, existing technology and trademarks. The remaining intangible assets are being amortized over their estimated life of 8-15 years using straight-line and accelerated amortization methods. The value assigned to the trademarks of approximately \$27 million is classified as an indefinite lived intangible. The excess of the purchase price over the estimated fair values of net assets acquired approximating \$167 million, was recorded as goodwill. This goodwill is non-deductible for tax purposes. This acquisition was accounted for by the purchase method, and, accordingly, results of operations are included in the consolidated financial statements from the date of acquisition. The results from the acquisition date through December 31, 2007 are included in the Automation and Control Solutions segment and were not material to the consolidated financial statements.

In May 2006, the Company purchased Gardiner Groupe, a privately held company. The purchase price for the acquisition was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values and lives at the acquisition date. The Company has assigned \$47 million to identifiable intangible assets, predominantly customer relationships and trademarks. These intangible assets are being amortized over their estimated lives which range from 3 to 15 years using straight-line and accelerated amortization methods. The excess of the purchase price over the estimated fair values of net assets acquired approximating \$130 million, was recorded as goodwill. This goodwill is non-deductible for tax purposes. This acquisition was accounted for by the purchase method, and, accordingly, results of operations are included in the consolidated financial statements from the date of acquisition. The results from the acquisition date through December 31, 2006 are included in the Automation and Control Solutions segment and were not material to the consolidated financial statements.

In March 2006, the Company purchased First Technology plc, a U.K. publicly listed company. The aggregate value of the purchase price was \$723 million, including the assumption of approximately \$217 million of outstanding debt and \$23 million of transaction costs. The purchase price for the acquisition was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The Company has assigned \$155 million to identifiable intangible assets, predominantly customer relationships, existing technology and trademarks. These intangible assets are being amortized over their estimated lives which range from 2 to 15 years using straight-line and accelerated amortization methods. The excess of the purchase price over the estimated fair values of net assets acquired approximating \$432 million, was recorded as goodwill. This goodwill is non-deductible for tax purposes. This acquisition was accounted for by the purchase method, and, accordingly, results of operations are included in the consolidated financial statements from the date of acquisition. The results from the acquisition date through December 31, 2006 are included in the Automation and Control Solutions segment and were not material to the consolidated financial statements. During the year, the Company completed the sales of the First Technology Safety & Analysis business for \$93 million and First Technology Automotive for \$90 million which were accounted for as part of the purchase price allocation.

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As of December 31, 2008, the purchase accounting for Norcross and Metrologic are still subject to final adjustment primarily for useful lives, amounts allocated to intangible assets and goodwill, for certain pre-acquisition contingencies, and for settlement of post closing purchase price adjustments.

In connection with all acquisitions in 2008, 2007 and 2006, the amounts recorded for transaction costs and the costs of integrating the acquired businesses into Honeywell were not material.

The pro forma results for 2008, 2007 and 2006, assuming these acquisitions had been made at the beginning of the year, would not be materially different from consolidated reported results.

Note 3—Repositioning and Other Charges

A summary of repositioning and other charges follows:

	Years Ended December 31,		
	2008	2007	2006
Severance	\$ 333	\$ 186	\$ 102
Asset impairments	78	14	15
Exit costs	33	9	7
Reserve adjustments	(20)	(18)	(22)
Total net repositioning charge	424	191	102
Asbestos related litigation charges, net of insurance	125	100	126
Probable and reasonably estimable environmental liabilities	465	225	210
Business impairment charges	—	9	12
Arbitration award related to phenol supply agreement	—	—	(18)
Other	(2)	18	51
Total net repositioning and other charges	<u>\$ 1,012</u>	<u>\$ 543</u>	<u>\$ 483</u>

The following table summarizes the pretax distribution of total net repositioning and other charges by income statement classification.

	Years Ended December 31,		
	2008	2007	2006
Cost of products and services sold	\$ 908	\$ 495	\$ 472
Selling, general and administrative expenses	104	48	11
	<u>\$ 1,012</u>	<u>\$ 543</u>	<u>\$ 483</u>

The following table summarizes the pretax impact of total net repositioning and other charges by segment.

	Years Ended December 31,		
	2008	2007	2006
Aerospace	\$ 84	\$ 37	\$ 10
Automation and Control Solutions	164	127	39
Specialty Materials	42	14	5
Transportation Systems	233	119	293
Corporate	489	246	136
	<u>\$ 1,012</u>	<u>\$ 543</u>	<u>\$ 483</u>

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In 2008, we recognized repositioning charges totaling \$444 million including severance costs of \$333 million related to workforce reductions of 7,480 manufacturing and administrative positions across all of our segments. The workforce reductions primarily relate to the planned downsizing or shutdown of certain manufacturing facilities in our Aerospace, Automation and Control Solutions and Transportation Systems segments, the rationalization of non-manufacturing infrastructure, outsourcing of non-core components, managing capacity utilization to address product demand volatility and our functional transformation initiative. The repositioning charge also included asset impairments of \$78 million principally related to manufacturing plant and equipment in facilities scheduled to close or be downsized and certain administrative facilities, and information technology equipment in our Corporate segment. Also, \$20 million of previously established accruals, primarily for severance at our Automation and Control Solutions segment were returned to income in 2008 due mainly to fewer employee separations than originally planned associated with prior severance programs.

In 2007, we recognized repositioning charges totaling \$209 million primarily for severance costs related to workforce reductions of 3,408 manufacturing and administrative positions mainly in our Automation and Control Solutions and Aerospace segments. Also, \$18 million of previously established accruals, primarily for severance at our Transportation Systems and Aerospace segments, were returned to income in 2007 due mainly to changes in the scope of previously announced severance programs and due to fewer employee separations than originally planned associated with prior severance programs.

In 2006, we recognized repositioning charges totaling \$124 million primarily for severance costs related to workforce reductions of 2,253 manufacturing and administrative positions across all of our segments. Also, \$22 million of previously established accruals, primarily for severance at our Aerospace, Transportation Systems and Specialty Materials segments were returned to income in 2006 due mainly to changes in the scope of previously announced severance programs and due to fewer employee separations than originally planned associated with prior Aerospace severance programs.

The following table summarizes the status of our total repositioning reserves.

	Severance Costs	Asset Impairments	Exit Costs	Total
Balance at December 31, 2005	\$ 168	\$ —	\$ 14	\$ 182
2006 charges	102	15	7	124
2006 usage	(134)	(15)	(8)	(157)
Adjustments	(18)	—	(4)	(22)
Balance at December 31, 2006	118	—	9	127
2007 charges	186	14	9	209
2007 usage	(85)	(14)	(7)	(106)
Adjustments	(18)	—	—	(18)
Balance at December 31, 2007	201	—	11	212
2008 charges	333	78	33	444
2008 usage	(149)	(78)	(8)	(235)
Adjustments	(20)	—	—	(20)
Balance at December 31, 2008	<u>\$ 365</u>	<u>\$ —</u>	<u>\$ 36</u>	<u>\$ 401</u>

In 2008, certain of our repositioning projects in our Aerospace, Automation and Control Solutions and Transportation Systems segments included exit or disposal activities, the costs related to which, will be recognized in future periods when the actual liability is incurred. The nature of these exit or disposal costs principally includes product recertification and requalification and employee training and travel. The following table summarizes by segment, expected, incurred and remaining exit and disposal

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costs related to 2008 repositioning actions which we were not able to recognize at the time the actions were initiated:

	Aerospace	Automation and Control Solutions	Transportation Systems	Total
Expected exit and disposal costs	\$ 143	\$ 27	\$ 12	\$ 182
Costs incurred year ended December 31, 2008	(12)	—	(1)	(13)
Remaining exit and disposal costs at December 31, 2008	<u>\$ 131</u>	<u>\$ 27</u>	<u>\$ 11</u>	<u>\$ 169</u>

In 2008, we recognized a charge of \$465 million for environmental liabilities deemed probable and reasonably estimable during the year, of which \$309 million was recognized in the third quarter which included:

- \$100 million related to the resolution of technical design issues regarding the remediation plan for Onondaga Lake (“Lake”) (as previously reported, the ultimate cost of the remediation of the Lake depended upon the resolution of these issues);
- \$90 million for the estimated cost of proposed remedial actions to be taken at other sites located in Syracuse, New York in accordance with remediation plans submitted to state environmental regulators;
- \$38 million primarily related to changes in cost estimates (due to, among other things, increases in the cost of steel, waste transportation and disposal costs) and settlement costs relating to the remediation of the New Jersey Chrome sites known as Study Areas 5, 6 and 7.

We also recognized asbestos related litigation charges, net of insurance, of \$125 million which are discussed in Note 21.

In 2007, we recognized a charge of \$225 million for environmental liabilities deemed probable and reasonably estimable during the year. We recognized asbestos related litigation charges, net of insurance, of \$100 million which are discussed in Note 21. We recognized other charges of \$18 million for a business sales tax related to a prior divestiture (\$8 million) and for contemplated settlements of certain legal matters (\$10 million). We also recognized impairment charges of \$9 million related to the write-down of property, plant and equipment held for sale in our Specialty Materials segment.

In 2006, we recognized a charge of \$210 million for environmental liabilities deemed probable and reasonably estimable during the year. We recognized asbestos related litigation charges, net of insurance, of \$126 million which are discussed in Note 21. We recognized other charges of \$51 million related to our Corporate segment primarily for the settlement of a property damage claim litigation matter in Brunswick, GA and our entrance into a plea agreement related to an environmental matter at our Baton Rouge, LA facility. We recognized impairment charges of \$12 million related to the write-down of property, plant and equipment held for sale in our Specialty Materials segment. We also recognized a credit of \$18 million in connection with an arbitration award for overcharges by a supplier of phenol to our Specialty Materials business for 2005 transactions.

Note 4—Other (Income)/Expense

	Years Ended December 31,		
	2008	2007	2006
Gain on sale of non-strategic businesses and assets	\$ (635)	\$ (19)	\$ (30)
Equity (income)/loss of affiliated companies	(63)	(10)	(13)
Interest income	(102)	(81)	(94)
Foreign exchange	52	34	18
Other (net)	20	23	8
	<u>\$ (728)</u>	<u>\$ (53)</u>	<u>\$ (111)</u>

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Gain on sale of non-strategic businesses and assets for 2008 includes a \$623 million pre-tax gain related to the sale of our Consumables Solutions business. See Note 2 for further details.

Note 5—Interest and Other Financial Charges

	Years Ended December 31,		
	2008	2007	2006
Total interest and other financial charges	\$ 482	\$ 478	\$ 396
Less—capitalized interest	(26)	(22)	(22)
	<u>\$ 456</u>	<u>\$ 456</u>	<u>\$ 374</u>

The weighted average interest rate on short-term borrowings and commercial paper outstanding at December 31, 2008 and 2007 was 1.63 percent and 4.65 percent, respectively.

Note 6—Income Taxes

Income from continuing operations before taxes

	Years Ended December 31,		
	2008	2007	2006
United States	\$ 2,003	\$ 2,084	\$ 1,882
Foreign	1,798	1,237	916
	<u>\$ 3,801</u>	<u>\$ 3,321</u>	<u>\$ 2,798</u>

Tax expense

	Years Ended December 31,		
	2008	2007	2006
United States	\$ 696	\$ 542	\$ 412
Foreign	313	335	308
	<u>\$ 1,009</u>	<u>\$ 877</u>	<u>\$ 720</u>

	Years Ended December 31,		
	2008	2007	2006
Tax expense consist of:			
Current:			
United States	\$ 493	\$ 249	\$ (39)
State	70	64	26
Foreign	331	232	283
	894	545	270
Deferred:			
United States	106	225	376
State	26	4	49
Foreign	(17)	103	25
	115	332	450
	<u>\$ 1,009</u>	<u>\$ 877</u>	<u>\$ 720</u>

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	Years Ended December 31,		
	2008	2007	2006
The U.S. statutory federal income tax rate is reconciled to our effective income tax rate as follows:			
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
Taxes on foreign earnings below U.S. tax rate (1)	(6.4)	(4.6)	(4.0)
State income taxes (1)	1.8	.9	1.7
Tax benefits on export sales	—	—	(1.9)
Domestic Manufacturing Deduction	(.7)	(.8)	(.3)
ESOP Dividend Tax Benefit	(.5)	(.5)	(.7)
Tax credits	(1.0)	(.6)	(.7)
Audit Settlements	(1.5)	(2.9)	(2.9)
All other items—net	(.2)	(.1)	(.5)
	26.5%	26.4%	25.7%

(1) Net of changes in valuation allowance.

The effective tax rate increased by 0.1 of a percentage point in 2008 compared with 2007 due principally to a higher overall state effective tax rate and a decreased impact from the settlement of audits, partially offset by a decrease in the foreign effective tax rate.

Deferred tax assets (liabilities)

Deferred income taxes represent the future tax effects of transactions which are reported in different periods for tax and financial reporting purposes. The tax effects of temporary differences and tax carryforwards which give rise to future income tax benefits and payables are as follows:

	December 31,	
	2008	2007
Property, plant and equipment basis differences	\$ (605)	\$ (563)
Postretirement benefits other than pensions and post employment benefits	876	770
Investment and other asset basis differences	(598)	(376)
Other accrued items	2,477	1,025
Net operating and capital losses	740	783
Tax credits	87	33
Undistributed earnings of subsidiaries	(40)	(40)
All other items—net	(175)	(21)
	2,762	1,611
Valuation allowance	(445)	(490)
	\$ 2,317	\$ 1,121

There were \$102 million of U.S. federal tax net operating losses available for carryforward at December 31, 2008 which were generated by certain subsidiaries prior to their acquisition and have expiration dates through 2024. The use of pre-acquisition operating losses is subject to limitations imposed by the Internal Revenue Code. We do not anticipate that these limitations will affect utilization of the carryforwards prior to their expiration. Various subsidiaries have state tax net operating loss carryforwards of \$2.7 billion at December 31, 2008 with varying expiration dates through 2025. We also have foreign net operating and capital losses of \$2.5 billion which are available to reduce future income tax payments in several countries, subject to varying expiration rules.

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We have state tax credit carryforwards of \$57 million at December 31, 2008, including carryforwards of \$31 million with various expiration dates through 2023 and tax credits of \$26 million which are not subject to expiration. In addition, we have \$5 million of foreign tax credits available for carryback or carryforward on the U.S. federal tax return at December 31, 2008 with various expiration dates through 2013.

The valuation allowance against deferred tax assets decreased by \$45 million and \$26 million in 2008 and 2007, respectively, and increased by \$39 in 2006. The 2008 decrease in the valuation allowance was primarily due to a decrease in the valuation allowance related to federal and state capital loss carryforwards partially offset by increased foreign net operating losses. The 2007 decrease in the valuation allowance was primarily due to a decrease in valuation allowances related to state and foreign net operating losses partially offset by a valuation allowance against U.S. capital losses.

Federal income taxes have not been provided on undistributed earnings of the majority of our international subsidiaries as it is our intention to reinvest these earnings into the respective businesses. At December 31, 2008 Honeywell has not provided for U.S. federal income and foreign withholding taxes on approximately \$4.7 billion of such earnings of our non-U.S. operations. It is not practicable to estimate the amount of tax that might be payable if some or all of such earnings were to be remitted, and foreign tax credits would be available to reduce or eliminate the resulting U.S. income tax liability.

We had \$671 million and \$666 million of unrecognized tax benefits as of December 31, 2008 and 2007, respectively. If recognized, \$671 million would be recorded as a component of income tax expense as of December 31, 2008. For the year ended December 31, 2008, the Company increased its unrecognized tax benefits by \$5 million due to additional reserves for various international and U.S. tax audit matters, partially offset by a change in the foreign currency translation, the expiration of various statute of limitations, and the settlement of audits.

The following table summarizes the activity related to our unrecognized tax benefits:

	2008	2007
Change in unrecognized tax benefits:		
Balance at beginning of year	\$ 666	\$ 744
Gross increases related to current period tax positions	81	68
Gross increases related to prior periods tax positions	106	100
Gross decreases related to prior periods tax positions	(54)	(167)
Decrease related to settlements with tax authorities	(42)	(101)
Expiration of the statute of limitations for the assessment of taxes	(64)	—
Foreign currency translation	(22)	22
Balance at end of year	<u>\$ 671</u>	<u>\$ 666</u>

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In many cases our uncertain tax positions are related to tax years that remain subject to examination by the relevant tax authorities. The following table summarizes these open tax years by major jurisdiction as of December 31, 2008:

Jurisdiction	Open Tax Year	
	Examination in progress	Examination not yet initiated
United States (1)	1998 – 2007	2007 – 2008
United Kingdom	2002 – 2006	2007 – 2008
Canada (1)	2003 – 2006	2007 – 2008
Germany (1)	2000 – 2003	2004 – 2008
France	N/A	2000 – 2008
Netherlands	2002 – 2006	2007 – 2008
Australia	N/A	2004 – 2008
China	N/A	2005 – 2008
India	1999 – 2007	2008

(1) includes federal as well as state, provincial or similar local jurisdictions, as applicable

Based on the outcome of these examinations, or as a result of the expiration of statute of limitations for specific jurisdictions, it is reasonably possible that the related unrecognized tax benefits for tax positions taken regarding previously filed tax returns will materially change from those recorded as liabilities for uncertain tax positions in our financial statements. In addition, the outcome of these examinations may impact the valuation of certain deferred tax assets (such as net operating losses) in future periods. Based on the number of tax years currently under audit by the relevant U.S federal, state and foreign tax authorities, the Company anticipates that several of these audits may be finalized in the foreseeable future. However, based on the status of these examinations, and the protocol of finalizing audits by the relevant tax authorities, which could include formal legal proceedings, at this time it is not possible to estimate the impact of any amount of such changes, if any, to previously recorded uncertain tax positions.

Unrecognized tax benefits for the above listed examinations in progress were \$249 million and \$199 million as of December 31, 2008 and 2007, respectively. This increase is primarily due to reserves for examinations initiated in 2008 and increases to prior reserves based on facts and circumstances as of the reporting date, partially offset by the settlement of tax examinations and the expiration of various statute of limitations during the year.

Estimated interest and penalties related to the underpayment of income taxes are classified as a component of Tax Expense in the Consolidated Statement of Operations and totaled \$19 million and \$20 million for the years ended December 31, 2008 and 2007, respectively. Accrued interest and penalties were \$137 million and \$118 million as of December 31, 2008 and December 31, 2007, respectively.

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Note 7—Earnings (Loss) Per Share

The following table sets forth the computations of basic and diluted earnings (loss) per share:

	2008		2007		2006	
	Basic	Assuming Dilution	Basic	Assuming Dilution	Basic	Assuming Dilution
<u>Income</u>						
Income from continuing operations	\$ 2,792	\$ 2,792	\$ 2,444	\$ 2,444	\$ 2,078	\$ 2,078
Income from discontinued operations, net of taxes	—	—	—	—	5	5
Net income	<u>\$ 2,792</u>	<u>\$ 2,792</u>	<u>\$ 2,444</u>	<u>\$ 2,444</u>	<u>\$ 2,083</u>	<u>\$ 2,083</u>
<u>Average shares</u>						
Average shares outstanding	736,763,174	736,763,174	764,543,613	764,543,613	820,845,838	820,845,838
Dilutive securities issuable in connection with stock plans	—	6,767,253	—	9,683,868	—	5,432,435
Total average shares	<u>736,763,174</u>	<u>743,530,427</u>	<u>764,543,613</u>	<u>774,227,481</u>	<u>820,845,838</u>	<u>826,278,273</u>
<u>Earnings (loss) per share of common stock</u>						
Income from continuing operations	\$ 3.79	\$ 3.76	\$ 3.20	\$ 3.16	\$ 2.53	\$ 2.51
Income from discontinued operations, net of taxes	—	—	—	—	0.01	0.01
Net income	<u>\$ 3.79</u>	<u>\$ 3.76</u>	<u>\$ 3.20</u>	<u>\$ 3.16</u>	<u>\$ 2.54</u>	<u>\$ 2.52</u>

In 2008, 2007 and 2006, the diluted earnings per share calculation excludes the effect of stock options when the options' exercise prices exceed the average market price of the common shares during the period. In 2008, 2007 and 2006, the number of stock options not included in the computation were 17,825,720, 8,599,620 and 22,749,056, respectively. These stock options were outstanding at the end of each of the respective years.

Note 8—Accounts, Notes and Other Receivables

	December 31,	
	2008	2007
Trade	\$ 5,893	\$ 6,209
Other	422	359
	6,315	6,568
Less—Allowance for doubtful accounts	(186)	(181)
	<u>\$ 6,129</u>	<u>\$ 6,387</u>

Trade Accounts Receivable includes \$1,195 and \$1,084 million of unbilled balances under long-term contracts as of December 31, 2008 and 2007, respectively. These amounts are billed in accordance with the terms of the customer contracts to which they relate.

We sell interests in designated pools of trade accounts receivables to third parties. The sold receivables are over-collateralized by \$93 million at December 31, 2008 and we retain a subordinated interest in the pool of receivables representing that over-collateralization as well as an undivided interest in the balance of the receivables pools. The

overcollateralization provides credit support to the purchasers of the receivable interest by limiting their losses in the event that a portion of the receivables becomes uncollectable. New receivables are sold under the agreement as previously sold receivables are collected. Losses are recognized when our interest in the receivables are sold. The retained interests in the receivables are shown at the amounts expected to be collected by us, and such carrying value approximates the fair value of our retained interests. We are compensated for our services in the collection and administration of the receivables.

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	December 31,	
	2008	2007
Designated pools of trade receivables	\$ 1,073	\$ 1,322
Interest sold to third parties	(500)	(500)
Retained interest	<u>\$ 573</u>	<u>\$ 822</u>

Losses on sales of receivables were \$18, \$29 and \$27 million in 2008, 2007 and 2006, respectively. No credit losses were incurred during those years.

Note 9—Inventories

	December 31,	
	2008	2007
Raw materials	\$ 1,644	\$ 1,692
Work in process	952	870
Finished products	1,415	1,501
	4,011	4,063
Less—		
Progress payments	(3)	(3)
Reduction to LIFO cost basis	(160)	(199)
	<u>\$ 3,848</u>	<u>\$ 3,861</u>

Inventories valued at LIFO amounted to \$269 and \$247 million at December 31, 2008 and 2007, respectively. Had such LIFO inventories been valued at current costs, their carrying values would have been approximately \$160 and \$199 million higher at December 31, 2008 and 2007, respectively.

Note 10—Investments and Long-Term Receivables

	December 31,	
	2008	2007
Investments	\$ 153	\$ 40
Long-term trade and other receivables	209	223
Long-term financing receivables	308	237
	<u>\$ 670</u>	<u>\$ 500</u>

Long-Term Trade and Other Receivables includes \$36 and \$63 million of unbilled balances under long-term contracts as of December 31, 2008 and 2007, respectively. These amounts are billed in accordance with the terms of the customer contracts to which they relate.

Note 11—Property, Plant and Equipment

	December 31,	
	2008	2007
Land and improvements	\$ 475	\$ 409
Machinery and equipment	10,075	10,243
Buildings and improvements	2,429	2,244
Construction in progress	407	466
	13,386	13,362
Less—Accumulated depreciation and amortization	(8,452)	(8,377)

\$ 4,934

\$ 4,985

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Depreciation expense was \$702, \$675 and \$650 million in 2008, 2007 and 2006, respectively.

Note 12—Goodwill and Other Intangibles—Net

The change in the carrying amount of goodwill for the years ended December 31, 2008 and 2007 by segment are as follows:

	December 31, 2007	Acquisitions	Divestitures	Currency Translation Adjustment	December 31, 2008
Aerospace	\$ 1,939	\$ 60	\$ (72)	\$ (45)	\$ 1,882
Automation and Control Solutions	5,529	1,149	—	(40)	6,638
Specialty Materials	1,156	—	—	(5)	1,151
Transportation Systems	551	—	—	(37)	514
	<u>\$ 9,175</u>	<u>\$ 1,209</u>	<u>\$ (72)</u>	<u>\$ (127)</u>	<u>\$ 10,185</u>

	December 31, 2006	Acquisitions	Divestitures	Currency Translation Adjustment	December 31, 2007
Aerospace	\$ 1,745	\$ 180	\$ —	\$ 14	\$ 1,939
Automation and Control Solutions	4,959	547	—	23	5,529
Specialty Materials	1,151	2	(6)	9	1,156
Transportation Systems	548	—	—	3	551
	<u>\$ 8,403</u>	<u>\$ 729</u>	<u>\$ (6)</u>	<u>\$ 49</u>	<u>\$ 9,175</u>

Intangible assets are comprised of:

	December 31, 2008			December 31, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets with determinable lives:						
Patents and technology	\$ 1,030	\$ (494)	\$ 536	\$ 965	\$ (407)	\$ 558
Customer relationships	1,250	(175)	1,075	682	(113)	569
Trademarks	164	(50)	114	192	(35)	157
Other	501	(362)	139	458	(351)	107
	2,945	(1,081)	1,864	2,297	(906)	1,391
Trademarks with indefinite lives	403	—	403	107	—	107
	<u>\$ 3,348</u>	<u>\$ (1,081)</u>	<u>\$ 2,267</u>	<u>\$ 2,404</u>	<u>\$ (906)</u>	<u>\$ 1,498</u>

Intangible assets amortization expense was \$201, \$162 and \$144 million in 2008, 2007 and 2006, respectively. Estimated intangible assets amortization expense for each of the next five years approximates \$254 million in 2009, \$243 million in 2010, \$226 million in 2011, \$210 million in 2012 and \$181 million in 2013.

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Note 13—Accrued Liabilities

	December 31,	
	2008	2007
Compensation, benefit and other employee related	\$ 1,478	\$ 1,472
Customer advances and deferred income	1,159	1,259
Income taxes	456	320
Environmental costs	343	311
Asbestos related liabilities	171	250
Product warranties and performance guarantees	385	380
Restructuring	401	212
Other taxes (payroll, sales, VAT etc.)	139	195
Insurance	120	96
Accrued interest	162	126
Other (primarily operating expenses)	1,192	1,120
	<u>\$ 6,006</u>	<u>\$ 5,741</u>

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Note 14—Long-term Debt and Credit Agreements

	December 31,	
	2008	2007
6.20% notes due 2008	\$ —	\$ 200
7 ¹ / ₈ % notes due 2008	—	200
Floating rate notes due 2009	300	300
Floating rate notes due 2009	500	500
Zero coupon bonds and money multiplier notes, 13.0%—14.26%, due 2009	100	100
Floating rate notes due 2009-2011	193	220
7.50% notes due 2010	1,000	1,000
6 ¹ / ₈ % notes due 2011	500	500
5.625% notes due 2012	400	400
4.25% notes due 2013	600	—
5.40% notes due 2016	400	400
5.30% notes due 2017	400	400
5.30% notes due 2018	900	—
Industrial development bond obligations, floating rate maturing at various dates through 2037	60	60
6 ⁵ / ₈ % debentures due 2028	216	216
9.065% debentures due 2033	51	51
5.70% notes due 2036	550	550
5.70% notes due 2037	600	600
Other (including capitalized leases), 1.54%—11.24%, maturing at various dates through 2020	118	140
	6,888	5,837
Less—current portion	(1,023)	(418)
	<u>\$ 5,865</u>	<u>\$ 5,419</u>

The schedule of principal payments on long-term debt is as follows:

	At December 31, 2008
2009	1,023
2010	1,106
2011	536
2012	401
2013	605
Thereafter	3,217
	6,888
Less—current portion	(1,023)
	<u>\$ 5,865</u>

We maintain \$3.8 billion of committed bank revolving credit facilities, including a \$2.8 billion five year revolving credit facility with a group of banks, arranged by Citigroup Global Markets Inc. and J.P.Morgan Securities Inc. which is in place through mid-May 2012. This credit facility contains a \$700 million sub-limit for the issuance of letters of credit. The \$2.8 billion credit facility is maintained for general corporate purposes, including support for the issuance of commercial paper. We had no borrowings outstanding or letters of credit issued under the credit facility at December 31, 2008.

The credit agreement does not restrict our ability to pay dividends and contains no financial covenants. The failure to comply with customary conditions or the occurrence of customary events of

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default contained in the credit agreement would prevent any further borrowings and would generally require the repayment of any outstanding borrowings under the credit agreement. Such events of default include: (a) non-payment of credit agreement debt, interest or fees; (b) non-compliance with the terms of the credit agreement covenants; (c) cross-default to other debt in certain circumstances; (d) bankruptcy; and (e) defaults upon obligations under Employee Retirement Income Security Act. Additionally, each of the banks has the right to terminate its commitment to lend additional funds or issue letters of credit under the agreement if any person or group acquires beneficial ownership of 30 percent or more of our voting stock, or, during any 12-month period, individuals who were directors of Honeywell at the beginning of the period cease to constitute a majority of the Board of Directors (the Board).

Loans under the \$2.8 billion credit facility are required to be repaid no later than May 14, 2012. We have agreed to pay a facility fee of 0.05 percent per annum on the aggregate commitment.

Interest on borrowings under the \$2.8 billion credit facility would be determined, at Honeywell's option, by (a) an auction bidding procedure; (b) the highest of the floating base rate publicly announced by Citibank, N.A., 0.5 percent above the average CD rate, or 0.5 percent above the Federal funds rate; or (c) the Eurocurrency rate plus 0.15 percent (applicable margin).

The facility fee, the applicable margin over the Eurocurrency rate and the letter of credit issuance fee, are subject to change, based upon a grid determined by our long term debt ratings. The credit agreement is not subject to termination based upon a decrease in our debt ratings or a material adverse change.

In February 2008, the Company issued \$600 million of 4.25% Senior Notes due 2013 and \$900 million 5.30% Senior Notes due 2018 (collectively, the "Senior Notes"). The Senior Notes are senior unsecured and unsubordinated obligations of Honeywell and rank equally with all of Honeywell's existing and future senior unsecured debt and senior to all Honeywell's subordinated debt. The offering resulted in gross proceeds of \$1.5 billion, offset by \$13 million in discount and issuance costs.

In the first quarter of 2008, the Company repaid \$200 million of its 6.2% Notes, primarily through issuance of commercial paper. In the second quarter of 2008, the Company repaid \$200 million of its 7 1/2% Notes, primarily from the issuance of commercial paper.

Note 15—Lease Commitments

Future minimum lease payments under operating leases having initial or remaining noncancellable lease terms in excess of one year are as follows:

	At December 31, 2008
2009	\$ 323
2010	243
2011	184
2012	127
2013	101
Thereafter	314
	<u>\$ 1,292</u>

We have entered into agreements to lease land, equipment and buildings. Principally all our operating leases have initial terms of up to 25 years, and some contain renewal options subject to customary conditions. At any time during the terms of some of our leases, we may at our option purchase the leased assets for amounts that approximate fair value. We do not expect that any of our commitments under the lease agreements will have a material adverse effect on our consolidated results of operations, financial position or liquidity.

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Rent expense was \$383, \$365 and \$341 million in 2008, 2007 and 2006, respectively.

Note 16—Financial Instruments

Credit and Market Risk—Financial instruments, including derivatives, expose us to counterparty credit risk for nonperformance and to market risk related to changes in interest and currency exchange rates and commodity prices. We manage our exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties, and procedures to monitor concentrations of credit risk. Our counterparties in derivative transactions are substantial investment and commercial banks with significant experience using such derivative instruments. We monitor the impact of market risk on the fair value and cash flows of our derivative and other financial instruments considering reasonably possible changes in interest and currency exchange rates and restrict the use of derivative financial instruments to hedging activities.

We continually monitor the creditworthiness of our customers to which we grant credit terms in the normal course of business. While concentrations of credit risk associated with our trade accounts and notes receivable are considered minimal due to our diverse customer base, a significant portion of our customers are in the commercial air transport industry (aircraft manufacturers and airlines) accounting for approximately 20 percent of our consolidated sales in 2008. The terms and conditions of our credit sales are designed to mitigate or eliminate concentrations of credit risk with any single customer. Our sales are not materially dependent on a single customer or a small group of customers.

Foreign Currency Risk Management—We conduct our business on a multinational basis in a wide variety of foreign currencies. Our exposure to market risk for changes in foreign currency exchange rates arises from international financing activities between subsidiaries, foreign currency denominated monetary assets and liabilities and anticipated transactions arising from international trade. Our objective is to preserve the economic value of non-functional currency denominated cash flows. We attempt to hedge transaction exposures with natural offsets to the fullest extent possible and, once these opportunities have been exhausted, through foreign currency forward and option agreements with third parties. Our principal currency exposures relate to the U.S. dollar, Euro, British pound, Canadian dollar, Hong Kong dollar, Mexican peso, Swiss franc, Czech koruna, Chinese renminbi, Indian rupee and Japanese yen.

We hedge monetary assets and liabilities denominated in non-functional currencies. Prior to conversion into U.S. dollars, these assets and liabilities are remeasured at spot exchange rates in effect on the balance sheet date. The effects of changes in spot rates are recognized in earnings and included in Other/(Income) Expense. We hedge our exposure to changes in foreign exchange rates principally with forward contracts. Forward contracts are marked-to-market with the resulting gains and losses similarly recognized in earnings offsetting the gains and losses on the non-functional currency denominated monetary assets and liabilities being hedged.

We partially hedge forecasted 2009 sales and purchases denominated in non-functional currencies with currency forward contracts. When a functional currency strengthens against nonfunctional currencies, the decline in value of forecasted non-functional currency cash inflows (sales) or outflows (purchases) is partially offset by the recognition of gains (sales) and losses (purchases), respectively, in the value of the forward contracts designated as hedges. Conversely, when a functional currency weakens against non-functional currencies, the increase in value of forecasted nonfunctional currency cash inflows (sales) or outflows (purchases) is partially offset by the recognition of losses (sales) and gains (purchases), respectively, in the value of the forward contracts designated as hedges. Market value gains and losses on these contracts are recognized in earnings when the hedged transaction is recognized. All open forward contracts mature by December 31, 2009.

At December 31, 2008 and 2007, we had contracts with notional amounts of \$3,030 and \$3,295 million, respectively, to exchange foreign currencies, principally the US dollar, Euro, British pound,

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Canadian dollar, Hong Kong dollar, Mexican peso, Swiss franc, Czech koruna, Chinese renminbi, Indian rupee and Japanese yen.

Commodity Price Risk Management—Our exposure to market risk for commodity prices can result in changes in our cost of production. We primarily mitigate our exposure to commodity price risk through the use of long-term, fixed-price contracts with our suppliers and formula price agreements with suppliers and customers. We also enter into forward commodity purchase agreements with third parties designated as hedges of anticipated purchases of several commodities. Forward commodity purchase agreements are marked-to-market, with the resulting gains and losses recognized in earnings when the hedged transaction is recognized.

Interest Rate Risk Management—We use a combination of financial instruments, including long-term, medium-term and short-term financing, variable-rate commercial paper, and interest rate swaps to manage the interest rate mix of our total debt portfolio and related overall cost of borrowing. At December 31, 2008, we had no interest rate swap agreements. At December 31, 2007, interest rate swap agreements designated as fair value hedges effectively changed \$300 million of fixed rate debt at an average rate of 6.01 percent to LIBOR based floating rate debt.

Fair Value of Financial Instruments—The carrying value of cash and cash equivalents, trade accounts and notes receivables, payables, commercial paper and short-term borrowings contained in the Consolidated Balance Sheet approximates fair value. The Company holds investments in marketable equity securities that are designated as cost method investments and available for sale securities, as appropriate. Such investments are susceptible to market volatility and as a result are in unrealized loss positions as of December 31, 2008. The Company evaluated the near-term prospects of the investees in relation to the severity and duration of the impairments. Despite the unrealized loss position of certain investments of approximately \$100 million, the Company concluded, as of December 31, 2008, that these investments were not other than temporarily impaired given the short duration of the unrealized loss position, the stable liquidity positions and financial condition of the investees, and the Company's intent and ability to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value. Summarized below are the carrying values and fair values of our other financial instruments at December 31, 2008 and 2007. The fair values are based on the quoted market prices for the issues (if traded), current rates offered to us for debt of the same remaining maturity and characteristics, or other valuation techniques, as appropriate.

	December 31, 2008		December 31, 2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Long-term receivables	\$ 517	\$ 471	\$ 460	\$ 428
Available for sale marketable equity securities	23	23	—	—
Cost method marketable equity securities	74	18	—	—
Interest rate swap agreements	—	—	20	20
Foreign currency exchange contracts	7	7	22	22
Forward commodity contracts	—	—	—	—
Liabilities				
Long-term debt and related current maturities	\$ (6,888)	\$ (7,082)	\$ (5,837)	\$ (5,928)
Foreign currency exchange contracts	(34)	(34)	(18)	(18)
Forward commodity contracts	(4)	(4)	—	—

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Note 17—Other Liabilities

Other liabilities consist of the following:

	December 31,	
	2008	2007
Pension and other employee related	\$ 4,307	\$ 1,536
Environmental	603	488
Income taxes	448	416
Insurance	175	143
Asset retirement obligations (1)	90	93
Deferred income	120	69
Other	371	314
	<u>\$ 6,114</u>	<u>\$ 3,059</u>

- (1) Asset retirement obligations primarily relate to costs associated with the future retirement of nuclear fuel conversion facilities in our Specialty Materials segment and the future retirement of facilities in our Automation and Control Solutions segment.

A reconciliation of our liability for asset retirement obligations for the year ended December 31, 2008, is as follows:

	2008	2007
Change in asset retirement obligations:		
Balance at beginning of year	\$ 93	\$ 92
Liabilities settled	(7)	(3)
Adjustments	2	—
Accretion expense	2	4
Balance at end of year	<u>\$ 90</u>	<u>\$ 93</u>

Note 18—Capital Stock

We are authorized to issue up to 2,000,000,000 shares of common stock, with a par value of one dollar. Common shareowners are entitled to receive such dividends as may be declared by the Board, are entitled to one vote per share, and are entitled, in the event of liquidation, to share ratably in all the assets of Honeywell which are available for distribution to the common shareowners. Common shareowners do not have preemptive or conversion rights. Shares of common stock issued and outstanding or held in the treasury are not liable to further calls or assessments. There are no restrictions on us relative to dividends or the repurchase or redemption of common stock.

Under the Company's previously reported \$3.0 billion share repurchase program, \$1.3 billion remained available as of December 31, 2008 for additional share repurchases. The amount and timing of repurchases may vary depending on market conditions and the level of operating and other investing activities.

We are authorized to issue up to 40,000,000 shares of preferred stock, without par value, and can determine the number of shares of each series, and the rights, preferences and limitations of each series. At December 31, 2008, there was no preferred stock outstanding.

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Note 19—Accumulated Other Comprehensive Income (Loss)

Total accumulated other comprehensive income (loss) is included in the Consolidated Statement of Shareowners' Equity. The changes in Accumulated Other Comprehensive Income (Loss) are as follows:

	Pretax	Tax	After-Tax
<u>Year Ended December 31, 2008</u>			
Foreign exchange translation adjustments	\$ (614)	\$ —	\$ (614)
Change in fair value of effective cash flow hedges	(40)	16	(24)
Change in fair value of available for sale investments	(51)	—	(51)
Pension and postretirement benefit adjustment	(4,159)	1,583	(2,576)
	<u>\$ (4,864)</u>	<u>\$ 1,599</u>	<u>\$ (3,265)</u>
<u>Year Ended December 31, 2007</u>			
Foreign exchange translation adjustments	\$ 248	\$ —	\$ 248
Change in fair value of effective cash flow hedges	(5)	2	(3)
Pension and postretirement benefit adjustment	803	(285)	518
	<u>\$ 1,046</u>	<u>\$ (283)</u>	<u>\$ 763</u>
<u>Year Ended December 31, 2006</u>			
Foreign exchange translation adjustments	\$ 233	\$ —	\$ 233
Change in fair value of effective cash flow hedges	(5)	2	(3)
Minimum pension liability adjustment	268	(72)	196
Pension and postretirement benefit adjustment	(2,620)	912	(1,708)
	<u>\$ (2,124)</u>	<u>\$ 842</u>	<u>\$ (1,282)</u>

The components of Accumulated Other Comprehensive Income (Loss) are as follows:

	December 31,	
	2008	2007
Cumulative foreign exchange translation adjustments	\$ 209	\$ 823
Fair value of effective cash flow hedges	(22)	2
Fair value of available for sale investments	(51)	—
Pension and postretirement benefit adjustment	(3,945)	(1,369)
	<u>\$ (3,809)</u>	<u>\$ (544)</u>

Note 20—Stock-Based Compensation Plans

We have stock-based compensation plans available to grant non-qualified stock options, incentive stock options, stock appreciation rights, restricted units and restricted stock to key employees. Under the 2006 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (the Plan), a maximum of 43 million shares of Honeywell common stock may be awarded. We expect that common stock awarded on an annual basis will be between 1.0 and 1.5 percent of total common stock outstanding. Additionally, under the 2006 Stock Plan for Non-Employee Directors of Honeywell International Inc. (the Directors Plan) 500,000 shares of Honeywell common stock may be awarded.

Stock Options—The exercise price, term and other conditions applicable to each option granted under our stock plans are generally determined by the Management Development and Compensation Committee of the Board. The exercise price of stock options is set on the grant date and may not be less than the fair market value per share of our stock on that date. The fair value is recognized as an

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expense over the employee's requisite service period (generally the vesting period of the award). Options generally vest over a four-year period and expire after ten years.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. Expected volatility is based on implied volatilities from traded options on Honeywell common stock. We used a Monte Carlo simulation model to derive an expected term. Such model uses historical data to estimate option exercise activity and post-vest termination behavior. The expected term represents an estimate of the time options are expected to remain outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. treasury yield curve in effect at the time of grant.

Compensation cost on a pre-tax basis related to stock options recognized in operating results (included in selling, general and administrative expenses) under SFAS No. 123R in 2008, 2007 and 2006 was \$51, \$65 and \$77 million, respectively. The associated future income tax benefit recognized in 2008, 2007 and 2006 was \$19, \$25 and \$28 million, respectively. Compensation cost related to stock options recognized in our Consolidated Statement of Operations in 2008, 2007 and 2006 includes (1) compensation cost for stock option awards granted prior to, but not yet vested as of December 31, 2005, based on the grant-date fair value estimated in accordance with the pro forma provisions of SFAS No. 123 and (2) compensation cost for stock option awards granted subsequent to December 31, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R.

The following table sets forth fair value per share information, including related weighted-average assumptions, used to determine compensation cost consistent with the requirements of SFAS No. 123R.

	Years Ended December 31,		
	2008	2007	2006
Weighted average fair value per share of options granted during the year(1)	\$ 13.81	\$ 10.27	\$ 9.44
Assumptions:			
Expected annual dividend yield	1.88 %	2.09 %	2.15 %
Expected volatility	26.35 %	20.18 %	22.32 %
Risk-free rate of return	3.09 %	4.66 %	4.63 %
Expected option term (years)	5.2	5.3	5.0

(1) Estimated on date of grant using Black-Scholes option-pricing model.

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The following table summarizes information about stock option activity for the three years ended December 31, 2008:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2005	59,218,255	\$ 38.50
Granted	9,193,200	42.35
Exercised	(11,466,491)	33.61
Lapsed or canceled	(2,712,287)	42.27
Outstanding at December 31, 2006	54,232,677	39.98
Granted	5,963,500	47.59
Exercised	(16,037,530)	36.95
Lapsed or canceled	(2,761,278)	45.74
Outstanding at December 31, 2007	41,397,369	41.88
Granted	5,024,820	58.46
Exercised	(3,577,707)	37.40
Lapsed or canceled	(1,910,960)	49.16
Outstanding at December 31, 2008	<u>40,933,522</u>	\$ 43.97
Vested and expected to vest at December 31, 2008(1)	<u>39,172,640</u>	\$ 43.49
Exercisable at December 31, 2008	<u>30,314,667</u>	\$ 41.40

(1) The expected to vest options are the result of applying the pre-vesting forfeiture rate assumption to total outstanding options.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2008:

Range of exercise prices	Options Outstanding				Options Exercisable		
	Number Outstanding	Weighted Average Life(1)	Weighted Average Exercise Price	Aggregate Intrinsic Value	Number Exercisable	Weighted Average Exercise Price	Aggregate Intrinsic Value
\$21.75–\$32.99	2,762,141	4.16	\$ 24.29	\$ 24	2,759,141	\$ 24.28	\$ 24
\$33.00–\$39.99	14,849,698	4.54	35.89	—	14,792,148	35.89	—
\$40.00–\$49.99	13,211,076	6.73	44.54	—	7,523,146	43.81	—
\$50.00–\$74.95	10,110,607	4.92	60.46	—	5,240,232	62.46	—
	<u>40,933,522</u>	5.31	43.97	<u>\$ 24</u>	<u>30,314,667</u>	41.40	<u>\$ 24</u>

(1) Average remaining contractual life in years.

There were 28,624,279 and 37,902,956 options exercisable at weighted average exercise prices of \$41.14 and \$40.16 at December 31, 2007 and 2006, respectively. There were 33,712,148 shares available for future grants under the terms of our stock option plans at December 31, 2008.

The total intrinsic value of options (which is the amount by which the stock price exceeded the exercise price of the options on the date of exercise) exercised during 2008, 2007 and 2006 was \$76, \$281 and \$92 million, respectively. During

2008, 2007 and 2006, the amount of cash received from the exercise of stock options was \$134, \$592 and \$385 million, respectively, with an associated tax benefit realized of \$28, \$101 and \$31 million, respectively. Consistent with the requirements of SFAS No. 123R, in 2008, 2007 and 2006 we classified \$21, \$86 and \$31 million, respectively, of this benefit as a financing cash inflow in the Consolidated Statement of Cash Flows, and the balance was classified as cash from operations.

At December 31, 2008, there was \$77 million of total unrecognized compensation cost related to non-vested stock option awards which is expected to be recognized over a weighted-average period of 2.66 years. The total fair value of options vested during 2008, 2007 and 2006 was \$63, \$83 and \$70 million, respectively.

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Restricted Stock Units—Restricted stock unit (RSU) awards entitle the holder to receive one share of common stock for each unit when the units vest. RSU's are issued to certain key employees at fair market value at the date of grant as compensation. RSUs typically become fully vested over periods ranging from three to seven years and are payable in Honeywell common stock upon vesting.

The following table summarizes information about RSU activity for the three years ended December 31, 2008:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value Per Share
Non-vested at December 31, 2005	3,965,531	\$ 32.97
Granted	1,948,650	\$ 39.11
Vested	(759,015)	\$ 30.04
Forfeited	(403,167)	\$ 34.25
Non-vested at December 31, 2006	4,751,999	\$ 35.85
Granted	1,980,850	\$ 54.47
Vested	(372,105)	\$ 32.48
Forfeited	(503,747)	\$ 37.93
Non-vested at December 31, 2007	5,856,997	\$ 42.18
Granted	2,087,934	\$ 54.56
Vested	(694,660)	\$ 35.82
Forfeited	(424,554)	\$ 41.94
Non-vested at December 31, 2008	<u>6,825,717</u>	\$ 46.63

As of December 31, 2008, there was approximately \$179 million of total unrecognized compensation cost related to non-vested RSUs granted under our stock plans which is expected to be recognized over a weighted-average period of 2.0 years. Compensation expense related to RSUs was \$77, \$47 and \$29 million in 2008, 2007 and 2006, respectively.

Non-Employee Directors' Plan—Under the Directors' Plan each new director receives a one-time grant of 3,000 restricted stock units that will vest on the fifth anniversary of continuous Board service.

The Directors' Plan also provides for an annual grant to each director of options to purchase 5,000 shares of common stock at the fair market value on the date of grant. Options generally become exercisable over a four-year period and expire after ten years.

Note 21—Commitments and Contingencies

Environmental Matters

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

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With respect to environmental matters involving site contamination, we continually conduct studies, individually or jointly with other potentially responsible parties, to determine the feasibility of various remedial techniques. It is our policy to record appropriate liabilities for environmental matters when remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. Such liabilities are based on our best estimate of the undiscounted future costs required to complete the remedial work. The recorded liabilities are adjusted periodically as remediation efforts progress or as additional technical, regulatory or legal information becomes available. Given the uncertainties regarding the status of laws, regulations, enforcement policies, the impact of other potentially responsible parties, technology and information related to individual sites, we do not believe it is possible to develop an estimate of the range of reasonably possible environmental loss in excess of our recorded liabilities. We expect to fund expenditures for these matters from operating cash flow. The timing of cash expenditures depends on a number of factors, including the timing of remedial investigations and feasibility studies, the timing of litigation and settlements of remediation liability, personal injury and property damage claims, regulatory approval of cleanup projects, remedial techniques to be utilized and agreements with other parties. The following table summarizes information concerning our recorded liabilities for environmental costs:

	Years Ended December,		
	2008	2007	2006
Beginning of year	\$ 799	\$ 831	\$ 879
Accruals for environmental matters deemed probable and reasonably estimable	466	230	218
Environmental liability payments	(320)	(267)	(264)
Other adjustments	1	5	(2)
End of year	<u>\$ 946</u>	<u>\$ 799</u>	<u>\$ 831</u>

See Note 3, Repositioning and Other Charges, for more detail regarding accruals for environmental matters during 2008.

Environmental liabilities are included in the following balance sheet accounts:

	December 31, 2008	December 31, 2007
Accrued liabilities	\$ 343	\$ 311
Other liabilities	603	488
	<u>\$ 946</u>	<u>\$ 799</u>

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

New Jersey Chrome Sites—Provisions have been made in our financial statements for the estimated costs of the court-ordered excavation and transport for offsite disposal of approximately one million tons of chromium residue present at a predecessor Honeywell site located in Jersey City, New Jersey, known as Study Area 7. These expenditures have been and are expected to continue to be incurred evenly through the remedy's expected completion date in 2010. We do not expect implementation of this remedy to have a material adverse effect on our future consolidated results of operations, operating cash flows or financial position. Provision also has been made in our financial statements for the estimated costs of implementing related groundwater remedial plans approved by

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the Court, as well as sediment remedial plans, which also have been approved by the Court and are presently under review by the U.S. Environmental Protection Agency.

The above-referenced site is the most significant of the twenty-one sites located in Hudson County, New Jersey that are the subject of an Administrative Consent Order (ACO) entered into with the New Jersey Department of Environmental Protection (NJDEP) in 1993 (the “Honeywell ACO Sites”). Remedial investigations and activities consistent with the ACO have also been conducted and are underway at the other Honeywell ACO Sites. We have recorded reserves for the Honeywell ACO Sites where appropriate under the accounting policy described above.

On May 3, 2005, NJDEP filed a lawsuit in New Jersey Superior Court against Honeywell and two other companies seeking declaratory and injunctive relief, unspecified damages, and the reimbursement of unspecified total costs relating to sites in New Jersey allegedly contaminated with chrome ore processing residue. The claims against Honeywell relate to the activities of a predecessor company which ceased its New Jersey manufacturing operations in the mid-1950’s. Honeywell and the two other companies have agreed to settle this litigation with NJDEP, subject to Court approval. Under the settlement, Honeywell would pay \$5 million of NJDEP’s past costs, as well as accept sole responsibility to remediate 24 of the 53 “Publicly Funded Sites” (i.e., those sites for which none of the three companies had previously accepted responsibility). Honeywell would also bear 50% of the costs at another 10 Publicly Funded Sites. We have recorded reserves for the Publicly Funded Sites where appropriate under the accounting policy described above.

Lawsuits were previously filed in federal court against Honeywell and other landowners by Jersey City and two of its municipal utility authorities, and separately by a citizens group seeking, the cleanup of chromium residue at several of the Honeywell ACO Sites under the federal Resource Conservation and Recovery Act (RCRA). Honeywell, Jersey City, the municipal utility authorities and the citizens group have agreed to settle claims relating to a group of properties known as Study Area 6 North, which settlement has been approved by the Court. These sites and other related sites have been classified by Jersey City as an area in need of redevelopment and Jersey City has approved a redevelopment plan and agreement regarding these sites. As part of this settlement, Honeywell has also agreed to release claims it may have had against Jersey City and its municipal utility authorities for contamination of river sediments and for the remediation of chrome residue at the Publicly Funded Sites that are sewer lines. Honeywell and the plaintiffs have reached a settlement for one group of properties (known as Study Area 6 South), and that settlement has been approved by the Court. The remedial actions regarding the settlements discussed above are consistent with our recorded reserves. Settlement negotiations are ongoing for the remaining sites (portions of what is known as Study Area 5) in the litigation.

Dundalk Marine Terminal, Baltimore—Chrome residue from legacy chrome plant operations in Baltimore was deposited as fill at the Dundalk Marine Terminal (“DMT”), which is owned and operated by the Maryland Port Administration (“MPA”). Honeywell and the MPA have been sharing costs to investigate and mitigate related environmental issues, and have entered into a cost sharing agreement under which Honeywell will bear a 77 percent share of the costs of developing and implementing permanent remedies for the DMT facility. The investigative phase is ongoing, after which the appropriate remedies will be identified and chosen. We have negotiated a Consent Decree with the MPA and Maryland Department of the Environment (“MDE”) with respect to the investigation and remediation of the DMT facility. The Consent Decree is being challenged in federal court by BUILD, a Baltimore community group, together with a local church and two individuals (collectively “BUILD”). In October 2007, the Court dismissed with prejudice BUILD’s state law claims and dismissed without prejudice BUILD’s RCRA claims regarding neighborhoods near the DMT facility. In August 2008, the Court held a hearing on the Company’s motion to dismiss BUILD’s remaining claims on the grounds that MDE is diligently prosecuting the investigation and remediation of the DMT. We are awaiting the Court’s decision. We do not believe that this matter will have a material adverse impact on our

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consolidated financial position or operating cash flows. Given the scope and complexity of this project, it is possible that the cost of remediation, when determinable, could have a material adverse impact on our results of operations in the periods recognized.

Onondaga Lake, Syracuse, NY—A predecessor company to Honeywell operated a chemical plant which is alleged to have contributed mercury and other contaminants to the Lake. In July 2005, the New York State Department of Environmental Conservation (the DEC) issued its Record of Decision (ROD) with respect to remediation of industrial contamination in the Lake. In January 2007, a Consent Decree was approved by the United States District Court for the Northern District of New York for the implementation of the combined dredging/capping remedy set forth in the ROD. We have accrued for our estimated cost of implementing the remedy set forth in the ROD based on current available information and analysis performed by our engineering consultants.

In December 2006, the United States Fish and Wildlife Service published notice of its intent to pursue natural resource damages related to the site. It is not possible to predict the outcome or timing of its assessments, which are typically lengthy processes lasting several years, or the amounts of or responsibility for these damages.

Honeywell is also conducting remedial investigations and activities at other sites in Syracuse, New York. We have recorded reserves for these investigations and activities where appropriate under the accounting policy described above.

Asbestos Matters

Like many other industrial companies, Honeywell is a defendant in personal injury actions related to asbestos. We did not mine or produce asbestos, nor did we make or sell insulation products or other construction materials that have been identified as the primary cause of asbestos related disease in the vast majority of claimants. Products containing asbestos previously manufactured by Honeywell or by previously owned subsidiaries primarily fall into two general categories: refractory products and friction products.

Refractory Products—Honeywell owned North American Refractories Company (NARCO) from 1979 to 1986. NARCO produced refractory products (high temperature bricks and cement) that were sold largely to the steel industry in the East and Midwest. Less than 2 percent of NARCO'S products contained asbestos.

When we sold the NARCO business in 1986, we agreed to indemnify NARCO with respect to personal injury claims for products that had been discontinued prior to the sale (as defined in the sale agreement). NARCO retained all liability for all other claims. On January 4, 2002, NARCO filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code.

As a result of the NARCO bankruptcy filing, all of the claims pending against NARCO are automatically stayed pending the reorganization of NARCO. In addition, the bankruptcy court enjoined both the filing and prosecution of NARCO-related asbestos claims against Honeywell. The stay has remained in effect continuously since January 4, 2002. In connection with NARCO'S bankruptcy filing, we paid NARCO'S parent company \$40 million and agreed to provide NARCO with up to \$20 million in financing. We also agreed to pay \$20 million to NARCO'S parent company upon the filing of a plan of reorganization for NARCO acceptable to Honeywell (which amount was paid in December 2005 following the filing of NARCO'S Third Amended Plan of Reorganization), and to pay NARCO'S parent company \$40 million, and to forgive any outstanding NARCO indebtedness to Honeywell, upon the effective date of the plan of reorganization.

We believe that, as part of the NARCO plan of reorganization, a trust will be established for the benefit of all asbestos claimants, current and future, pursuant to Trust Distribution Procedures negotiated with the NARCO Asbestos Claimants Committee and the Court-appointed legal representative for future asbestos claimants. If the trust is put in place and approved by the Court

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as fair and equitable, Honeywell as well as NARCO will be entitled to a permanent channeling injunction barring all present and future individual actions in state or federal courts and requiring all asbestos related claims based on exposure to NARCO products to be made against the federally-supervised trust. Honeywell has reached agreement with the representative for future NARCO claimants and the Asbestos Claimants Committee to cap its annual contributions to the trust with respect to future claims at a level that would not have a material impact on Honeywell's operating cash flows.

In November 2007, the Bankruptcy Court entered an amended order confirming the NARCO Plan without modification and approving the 524(g) trust and channeling injunction in favor of NARCO and Honeywell. In December 2007, certain insurers filed an appeal of the Bankruptcy Court Order in the United States District Court for the Western District of Pennsylvania. The District Court affirmed the Bankruptcy Court Order in July 2008. In August 2008, insurers filed a notice of appeal to the Third Circuit Court of Appeals. No assurances can be given as to the time frame or outcome of this appeal. We expect that the stay enjoining litigation against NARCO and Honeywell will remain in effect during the pendency of these proceedings.

Our consolidated financial statements reflect an estimated liability for settlement of pending and future NARCO-related asbestos claims as of December 31, 2008 and 2007 of \$1.1 billion. The estimated liability for pending claims is based on terms and conditions, including evidentiary requirements, in definitive agreements with approximately 260,000 current claimants, and an estimate of the unsettled claims pending as of the time NARCO filed for bankruptcy protection. Substantially all settlement payments with respect to current claims have been made. Approximately \$100 million of payments due pursuant to these settlements is due only upon establishment of the NARCO trust.

The estimated liability for future claims represents the estimated value of future asbestos related bodily injury claims expected to be asserted against NARCO through 2018 and the aforementioned obligations to NARCO's parent. In light of the uncertainties inherent in making long-term projections we do not believe that we have a reasonable basis for estimating asbestos claims beyond 2018 under SFAS No. 5, "Accounting for Contingencies". The estimate is based upon the disease criteria and payment values contained in the NARCO Trust Distribution Procedures negotiated with the NARCO Asbestos Claimants Committee and the NARCO future claimants' representative. Honeywell projected the probable number and value, including trust claim handling costs, of asbestos related future liabilities based upon experience of asbestos claims filing rates in the tort system and in certain operating asbestos trusts, and the claims experience in those forums. The valuation methodology also includes an analysis of the population likely to have been exposed to asbestos containing products, epidemiological studies to estimate the number of people likely to develop asbestos related diseases, NARCO claims filing history, the pending inventory of NARCO asbestos related claims and payment rates expected to be established by the NARCO trust. This methodology used to estimate the liability for future claims has been commonly accepted by numerous courts and resulted in a range of estimated liability for future claims of \$743 to \$961 million. We believe that no amount within this range is a better estimate than any other amount and accordingly, in December 2006 we recorded the minimum amount in the range which resulted in a reduction of \$207 million in our estimated liability for future NARCO-related asbestos claims. There has been no new data or developments during 2008 or 2007 which would warrant a change in our estimated liability for future NARCO-related asbestos claims.

As of December 31, 2008 and 2007, our consolidated financial statements reflect an insurance receivable corresponding to the liability for settlement of pending and future NARCO-related asbestos claims of \$877 and \$939 million, respectively. This coverage reimburses Honeywell for portions of the costs incurred to settle NARCO related claims and court judgments as well as defense costs and is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. At December 31, 2008, a significant

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portion of this coverage is with insurance companies with whom we have agreements to pay full policy limits based on corresponding Honeywell claims costs. We conduct analyses to determine the amount of insurance that we estimate is probable of recovery in relation to payment of current and estimated future claims. While the substantial majority of our insurance carriers are solvent, some of our individual carriers are insolvent, which has been considered in our analysis of probable recoveries. We made judgments concerning insurance coverage that we believe are reasonable and consistent with our historical dealings with our insurers, our knowledge of any pertinent solvency issues surrounding insurers and various judicial determinations relevant to our insurance programs.

In the second quarter of 2006, Travelers Casualty and Insurance Company (“Travelers”) filed a lawsuit against Honeywell and other insurance carriers in the Supreme Court of New York, County of New York, disputing obligations for NARCO-related asbestos claims under high excess insurance coverage issued by Travelers and other insurance carriers. Approximately \$340 million of coverage under these policies is included in our NARCO-related insurance receivable at December 31, 2008. Honeywell believes it is entitled to the coverage at issue and has filed counterclaims in the Superior Court of New Jersey seeking, among other things, declaratory relief with respect to this coverage. In the third quarter of 2007, Honeywell prevailed in the New York action on a critical choice of law issue concerning the appropriate method of allocating NARCO-related asbestos liabilities to triggered policies. The Court’s ruling is subject to appeal. Honeywell expects to prevail in this matter based upon (i) our understanding of relevant facts and applicable law, (ii) the terms of insurance policies at issue, (iii) our experience on matters of this nature, and (iv) the advice of counsel, and thus we believe that the amount due from Travelers and other insurance carriers (\$340 million at December 31, 2008) is probable of recovery. While Honeywell expects to prevail in this matter, an adverse outcome could have a material impact on our results of operations in the period recognized but would not be material to our consolidated financial position or operating cash flows.

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

Friction Products—Honeywell’s Bendix friction materials (Bendix) business manufactured automotive brake parts that contained chrysotile asbestos in an encapsulated form. Existing and potential claimants consist largely of individuals who allege exposure to asbestos from brakes from either performing or being in the vicinity of individuals who performed brake replacements.

From 1981 through December 31, 2008, we have resolved approximately 117,000 Bendix related asbestos claims. We had 127 trials resulting in favorable verdicts and 12 trials resulting in adverse verdicts. Two of these adverse verdicts were reversed on appeal, three claims were settled and the remaining have been or will be appealed. The following tables present information regarding Bendix related asbestos claims activity:

Claims Activity	Years Ended	
	December 31,	
	2008	2007
Claims Unresolved at the beginning of year	51,658	57,108
Claims Filed	4,003	2,771
Claims Resolved	(3,710)	(8,221)
Claims Unresolved at the end of year	<u>51,951</u>	<u>51,658</u>

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Disease Distribution of Unresolved Claims	December 31,	
	2008	2007
Mesothelioma and Other Cancer Claims	5,575	5,011
Other Claims	46,376	46,647
Total Claims	51,951	51,658

Approximately 45 percent of the approximately 52,000 pending claims at December 31, 2008 are on the inactive, deferred, or similar dockets established in some jurisdictions for claimants who allege minimal or no impairment. The approximately 52,000 pending claims also include claims filed in jurisdictions such as Texas, Virginia, and Mississippi that historically allowed for consolidated filings. In these jurisdictions, plaintiffs were permitted to file complaints against a pre-determined master list of defendants, regardless of whether they have claims against each individual defendant. Many of these plaintiffs may not actually intend to assert claims against Honeywell. Based on state rules and prior experience in these jurisdictions, we anticipate that many of these claims will ultimately be dismissed.

Honeywell has experienced average resolution values per claim excluding legal costs as follows:

	Years Ended December 31,		
	2008	2007	2006
	(in whole dollars)		
Malignant claims	\$ 65,000	\$ 33,000	\$ 33,000
Nonmalignant claims	\$ 1,500	\$ 500	\$ 250

It is not possible to predict whether resolution values for Bendix related asbestos claims will increase, decrease or stabilize in the future.

Our consolidated financial statements reflect an estimated liability for resolution of pending and future Bendix related asbestos claims of \$578 and \$517 million at December 31, 2008 and 2007, respectively. Prior to December 2006, we only accrued for the estimated cost of pending Bendix related asbestos claims as we could not reasonably estimate losses which could arise from future Bendix related asbestos claims. In December 2006, due to the steady three-year decline in the rate of Bendix related asbestos claims filed and reduced volatility in those rates, we felt that it was possible to determine a reasonable estimate of the costs that would be incurred for claims filed over the next five years. Accordingly, we recorded a reserve of \$335 million for the estimated cost of future Bendix related asbestos claims based on the historic claims filing experience, disease classifications, expected resolution values, and historic dismissal rates. In the fourth quarter of each year we update our analysis of the estimated cost of future Bendix related asbestos claims. Such updates resulted in a reduction of the reserve to \$327 million at December 31, 2007 and an increase of the reserve to \$370 million at December 31, 2008. In December 2006, we also changed our methodology for valuing Bendix pending and future claims from using average resolution values for the previous five years to using average resolution values for the previous two years which resulted in a reduction of \$118 million in the reserve for pending Bendix claims in the fourth quarter of 2006. The claims filing experience and resolution data for Bendix related claims has become more reliable over the past several years. Accordingly, in the fourth quarter of 2007, we updated our methodology for valuing Bendix pending and future claims using the average resolution values for the past three years of data, which resulted in a \$10 million reduction in the reserve for pending Bendix claims. In the fourth quarter of 2008, we updated the resolution values used to estimate the cost of pending and future Bendix claims resulting in a \$5 million increase in the reserve for pending Bendix claims. We will continue to update the expected resolution values used to estimate the cost of pending and future Bendix claims during the fourth quarter each year.

The estimated liability for future claims represents the estimated value of future asbestos related bodily injury claims expected to be asserted against Bendix over the next five years. In light of the uncertainties inherent in making long-term projections, as well as certain factors unique to friction

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product asbestos claims, we do not believe that we have a reasonable basis for estimating asbestos claims beyond the next five years under SFAS No. 5, "Accounting for Contingencies". The estimate is based upon Bendix historical experience in the tort system for the three years ended December 31, 2008 with respect to claims filing and resolution values. The methodology used to estimate the liability for future claims has been commonly accepted by numerous courts. It is similar to that used to estimate the future NARCO related asbestos claims liability.

Honeywell currently has approximately \$1.9 billion of insurance coverage remaining with respect to pending and potential future Bendix related asbestos claims, of which \$156 and \$197 million are reflected as receivables in our consolidated balance sheet at December 31, 2008 and 2007, respectively. This coverage is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. Insurance receivables are recorded in the financial statements simultaneous with the recording of the liability for the estimated value of the underlying asbestos claims. The amount of the insurance receivable recorded is based on our ongoing analysis of the insurance that we estimate is probable of recovery. This determination is based on our analysis of the underlying insurance policies, our historical experience with our insurers, our ongoing review of the solvency of our insurers, our interpretation of judicial determinations relevant to our insurance programs, and our consideration of the impacts of any settlements reached with our insurers. Insurance receivables are also recorded when structured insurance settlements provide for future fixed payment streams that are not contingent upon future claims or other events. Such amounts are recorded at the net present value of the fixed payment stream.

On a cumulative historical basis, Honeywell has recorded insurance receivables equal to approximately 50 percent of the value of the underlying asbestos claims recorded. However, because there are gaps in our coverage due to insurance company insolvencies, certain uninsured periods, and insurance settlements, this rate is expected to decline for any future Bendix related asbestos liabilities that may be recorded. Future recoverability rates may also be impacted by numerous other factors, such as future insurance settlements, insolvencies and judicial determinations relevant to our coverage program, which are difficult to predict. Assuming continued defense and indemnity spending at current levels, we estimate that the cumulative recoverability rate could decline over the next five years to approximately 40 percent.

Honeywell believes it has sufficient insurance coverage and reserves to cover all pending Bendix related asbestos claims and Bendix related asbestos claims estimated to be filed within the next five years. Although it is impossible to predict the outcome of either pending or future Bendix related asbestos claims, we do not believe that such claims would have a material adverse effect on our consolidated financial position in light of our insurance coverage and our prior experience in resolving such claims. If the rate and types of claims filed, the average resolution value of such claims and the period of time over which claim settlements are paid (collectively, the "Variable Claims Factors") do not substantially change, Honeywell would not expect future Bendix related asbestos claims to have a material adverse effect on our results of operations or operating cash flows in any fiscal year. No assurances can be given, however, that the Variable Claims Factors will not change.

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Refractory and Friction Products—The following tables summarize information concerning NARCO and Bendix asbestos related balances:

Asbestos Related Liabilities

	Year Ended December 31, 2008			Year Ended December 31, 2007			Year Ended December 31, 2006		
	Bendix	NARCO	Total	Bendix	NARCO	Total	Bendix	NARCO	Total
Beginning of year	\$ 517	\$ 1,138	\$ 1,655	\$ 528	\$ 1,291	\$ 1,819	\$ 287	\$ 1,782	\$ 2,069
Accrual for pending claims and defense costs incurred	153	—	153	122	—	122	125	—	125
Accrual for estimated cost of future claims	43	—	43	—	—	—	335	—	335
Reduction in estimated cost of future claims	—	—	—	(8)	—	(8)	—	(207)	(207)
Asbestos related liability payments	(140)	(7)	(147)	(115)	(153)	(268)	(103)	(316)	(419)
Settlement with plaintiff firms of certain pending asbestos claims	—	—	—	—	—	—	—	32	32
Update of expected resolution values for pending claims	5	—	5	(10)	—	(10)	(118)	—	(118)
Other	—	—	—	—	—	—	2	—	2
End of year	<u>\$ 578</u>	<u>\$ 1,131</u>	<u>\$ 1,709</u>	<u>\$ 517</u>	<u>\$ 1,138</u>	<u>\$ 1,655</u>	<u>\$ 528</u>	<u>\$ 1,291</u>	<u>\$ 1,819</u>

Insurance Recoveries for Asbestos Related Liabilities

	Year Ended December 31, 2008			Year Ended December 31, 2007			Year Ended December 31, 2006		
	Bendix	NARCO	Total	Bendix	NARCO	Total	Bendix	NARCO	Total
Beginning of year	\$ 197	\$ 939	\$ 1,136	\$ 302	\$ 955	\$ 1,257	\$ 377	\$ 1,096	\$ 1,473
Probable insurance recoveries related to claims filed	39	—	39	6	—	6	11	—	11
Probable insurance recoveries related to annual update of expected resolution values for pending claims	1	—	1	(4)	—	(4)	39	—	39
Insurance receipts for asbestos related liabilities	(116)	(62)	(178)	(107)	(16)	(123)	(166)	(100)	(266)
Insurance receivables settlements and write-offs(1)	36	—	36	—	—	—	34	(41)	(7)
Other	(1)	—	(1)	—	—	—	7	—	7
End of year	<u>\$ 156</u>	<u>\$ 877</u>	<u>\$ 1,033</u>	<u>\$ 197</u>	<u>\$ 939</u>	<u>\$ 1,136</u>	<u>\$ 302</u>	<u>\$ 955</u>	<u>\$ 1,257</u>

(1) In 2008, \$36 million reflects gains from settlements with two Bendix insurance carriers. In 2006, \$34 million reflects gains from settlements with two Bendix insurance carriers and \$41 million represents the write-down of the NARCO insurance receivable to reflect the reduction in the estimated cost of future claims.

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NARCO and Bendix asbestos related balances are included in the following balance sheet accounts:

	December 31,	
	2008	2007
Other current assets	\$ 4	\$ 50
Insurance recoveries for asbestos related liabilities	1,029	1,086
	\$ 1,033	\$ 1,136
Accrued liabilities	\$ 171	\$ 250
Asbestos related liabilities	1,538	1,405
	\$ 1,709	\$ 1,655

Other Matters

We are subject to a number of other lawsuits, investigations and disputes (some of which involve substantial amounts claimed) arising out of the conduct of our business, including matters relating to commercial transactions, government contracts, product liability, prior acquisitions and divestitures, employee benefit plans, intellectual property, and health and safety matters. We recognize a liability for any contingency that is probable of occurrence and reasonably estimable. We continually assess the likelihood of adverse judgments of outcomes in these matters, as well as potential ranges of possible losses (taking into consideration any insurance recoveries), based on a careful analysis of each matter with the assistance of outside legal counsel and, if applicable, other experts. Included in these other matters are the following:

Allen, et al. v. Honeywell Retirement Earnings Plan—Pursuant to a settlement approved by the U.S. District Court for the District of Arizona in February 2008, 18 of 21 claims alleged by plaintiffs in this class action lawsuit were dismissed with prejudice in exchange for approximately \$35 million and the maximum aggregate liability for the remaining three claims (alleging that Honeywell impermissibly reduced the pension benefits of certain employees of a predecessor entity when the plan was amended in 1983 and failed to calculate benefits in accordance with the terms of the plan) was capped at \$500 million. Any amounts payable, including the settlement amount, have or will be paid from the Company's pension plan. We continue to expect to prevail on the remaining claims in light of applicable law and our substantial affirmative defenses, which have not yet been considered by the Court. Accordingly, we do not believe that a liability is probable of occurrence and reasonably estimable with respect to these claims and we have not recorded a provision for the remaining claims in our financial statements.

Quick Lube—On March 31, 2008, S&E Quick Lube, a filter distributor, filed suit in U.S. District Court for the District of Connecticut alleging that twelve filter manufacturers, including Honeywell, engaged in a conspiracy to fix prices, rig bids and allocate U.S. customers for aftermarket automotive filters. This suit is a purported class action on behalf of direct purchasers of filters from the defendants. Parallel purported class actions, including on behalf of indirect purchasers of filters, have been filed by other plaintiffs in a variety of jurisdictions in the United States and Canada. The U.S cases have been consolidated into a single multi-district litigation in the Northern District of Illinois. We intend to vigorously defend the claims raised in these actions. The Antitrust Division of the Department of Justice (DOJ) is also investigating the allegations raised in these suits. We are fully cooperating with the DOJ investigation.

Gyros—In March 2008, the U.S. Department of State advised Honeywell that it is reviewing Honeywell's compliance with applicable U.S. export controls in connection with the Company's export of its GG1320 gyros and related inertial navigation systems under State and Commerce Department

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licenses. In December 2008, the U.S. Department of State notified Honeywell that it had completed its review of this matter without imposition of fines or penalties.

Given the uncertainty inherent in litigation and investigations (including the specific matters referenced above), we do not believe it is possible to develop estimates of reasonably possible loss in excess of current accruals for these matters. Considering our past experience and existing accruals, we do not expect the outcome of these matters, either individually or in the aggregate, to have a material adverse effect on our consolidated financial position. Because most contingencies are resolved over long periods of time, potential liabilities are subject to change due to new developments, changes in settlement strategy or the impact of evidentiary requirements, which could cause us to pay damage awards or settlements (or become subject to equitable remedies) that could have a material adverse effect on our results of operations or operating cash flows in the periods recognized or paid.

Warranties and Guarantees—We have issued or are a party to the following direct and indirect guarantees at December 31, 2008:

	Maximum Potential Future Payments
Operating lease residual values	\$ 39
Other third parties' financing	4
Unconsolidated affiliates' financing	3
Customer financing	16
	<u>\$ 62</u>

We do not expect that these guarantees will have a material adverse effect on our consolidated results of operations, financial position or liquidity.

In connection with the disposition of certain businesses and facilities we have indemnified the purchasers for the expected cost of remediation of environmental contamination, if any, existing on the date of disposition. Such expected costs are accrued when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated.

In the normal course of business we issue product warranties and product performance guarantees. We accrue for the estimated cost of product warranties and performance guarantees based on contract terms and historical experience at the time of sale. Adjustments to initial obligations for warranties and guarantees are made as changes in the obligations become reasonably estimable. The following table summarizes information concerning our recorded obligations for product warranties and product performance guarantees:

	Years Ended December 31,		
	2008	2007	2006
Beginning of year	\$ 396	\$ 363	\$ 347
Accruals for warranties/guarantees issued during the year	242	233	268
Adjustment of pre-existing warranties/guarantees	(34)	3	(22)
Settlement of warranty/guarantee claims	(187)	(203)	(230)
End of year	<u>\$ 417</u>	<u>\$ 396</u>	<u>\$ 363</u>

Product warranties and product performance guarantees are included in the following balance sheet accounts:

	2008	2007
Accrued liabilities	\$ 385	\$ 380
Other liabilities	32	16
	<u>\$ 417</u>	<u>\$ 396</u>

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Note 22—Pension and Other Postretirement Benefits

We sponsor both funded and unfunded U.S. and non-U.S. defined benefit pension plans covering the majority of our employees and retirees. Pension benefits for substantially all U.S. employees are provided through non-contributory, qualified and non-qualified defined benefit pension plans. U.S. defined benefit pension plans comprise 78 percent of our projected benefit obligation. Non-U.S. employees, who are not U.S. citizens, are covered by various retirement benefit arrangements, some of which are considered to be defined benefit pension plans for accounting purposes. Non-U.S. defined benefit pension plans comprise 22 percent of our projected benefit obligation.

We also sponsor postretirement benefit plans that provide health care benefits and life insurance coverage to eligible retirees. Our retiree medical plans mainly cover U.S. employees who retire with pension eligibility for hospital, professional and other medical services. All non-union hourly and salaried employees joining Honeywell after January 1, 2000 are not eligible to participate in our retiree medical and life insurance plans. Most of the U.S. retiree medical plans require deductibles and copayments, and virtually all are integrated with Medicare. Retiree contributions are generally required based on coverage type, plan and Medicare eligibility. Honeywell has limited its subsidy of its retiree medical plans to a fixed-dollar amount for substantially all future retirees and for almost half of its current retirees. This cap of retiree medical benefits under our plans limits our exposure to the impact of future health care cost increases. The retiree medical and life insurance plans are not funded. Claims and expenses are paid from our operating cash flow.

As discussed in Note 1, we adopted SFAS No. 158 as of December 31, 2006. SFAS No. 158 requires that we recognize on a prospective basis the funded status of our defined benefit pension and other postretirement benefit plans on the consolidated balance sheet and recognize as a component of accumulated other comprehensive income (loss), net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost. Additional minimum pension liabilities and related intangible assets were also derecognized upon adoption of the new standard.

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The following tables summarize the balance sheet impact, including the benefit obligations, assets and funded status associated with our significant pension and other postretirement benefit plans at December 31, 2008 and 2007.

	Pension Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 16,770	\$ 17,008	\$ 2,192	\$ 2,265
Service cost	255	264	13	15
Interest cost	1,009	960	122	128
Plan amendments	27	22	(67)	(7)
Actuarial (gains) losses	(1,186)	(647)	(131)	(11)
Acquisitions	67	—	3	—
Benefits paid	(1,140)	(1,073)	(172)	(198)
Settlements and curtailments	—	34	—	—
Other	(756)	202	—	—
Benefit obligation at end of year	15,046	16,770	1,960	2,192
Change in plan assets:				
Fair value of plan assets at beginning of year	17,194	16,578	—	—
Actual return on plan assets	(4,290)	1,281	—	—
Company contributions	387	238	—	—
Acquisitions	53	—	—	—
Benefits paid	(1,140)	(1,073)	—	—
Other	(684)	170	—	—
Fair value of plan assets at end of year	11,520	17,194	—	—
Funded status of plans	<u>\$ (3,526)</u>	<u>\$ 424</u>	<u>\$ (1,960)</u>	<u>\$ (2,192)</u>
Amounts recognized in Consolidated Balance Sheet consist of:				
Prepaid pension benefit cost	\$ 62	\$ 1,231	\$ —	\$ —
Accrued liabilities	—	—	(197)	(197)
Postretirement benefit obligations other than pensions(1)	—	—	(1,763)	(1,995)
Accrued pension liability(2)	(3,588)	(807)	—	—
Net amount recognized	<u>\$ (3,526)</u>	<u>\$ 424</u>	<u>\$ (1,960)</u>	<u>\$ (2,192)</u>

(1) Excludes Non-U.S. plans of \$36 and \$30 million in 2008 and 2007, respectively.

(2) Included in Other Liabilities—Non-Current on Consolidated Balance Sheet.

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Amounts recognized in Accumulated Other Comprehensive Income (Loss) associated with our significant pension and other postretirement benefit plans at December 31, 2008 and 2007 are as follows.

	Pension Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007
Transition obligation	\$ 11	\$ 12	\$ —	\$ —
Prior service cost (benefit)	97	94	(140)	(116)
Actuarial losses	5,958	1,675	265	429
Net amount recognized	<u>\$ 6,066</u>	<u>\$ 1,781</u>	<u>\$ 125</u>	<u>\$ 313</u>

The accumulated benefit obligation for our defined benefit pension plans was \$14.3 and \$16.0 billion at December 31, 2008 and 2007, respectively.

The components of net periodic benefit cost and other amounts recognized in other comprehensive (income) loss for our significant plans include the following components:

	Pension Benefits			Other Postretirement Benefits		
	Years Ended December 31,			Years Ended December 31,		
Net Periodic Benefit Cost	2008	2007	2006	2008	2007	2006
Service cost	\$ 255	\$ 264	\$ 274	\$ 13	\$ 15	\$ 17
Interest cost	1,009	960	908	122	128	122
Expected return on plan assets	(1,404)	(1,347)	(1,251)	—	—	—
Amortization of transition obligation	1	—	—	—	—	—
Amortization of prior service cost (credit)	29	26	27	(43)	(37)	(40)
Recognition of actuarial losses	47	210	348	33	46	52
Settlements and curtailments	18	35	(13)	—	—	—
Net periodic benefit cost	<u>\$ (45)</u>	<u>\$ 148</u>	<u>\$ 293</u>	<u>\$ 125</u>	<u>\$ 152</u>	<u>\$ 151</u>

Other Changes in Plan Assets and Benefit Obligations

	Recognized in Other Comprehensive (Income) Loss		2008		2007	
	2008	2007	2008	2007		
Actuarial (gains) losses	\$ 4,499	\$ (581)	\$ (131)	\$ (11)		
Prior service cost (credit)	27	22	(67)	(7)		
Transition obligation recognized during year	(1)	—	—	—		
Prior service (cost) credit recognized during year	(30)	(26)	43	37		
Actuarial losses recognized during year	(63)	(210)	(33)	(46)		
Foreign exchange translation adjustments	(147)	19	—	—		
Total recognized in other comprehensive (income) loss	<u>\$ 4,285</u>	<u>\$ (776)</u>	<u>\$ (188)</u>	<u>\$ (27)</u>		
Total recognized in net periodic benefit cost and other comprehensive (income) loss	<u>\$ 4,240</u>	<u>\$ (628)</u>	<u>\$ (63)</u>	<u>\$ 125</u>		

HONEYWELL INTERNATIONAL INC.
NOTES TO FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share amounts)

The estimated net loss and prior service cost for pension benefits that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost in 2009 are expected to be \$145 and \$29 million, respectively. The estimated net loss and prior service credit for other postretirement benefits that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost in 2009 are expected to be \$11 and \$(46) million, respectively.

Major actuarial assumptions used in determining the benefit obligations and net periodic benefit cost for our U.S. benefit plans are presented in the following table. For non-U.S. benefit plans, no one of which was individually material, assumptions reflect economic assumptions applicable to each country.

	Pension Benefits			Other Postretirement Benefits		
	2008	2007	2006	2008	2007	2006
Actuarial assumptions used to determine benefit obligations as of December 31:						
Discount rate	6.95 %	6.50 %	6.00 %	6.00 %	5.90 %	5.70 %
Expected annual rate of compensation increase	4.50 %	4.50 %	4.00 %	—	—	—
Actuarial assumptions used to determine net periodic benefit cost for years ended December 31:						
Discount rate	6.50 %	6.00 %	5.75 %	5.90 %	5.70 %	5.50 %
Expected rate of return on plan assets	9.00 %	9.00 %	9.00 %	—	—	—
Expected annual rate of compensation increase	4.50 %	4.00 %	4.00 %	—	—	—

To select a discount rate for our retirement benefit plans, we use a modeling process that involves matching the expected cash outflows of our benefit plans to a yield curve constructed from a portfolio of double A rated fixed-income debt instruments. We use the average yield of this hypothetical portfolio as a discount rate benchmark. The discount rate used to determine the other postretirement benefit obligation is lower principally due to a shorter expected duration of other postretirement plan obligations as compared to pension plan obligations.

Our expected rate of return on plan assets of 9 percent is a long-term rate based on historic plan asset returns over varying long-term periods combined with current market conditions and broad asset mix considerations. The expected rate of return is a long-term assumption and generally does not change annually.

Pension Benefits

Included in the aggregate data in the tables above are the amounts applicable to our pension plans with accumulated benefit obligations exceeding the fair value of plan assets. Amounts related to such plans were as follows:

	December 31,	
	2008	2007
Projected benefit obligations	\$ 14,713	\$ 2,910
Accumulated benefit obligations	\$ 14,012	\$ 2,766
Fair value of plan assets	\$ 11,125	\$ 2,140

HONEYWELL INTERNATIONAL INC.
NOTES TO FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share amounts)

Our U.S. pension plans assets were \$8.7 and \$13.0 billion and our non-U.S. pension plans assets were \$2.8 and \$4.2 billion at December 31, 2008 and 2007, respectively. Our asset allocation and target allocation for our pension plans assets are as follows:

Asset Category	Percentage of Plans Assets at December 31,		Long-term Target Allocation
	2008	2007	
Equity securities	54 %	63 %	45-70 %
Debt securities, including cash	25	26	15-30
Real estate	9	6	5-10
Other	12	5	5-15
	<u>100 %</u>	<u>100 %</u>	

Our asset investment strategy focuses on maintaining a diversified portfolio using various asset classes in order to achieve our long-term investment objectives on a risk adjusted basis. Our actual invested positions in various securities change over time based on short and longer-term investment opportunities. To achieve our objectives, our U.S. investment policy requires that our U.S. Master Retirement Trust be invested as follows: (a) no less than 5 percent be invested in fixed income securities; (b) no more than 10 percent in private real estate investments; and (c) no more than 18 percent in other investment alternatives involving limited partnerships of various types. There is no stated limit on investments in publicly-held U.S. and international equity securities. Our non-U.S. investment policies are different for each country, but the long-term investment objectives remain the same.

Our general funding policy for qualified pension plans is to contribute amounts at least sufficient to satisfy regulatory funding standards. In 2008, 2007 and 2006, we made voluntary cash contributions of \$42, \$42 and \$68 million, respectively, to our U.S. defined benefit pension plans primarily for government contracting purposes. In December 2008, we also made a voluntary contribution of \$200 million of Honeywell common stock to our U.S. plans to improve the funded status of our plans. At December 31, 2008 and 2007, the fair value of our pension plans assets invested in Honeywell common stock was \$204 and \$14 million, respectively. During 2009, we plan to make additional voluntary contributions of Honeywell common stock to our U.S. plans totaling approximately \$800 million to improve the funded status of our plans. In 2009, we also expect to contribute approximately \$140 million in cash to our non-U.S. defined benefit pension plans to satisfy regulatory funding standards. These contributions do not reflect benefits to be paid directly from Company assets.

Benefit payments, including amounts to be paid from Company assets, and reflecting expected future service, as appropriate, are expected to be paid as follows:

2009	\$ 1,104
2010	1,098
2011	1,115
2012	1,146
2013	1,146
2014-2018	6,042

Other Postretirement Benefits

FASB Staff Position No. 106-2 "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (FSP No. 106-2) provides guidance on accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) for employers that sponsor postretirement health care plans that provide prescription



HONEYWELL INTERNATIONAL INC.
NOTES TO FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share amounts)

drug coverage that is at least actuarially equivalent to that offered by Medicare Part D. The impact of the Act reduced other postretirement benefits expense by approximately \$21, \$25 and \$37 million in 2008, 2007 and 2006, respectively.

	December 31,	
	2008	2007
Assumed health care cost trend rate:		
Health care cost trend rate assumed for next year	8.0 %	8.5 %
Rate that the cost trend rate gradually declines to	5.5 %	5.5 %
Year that the rate reaches the rate it is assumed to remain at	2014	2014

The assumed health care cost trend rate has a significant effect on the amounts reported. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

	1 percentage point	
	Increase	Decrease
Effect on total of service and interest cost components	\$ 4	\$ (4)
Effect on postretirement benefit obligation	\$ 68	\$ (61)

Benefit payments reflecting expected future service, as appropriate, are expected to be paid as follows:

	Without Impact of Medicare Subsidy	Net of Medicare Subsidy
	2009	\$ 219
2010	221	207
2011	221	208
2012	206	193
2013	198	185
2014-2018	892	831

Employee Savings Plans

We sponsor employee savings plans under which we match, in the form of our common stock, savings plan contributions for certain eligible employees. Shares issued under the stock match plans were 4.9, 3.7 and 4.5 million at a cost of \$220, \$199 and \$179 million in 2008, 2007 and 2006, respectively.

HONEYWELL INTERNATIONAL INC.
NOTES TO FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share amounts)

Note 23—Segment Financial Data

We globally manage our business operations through four reportable operating segments serving customers worldwide with aerospace products and services, control, sensing and security technologies for buildings, homes and industry, automotive products and chemicals. Segment information is consistent with how management reviews the businesses, makes investing and resource allocation decisions and assesses operating performance. Our four reportable segments are as follows:

- Aerospace is organized by customer end-market (Air Transport and Regional, Business and General Aviation and Defense and Space) and provides products and services which include auxiliary power units; propulsion engines; environmental control systems; engine controls; repair and overhaul services; hardware; logistics; electric power systems; flight safety, communications, navigation, radar and surveillance systems; aircraft lighting; management and technical services; advanced systems and instruments; and aircraft wheels and brakes.
- Automation and Control Solutions includes Products (controls for heating, cooling, indoor air quality, ventilation, humidification and home automation; advanced software applications for home/building control and optimization; sensors, switches, control systems and instruments for measuring pressure, air flow, temperature and electrical current; security, fire and gas detection; personal protection equipment; access control; video surveillance; and remote patient monitoring systems); Building Solutions (installs, maintains and upgrades systems that keep buildings safe, comfortable and productive); and Process Solutions (provides a full range of automation and control solutions for industrial plants, offering advanced software and automation systems that integrate, control and monitor complex processes in many types of industrial settings).
- Specialty Materials includes fluorocarbons, specialty films, advanced fibers, customized research chemicals and intermediates, electronic materials and chemicals, and catalysts and adsorbents.
- Transportation Systems includes Honeywell Turbo Technologies (turbochargers and charge-air and thermal systems); and the Consumer Products Group (car care products including anti-freeze, filters, spark plugs, and cleaners, waxes and additives); and Friction Materials (brake hard parts and other friction materials).

The accounting policies of the segments are the same as those described in Note 1. Honeywell's senior management evaluates segment performance based on segment profit. Segment profit is measured as business unit income (loss) before taxes excluding general corporate unallocated expense, other income (expense), interest and other financial charges, pension and other postretirement benefits (expense), stock compensation expense, repositioning and other charges and accounting changes. Beginning January 1, 2008, consistent with changes made to the measure of segment performance utilized by senior management, segment profit has been adjusted to exclude expense associated with restricted stock units ("RSU") and to include equity income/(loss) of affiliated companies. Stock compensation expense, including RSU expense, totaled \$112 and \$106 million for the years ended December 31, 2007 and 2006, respectively. Equity income/(loss) of affiliated companies, included in other income (expense), totaled \$10 million and \$13 million for the years ended December 31, 2007 and 2006, respectively. Both of these changes were applied on a prospective basis beginning January 1, 2008 and are not material to the following reportable segment data:

HONEYWELL INTERNATIONAL INC.
NOTES TO FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share amounts)

	Years Ended December 31,		
	2008	2007	2006
Net sales			
Aerospace	\$ 12,650	\$ 12,236	\$ 11,124
Automation and Control Solutions	14,018	12,478	11,020
Specialty Materials	5,266	4,866	4,631
Transportation Systems	4,622	5,009	4,592
Corporate	—	—	—
	<u>\$ 36,556</u>	<u>\$ 34,589</u>	<u>\$ 31,367</u>
Depreciation and amortization			
Aerospace	\$ 202	\$ 199	\$ 195
Automation and Control Solutions	321	264	240
Specialty Materials	208	216	221
Transportation Systems	122	110	101
Corporate	50	48	37
	<u>\$ 903</u>	<u>\$ 837</u>	<u>\$ 794</u>
Segment profit			
Aerospace	\$ 2,300	\$ 2,197	\$ 1,892
Automation and Control Solutions	1,622	1,405	1,223
Specialty Materials	721	658	568
Transportation Systems	406	583	574
Corporate	(204)	(189)	(177)
	<u>\$ 4,845</u>	<u>\$ 4,654</u>	<u>\$ 4,080</u>
Capital expenditures			
Aerospace	\$ 246	\$ 172	\$ 178
Automation and Control Solutions	208	186	165
Specialty Materials	194	215	186
Transportation Systems	110	131	109
Corporate	126	63	95
	<u>\$ 884</u>	<u>\$ 767</u>	<u>\$ 733</u>
		December 31,	
	2008	2007	2006
Total assets			
Aerospace	\$ 8,476	\$ 8,743	\$ 7,914
Automation and Control Solutions	14,609	12,999	11,287
Specialty Materials	5,232	5,065	4,674
Transportation Systems	2,787	3,304	3,038
Corporate	4,386	3,694	4,028
	<u>\$ 35,490</u>	<u>\$ 33,805</u>	<u>\$ 30,941</u>

HONEYWELL INTERNATIONAL INC.
NOTES TO FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share amounts)

A reconciliation of segment profit to consolidated income from continuing operations before taxes is as follows:

	Years Ended December 31,		
	2008	2007	2006
Segment profit	\$ 4,845	\$ 4,654	\$ 4,080
Other income (expense)(1)	665	53	111
Interest and other financial charges	(456)	(456)	(374)
Stock compensation expense(2),(3)	(128)	(65)	(77)
Pension and other postretirement benefits (expense)(2)	(113)	(322)	(459)
Repositioning and other charges(2)	(1,012)	(543)	(483)
Income from continuing operations before taxes	<u>\$ 3,801</u>	<u>\$ 3,321</u>	<u>\$ 2,798</u>

- (1) Equity income/(loss) of affiliated companies was included in Segment Profit, on a prospective basis, commencing January 1, 2008. Other income/(expense) as presented above includes equity income/(loss) of affiliated companies of \$10 and \$13 million for the years ended December 31, 2007 and 2006, respectively.
- (2) Amounts included in cost of products and services sold and selling, general and administrative expenses.
- (3) Costs associated with restricted stock units ("RSU") were excluded from Segment Profit, on a prospective basis, commencing January 1, 2008. Stock compensation expense, including RSU expense, totaled \$112 and \$106 million for the years ended December 31, 2007 and 2006, respectively. Stock option expense is included for all periods presented.

Note 24—Geographic Areas—Financial Data

	Net Sales(1)			Long-lived Assets(2)		
	Years Ended December 31,			Years Ended December 31,		
	2008	2007	2006	2008	2007	2006
United States	\$ 22,291	\$ 21,101	\$ 19,821	\$ 14,193	\$ 11,916	\$ 11,438
Europe	9,484	9,104	7,781	2,050	2,706	2,161
Other International	4,781	4,384	3,765	1,143	1,036	848
	<u>\$ 36,556</u>	<u>\$ 34,589</u>	<u>\$ 31,367</u>	<u>\$ 17,386</u>	<u>\$ 15,658</u>	<u>\$ 14,447</u>

- (1) Sales between geographic areas approximate market and are not significant. Net sales are classified according to their country of origin. Included in United States net sales are export sales of \$3,506, \$3,427 and \$3,493 million in 2008, 2007 and 2006, respectively.
- (2) Long-lived assets are comprised of property, plant and equipment, goodwill and other intangible assets.

HONEYWELL INTERNATIONAL INC.
NOTES TO FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share amounts)

Note 25—Supplemental Cash Flow Information

	Years Ended December 31,		
	2008	2007	2006
Payments for repositioning and other charges:			
Severance and exit cost payments	\$ (157)	\$ (92)	\$ (142)
Environmental payments	(320)	(267)	(264)
Proceeds from sale of insurance receivable	82	97	100
Insurance receipts for asbestos related liabilities	96	26	166
Asbestos related liability payments	(147)	(268)	(419)
	<u>\$ (446)</u>	<u>\$ (504)</u>	<u>\$ (559)</u>
Interest paid, net of amounts capitalized	\$ 415	\$ 444	\$ 361
Income taxes paid, net of refunds	810	474	471
Non-cash investing and financing activities:			
Common stock contributed to savings plans	220	199	179
Common stock contributed to U.S. pension plans	200	—	—

Note 26—Unaudited Quarterly Financial Information

	2008					2007				
	Mar. 31	June 30	Sept. 30	Dec. 31	Year	Mar. 31	June 30	Sept. 30	Dec. 31	Year
Net sales	\$ 8,895	\$ 9,674	\$ 9,275	\$ 8,712	\$ 36,556	\$ 8,041	\$ 8,538	\$ 8,735	\$ 9,275	\$ 34,589
Gross profit	2,223	2,351	1,799	2,189	8,562	1,891	2,047	2,089	2,262	8,289
Net income	643	723	719	707	2,792	526	611	618	689	2,444
Earnings per share— basic:										
Net income	.87	.97	.98	.97	3.79	.66	.79	.83	.92	3.20
Earnings per share— assuming dilution:										
Net income	.85	.96	.97	.97	3.76	.66	.78	.81	.91	3.16
Dividends paid	.275	.275	.275	.275	1.10	.25	.25	.25	.25	1.00
Market price(1)										
High	60.48	62.25	50.93	39.68	62.25	48.31	58.87	61.45	61.77	61.77
Low	53.95	49.14	40.37	23.67	23.67	44.13	46.15	54.12	53.19	44.13

(1) From composite tape-stock is primarily traded on the New York Stock Exchange.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREOWNERS OF
HONEYWELL INTERNATIONAL INC.:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1.) present fairly, in all material respects, the financial position of Honeywell International Inc. and its subsidiaries at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2.) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for income tax uncertainties in 2007, and the manner in which it accounts for defined benefit pension and other postretirement plans in 2006.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Florham Park, New Jersey
February 12, 2009

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not Applicable.

Item 9A. Controls and Procedures

Honeywell management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that such disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K to ensure information required to be disclosed in the reports that Honeywell files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms. There have been no changes that have materially affected, or are reasonably likely to materially affect, Honeywell's internal control over financial reporting that have occurred during the period covered by this Annual Report on Form 10-K.

Management's Report on Internal Control Over Financial Reporting

Honeywell management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Honeywell's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Honeywell's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of Honeywell's assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of Honeywell's management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Honeywell's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Honeywell's internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*.

Based on this assessment, management determined that Honeywell maintained effective internal control over financial reporting as of December 31, 2008.

The effectiveness of Honeywell's internal control over financial reporting as of December 31, 2008 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included in "Item 8. Financial Statements and Supplementary Data."

Item 9B. Other Information

Not Applicable.

Part III.

Item 10. Directors and Executive Officers of the Registrant

Information relating to the Directors of Honeywell, as well as information relating to compliance with Section 16(a) of the Securities Exchange Act of 1934, will be contained in our definitive Proxy Statement involving the election of the Directors which will be filed with the SEC pursuant to Regulation 14A not later than 120 days after December 31, 2008, and such information is incorporated herein by reference. Certain other information relating to the Executive Officers of Honeywell appears in Part I of this Annual Report on Form 10-K under the heading "Executive Officers of the Registrant".

The members of the Audit Committee of our Board of Directors are: Scott Davis (Chair), Linnet Deily, George Paz, John R. Stafford, and Michael W. Wright. The Board has determined that Mr. Davis is the "audit committee financial expert" as defined by applicable SEC rules and that Mr. Davis, Ms. Deily and Mr. Paz satisfy the "accounting or related financial management expertise" criteria established by the NYSE. All members of the Audit Committee are "independent" as that term is defined in applicable SEC Rules and NYSE listing standards.

Honeywell's Code of Business Conduct is 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 Honeywell directors, officers (including the Chief Executive Officer, Chief Financial Officer and Controller) and employees. Amendments to or waivers of the Code of Business Conduct granted to any of Honeywell's directors or executive officers will be published on our website within five business days of such amendment or waiver.

Item 11. Executive Compensation

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

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

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

EQUITY COMPENSATION PLANS

As of December 31, 2008 Information about our equity compensation plans is as follows:

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a)) (c)
Equity compensation plans approved by security holders	46,528,678 (1)	\$ 43.85 (2)	36,805,969 (3)
Equity compensation plans not approved by security holders	742,197 (4)	N/A (5)	N/A (6)
Total	47,270,875	\$ 43.85	36,805,969

(1) Equity compensation plans approved by shareowners that are included in column (a) of the table are the 2006 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (the "2006 Stock Incentive Plan") (10,270,215 shares of Common Stock to be issued for options; 3,930,499 restricted units subject to continued employment; and 1,083,502 deferred restricted units of earned and vested awards under prior plans that were approved by shareowners where delivery of shares has been deferred); the 2003 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (the "2003 Stock Incentive Plan") (15,244,290 shares of Common Stock to be issued for options; 4,050 shares to be issued for SARs; and 981,668 restricted units subject to continued employment); the 1993 Stock Plan for Employees of Honeywell International Inc. and its Affiliates (14,243,229 shares of Common Stock to be issued for options; 60,925 shares to be issued for SARs; and 408,800 restricted units subject to continued employment); the 2006 Stock Plan for Non-Employee Directors of Honeywell International Inc. (the "Non-Employee Director Plan") (145,000 shares of Common Stock to be issued for options; 3,000 restricted units subject to continued services; and 3,000 shares of restricted stock), and the 1994 Stock Plan for Non-Employee Directors of Honeywell International Inc. (153,500 shares of Common Stock to be issued for options; and 27,000 shares of restricted stock).

957,669 growth plan units were issued for the performance cycle commencing on January 1, 2007 and ending December 31, 2008 pursuant to the 2006 Stock Incentive Plan. The ultimate value of any growth plan award may be paid in cash or shares of Common Stock and, thus, growth plan units are not included in the table above. The ultimate value of growth plan units depends upon the achievement of pre-established performance goals during a two-year performance cycle relating to growth in earnings per share, revenue and return on investment. 50% of any payment related to these growth plan units will be paid in 2009 and the remaining 50% will be paid in 2010, subject to active employment on the payment dates.

Because the number of future shares that may be distributed to employees participating in the Honeywell Global Stock Plan is unknown, no shares attributable to that plan are included in column (a) of the table above.

- (2) Column (b) does not include any exercise price for restricted units or growth plan units granted to employees or non-employee directors under equity compensation plans approved by shareowners. Restricted units do not have an exercise price because their value is dependent upon attainment of certain performance goals or continued employment or service and they are settled for shares of Common Stock on a one-for-one basis. Growth plan units are denominated in cash units and the ultimate value of the award is dependent upon attainment of certain performance goals.
- (3) The number of shares that may be issued under the 2006 Stock Incentive Plan as of December 31, 2008 is 33,370,148 which includes the following additional shares under the 2006 Stock Incentive Plan (or any Prior Plan as defined in the 2006 Stock Incentive Plan) that may again be available for issuance: shares that are settled for cash, expire, are canceled, are tendered in satisfaction of an

option exercise price or tax withholding obligations, are reacquired with cash tendered in satisfaction of an option exercise price or with monies attributable to any tax deduction enjoyed by Honeywell to the exercise of an option, and are under any outstanding awards assumed under any equity compensation plan of an entity acquired by Honeywell.

The number of shares that may be issued under the Honeywell Global Stock Plan as of December 31, 2008 is 3,093,821. This plan is an umbrella plan for five plans maintained solely for eligible employees of participating non-U.S. countries. One sub-plan, the Global Employee Stock Purchase Plan, allows eligible employees to contribute between 2.2% and 8.8% of base pay from January through September of each year to purchase shares of Common Stock the following November at the fair market value on the date of purchase. Participant accounts are credited with matching shares equal to 20% of their contributions that are subject to continued employment for 3 years. For 2008, Honeywell used Treasury shares to provide the shares under this plan. Employees purchased and were credited with 197,034 shares of Common Stock in 2008.

Another sub-plan, the UK Sharebuilder Plan, allows an eligible UK employee to contribute a specified percentage of taxable earnings that is then invested in shares. The company matches those shares and dividends paid are used to purchase additional shares. Matched shares are subject to a three-year vesting schedule. Shares taken out of the plan before five years lose their tax-favored status. For the year ending December 31, 2008, 102,466 shares were credited to participants' accounts under the UK Sharebuilder Plan.

The remaining three sub-plans, Honeywell International Technologies Employees Share Ownership Plan (Ireland), the Honeywell Measurex (Ireland) Limited Group Employee Profit Sharing Scheme and the Honeywell Ireland Software Employees Share Ownership Plan, allow eligible Irish employees to contribute specified percentages of base pay, bonus or performance pay that are then invested in shares. Shares must be held in trust for at least two years and lose their tax-favored status if they are taken out of the plan before three years. For the year ending December 31, 2008, 32,070 shares were credited to participants' accounts under these three plans.

The remaining 342,000 shares included in column (c) are shares remaining for future grants under the Non-Employee Director Plan.

- (4) Equity compensation plans not approved by shareowners that are included in the table are the Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries, the AlliedSignal Incentive Compensation Plan for Executive Employees of AlliedSignal Inc. and its Subsidiaries, and the Deferred Compensation Plan for Non-Employee Directors of Honeywell International Inc.

The Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries is an unfunded, non-tax qualified plan that provides benefits equal to the employee deferrals and company matching allocations that would have been provided under Honeywell's U.S. tax-qualified savings plan if the Internal Revenue Code limitations on compensation and contributions did not apply. The company matching contribution is credited to participants' accounts in the form of notional shares of Common Stock. Additional notional shares are credited to participants' accounts equal to the value of any cash dividends payable on actual shares of Common Stock. The notional shares are distributed in the form of actual shares of Common Stock when payments are made to participants under the plan.

The AlliedSignal Incentive Compensation Plan for Executive Employees of AlliedSignal Inc. and its Subsidiaries was a cash incentive compensation plan maintained by AlliedSignal Inc. This plan has expired. Employees were permitted to defer receipt of a cash bonus payable under the plan and invest the deferred bonus in notional shares of Common Stock. The notional shares are distributed in the form of actual shares of Common Stock when payments are made to participants under the plan. No further deferrals can be made under this plan. The number of shares of Common Stock that remain to be issued under this expired plan as of December 31, 2008 is 51,539.

The Deferred Compensation Plan for Non-Employee Directors of Honeywell International Inc. provides for mandatory and elective deferral of certain payments to non-employee directors. Mandatory deferrals are invested in notional shares of Common Stock. Directors may also invest

any elective deferrals in notional shares of Common Stock. Additional notional shares are credited to participant accounts equal to the value of any cash dividends payable on actual shares of Common Stock. Notional shares of Common Stock are converted to an equivalent amount of cash at the time the distributions are made from the plan to directors. However, one former director is entitled to receive periodic distributions of actual shares of Common Stock that were notionally allocated to his account in years prior to 1992. The number of shares of Common Stock that remain to be issued to directors under this plan as of December 31, 2008 is 748.

- (5) Column (b) does not include any exercise price for notional shares allocated to employees under Honeywell's equity compensation plans not approved by shareowners because all of these shares are notionally allocated as a matching contribution under the non-tax qualified savings plans or as a notional investment of deferred bonuses or fees under the cash incentive compensation and directors' plans as described in note 4 and are only settled for shares of Common Stock on a one-for-one basis.
- (6) No securities are available for future issuance under the AlliedSignal Incentive Compensation Plan for Executive Employees of AlliedSignal Inc. and its Subsidiaries and the Deferred Compensation Plan for Non-Employee Directors of Honeywell International Inc. The cash incentive compensation plan has expired. All notional investments in shares of Common Stock are converted to cash when payments are made under the directors' plan (other than with respect to 748 shares of Common Stock included in column (a) that is payable to one former director). The amount of securities available for future issuance under the Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries is not determinable because the number of securities that may be issued under this plan depends upon the amount deferred to the plan by participants in future years.

The table does not contain information for the following plans and arrangements:

- Employee benefit plans of Honeywell intended to meet the requirements of Section 401(a) of the Internal Revenue Code and a small number of foreign employee benefit plans that are similar to such Section 401(a) plans.
- Equity compensation plans maintained by Honeywell Inc. immediately prior to the merger of Honeywell Inc. and AlliedSignal Inc. on December 1, 1999. The right to receive Honeywell International Inc. securities was substituted for the right to receive Honeywell Inc. securities under these plans. No new awards have been granted under these plans after the merger date. The number of shares to be issued under these plans upon exercise of outstanding options, warrants and rights is 812,313 and their weighted-average exercise price is \$50.04.

Item 13. Certain Relationships and Related Transactions

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

Item 14. Principal Accounting Fees and Services

Information relating to fees paid to and services performed by PricewaterhouseCoopers LLP in 2008 and 2007 and our Audit Committee's pre-approval policies and procedures with respect to non-audit services are contained in the Proxy Statement referred to above in "Item 10. Directors and Executive Officers of the Registrant," and such information is incorporated herein by reference.

Part IV.

Item 15. Exhibits and Financial Statement Schedules

	Page Number in Form 10-K
(a)(1.) Consolidated Financial Statements:	
Consolidated Statement of Operations for the years ended December 31, 2008, 2007 and 2006	49
Consolidated Balance Sheet at December 31, 2008 and 2007	50
Consolidated Statement of Cash Flows for the years ended December 31, 2008, 2007 and 2006	51
Consolidated Statement of Shareowners' Equity for the years ended December 31, 2008, 2007 and 2006	52
Notes to Financial Statements	53
Report of Independent Registered Public Accounting Firm	105
(a)(2.) Consolidated Financial Statement Schedules:	
Schedule II—Valuation and Qualifying Accounts	117

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

(a)(3.) Exhibits

See the Exhibit Index on pages 113 through 116 of this Annual Report on Form 10-K.

SIGNATURES

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

HONEYWELL INTERNATIONAL INC.

February 13, 2009

By: /s/ Talia M. Griep

Talia M. Griep
Vice President and Controller

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

Name

*

David M. Cote
Chairman of the Board,
Chief Executive Officer
and Director

*

Gordon M. Bethune
Director

*

Jaime Chico Pardo
Director

*

D. Scott Davis
Director

*

Linnet F. Deily
Director

/s/ David J. Anderson

David J. Anderson
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

*

Clive R. Hollick
Director

*

George Paz
Director

*

Bradley T. Sheares, Ph.D.
Director

*

John R. Stafford
Director

*

Michael W. Wright
Director

/s/ Talia M. Griep

Talia M. Griep
Vice President and Controller
(Principal Accounting Officer)

*By: /s/ David J. Anderson
(David J. Anderson
Attorney-in-fact)

February 13, 2009

EXHIBIT INDEX

Exhibit No.	Description
2	Omitted (Inapplicable)
3(i)	Amended and Restated Certificate of Incorporation of Honeywell International Inc., as amended and restated April 28, 2008 (incorporated by reference to Exhibit 3(i) to Honeywell's Form 8-K filed May 1, 2008)
3(ii)	By-laws of Honeywell International Inc., as amended September 26, 2008 (incorporated by reference to Exhibit 3(ii) to Honeywell's Form 8-K filed October 2, 2008)
4	Honeywell International Inc. is a party to several long-term debt instruments under which, in each case, the total amount of securities authorized does not exceed 10% of the total assets of Honeywell and its subsidiaries on a consolidated basis. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, Honeywell agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.
9	Omitted (Inapplicable)
10.1*	2003 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (incorporated by reference to Honeywell's Proxy Statement, dated March 17, 2003, filed pursuant to Rule 14a-6 of the Securities and Exchange Act of 1934 and amended by Exhibit 10.1 to Honeywell's Form 8-K filed December 21, 2004, Exhibit 10.1 to Honeywell's Form 10-K for the year ended December 31, 2006 and the attached amendment (filed herewith))
10.2*	Deferred Compensation Plan for Non-Employee Directors of Honeywell International Inc., as amended and restated (incorporated by reference to Exhibit 10.2 to Honeywell's Form 10-Q for quarter ended June 30, 2003, and amended by Exhibit 10.1 to Honeywell's Form 8-K filed December 21, 2004 and Exhibit 10.2 to Honeywell's Form 10-K for the year ended December 31, 2005)
10.3*	Stock Plan for Non-Employee Directors of AlliedSignal Inc., as amended (incorporated by reference to Exhibit 10.3 to Honeywell's Form 10-Q for the quarter ended June 30, 2003 and amended by Exhibit 10.2 to Honeywell's Form 10-Q for the quarter ended June 30, 2007 and Exhibit 10.1 to Honeywell's Form 10-Q for the quarter ended September 30, 2008)
10.4*	1985 Stock Plan for Employees of AlliedSignal Inc. and its Subsidiaries, as amended (incorporated by reference to Exhibit 19.3 to Honeywell's Form 10-Q for the quarter ended September 30, 1991)
10.5*	Honeywell International Inc. Incentive Compensation Plan for Executive Employees, as amended and restated (filed herewith)
10.6*	Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries, as amended and restated (filed herewith)
10.7*	Honeywell International Inc. Severance Plan for Senior Executives, as amended and restated (filed herewith)
10.8*	Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc., and its Affiliates, as amended and restated (filed herewith)
10.9*	1993 Stock Plan for Employees of Honeywell International Inc. and its Affiliates, as amended (incorporated by reference to Exhibit A to Honeywell's Proxy Statement, dated March 10, 1994, filed pursuant to Rule 14a-6 of the Securities and Exchange Act of 1934, and amended by Exhibit 10.1 to Honeywell's Form 8-K filed December 21, 2004, Exhibit 10.9 to Honeywell's Form 10-K for the year ended December 31, 2006, Exhibit 10.3 to Honeywell's Form 10-Q for the quarter ended June 30, 2007 and the attached amendment (filed herewith))

Exhibit No.	Description
10.10*	Honeywell International Inc. Supplemental Pension Plan, as amended and restated (filed herewith)
10.11*	Employment Separation Agreement and Release between J. Kevin Gilligan and Honeywell International Inc. dated February 10, 2004 (incorporated by reference to Honeywell's Form 10-K for year ended December 31, 2003)
10.12*	Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Band 6 and Above, as amended and restated (filed herewith)
10.13*	Honeywell Supplemental Defined Benefit Retirement Plan, as amended and restated (filed herewith)
10.14*	Letter between David J. Anderson and Honeywell International Inc. dated June 12, 2003 (incorporated by reference to Exhibit 10.26 to Honeywell's Form 10-Q for the quarter ended June 30, 2003 and amended by the attached amendment (filed herewith))
10.15*	Employment Separation Agreement and Release between Richard F. Wallman and Honeywell International Inc. dated July 17, 2003 (incorporated by reference to Exhibit 10.2 to Honeywell's Form 10-Q for the quarter ended September 30, 2003)
10.16*	Honeywell International Inc. Severance Plan for Corporate Staff Employees (Involuntary Termination Following a Change in Control), as amended and restated (filed herewith)
10.17*	Employment Agreement dated as of February 18, 2002 between Honeywell and David M. Cote (incorporated by reference to Exhibit 10.24 to Honeywell's Form 8-K filed March 4, 2002, and amended by Exhibit 10.3 to Honeywell's Form 10-Q for the quarter ended September 30, 2008 and the attached amendment (filed herewith))
10.18*	2003 Stock Incentive Plan for Employees of Honeywell International Inc. and its Affiliates Award Agreement (incorporated by reference to Exhibit 10.1 to Honeywell's Form 8-K filed February 7, 2005)
10.19*	2003 Stock Incentive Plan for Employees of Honeywell International Inc. and its Affiliates Restricted Unit Agreement (incorporated by reference to Exhibit 10.21 to Honeywell's Form 10-K for the year ended December 31, 2005)
10.20*	2003 Stock Incentive Plan for Employees of Honeywell International Inc. and its Affiliates Growth Plan Agreement (incorporated by reference to Exhibit 10.22 to Honeywell's Form 10-K for the year ended December 31, 2005)
10.21*	Stock Plan For Non-Employee Directors of Honeywell International Inc. Option Agreement (incorporated by reference to Exhibit 10.1 to Form 8-K filed April 29, 2005)
10.22*	Deferred Compensation Agreement dated August 4, 2006 between Honeywell and David M. Cote (incorporated by reference to Exhibit 10.22 to Honeywell's Form 10-K for the year ended December 31, 2006)
10.23*	Letter Agreement dated July 27, 2001 between Honeywell and Larry E. Kittelberger (incorporated by reference to Exhibit 10.23 to Honeywell's Form 10-K for the year ended December 31, 2006, and amended by the attached amendment (filed herewith))
10.24*	Honeywell Supplemental Retirement Plan (incorporated by reference to Exhibit 10.24 to Honeywell's Form 10-K for the year ended December 31, 2006)
10.25*	Pittway Corporation Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.25 to Honeywell's Form 10-K for the year ended December 31, 2006 and amended by the attached amendment (filed herewith))

Exhibit No.	Description
10.26*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates, as amended and restated (filed herewith)
10.27*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates—Form of Option Award Agreement (incorporated by reference to Exhibit 10.27 to Honeywell's Form 10-K for the year ended December 31, 2006)
10.28*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates—Form of Restricted Unit Agreement (incorporated by reference to Exhibit 10.28 to Honeywell's Form 10-K for the year ended December 31, 2007)
10.29*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates—Form of Growth Plan Agreement (incorporated by reference to Exhibit 10.5 to Honeywell's form 10-Q for the quarter ended June 30, 2006)
10.30*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates Form of Performance Share Agreement (incorporated by reference to Exhibit 10.30 to Honeywell's Form 10-K for the year ended December 31, 2006)
10.31*	2006 Stock Plan for Non-Employee Directors of Honeywell International Inc., as amended and restated (filed herewith)
10.32*	2006 Stock Plan for Non-Employee Directors of Honeywell International Inc.—Form of Option Agreement (incorporated by reference to Exhibit 10.7 to Honeywell's Form 10-Q for the quarter ended June 30, 2006)
10.33*	2006 Stock Plan for Non-Employee Directors of Honeywell International Inc.—Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.8 to Honeywell's Form 10-Q for the quarter ended June 30, 2006)
10.34*	2006 Stock Plan for Non-Employee Directors of Honeywell International Inc.—Form of Restricted Unit Agreement (filed herewith)
10.35*	2007 Honeywell Global Employee Stock Plan (incorporated by reference to Honeywell's Proxy Statement, dated March 12, 2007, filed pursuant to Rule 14a-6 of the Securities and Exchange Act of 1934)
10.36*	Letter Agreement dated July 20, 2007 between Honeywell and Roger Fradin (incorporated by reference to Exhibit 10.1 to Honeywell's Form 10-Q for the quarter ended September 30, 2007)
10.37	Amended and Restated Five Year Credit Agreement dated as of May 14, 2007 by and among Honeywell International Inc., the banks, financial institutions and other institutional lenders parties thereto, Citicorp USA, Inc., as administrative agent, Citibank International PLC, as swing line agent, JPMorgan Chase Bank, N.A., as syndication agent, Bank of America, N.A., Barclays Bank PLC, Deutsche Bank AG New York Branch and UBS Loan Finance LLC, as documentation agents, and Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., as joint lead arrangers and co- book managers (incorporated by reference to Exhibit 10.1 to Honeywell's 8-K filed May 18, 2007)
10.38	Purchase and Sale Agreement between Catalysts, Adsorbents and Process Systems, Inc., and Honeywell Specialty Materials, LLC, dated September 30, 2005 (incorporated by reference to Exhibit 10.23 to Honeywell's Form 10-Q for the quarter ended September 30, 2005)
10.39	Stock Purchase Agreement by and between Honeywell International Inc. and M&F Worldwide Corp. (incorporated by reference to Exhibit 2.1 to Honeywell's Form 8-K filed November 1, 2005)
10.40	Stock Purchase Agreement dated April 3, 2008 by and among Honeywell International Inc., Safety Products Holdings, Inc., the selling shareholders party thereto, and Odyssey Investment Services, L.L.C. (incorporated by reference to Exhibit 10.1 to Honeywell's Form 8-K filed April 7, 2008)

Exhibit No.	Description
10.41	Stock and Asset Purchase Agreement dated June 9, 2008, by and between Honeywell International Inc. and BE Aerospace, Inc. (incorporated by reference to Exhibit 10.1 to Honeywell's Form 8-K filed June 11, 2008)
11	Omitted (Inapplicable)
12	Statement re: Computation of Ratio of Earnings to Fixed Charges (filed herewith)
16	Omitted (Inapplicable)
18	Omitted (Inapplicable)
21	Subsidiaries of the Registrant (filed herewith)
22	Omitted (Inapplicable)
23	Consent of PricewaterhouseCoopers LLP (filed herewith)
24	Powers of Attorney (filed herewith)
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
99	Omitted (Inapplicable)

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

HONEYWELL INTERNATIONAL INC
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
Three Years Ended December 31, 2008
(In millions)

Allowance for Doubtful Accounts:

Balance December 31, 2005	\$ 179
Provision charged to income	111
Deductions from reserves(1)	(77)
Acquisitions	4
Balance December 31, 2006	217
Provision charged to income	79
Deductions from reserves(1)	(115)
Balance December 31, 2007	181
Provision charged to income	93
Deductions from reserves(1)	(94)
Acquisitions	6
Balance December 31, 2008	<u>\$ 186</u>

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

Deferred Tax Assets—Valuation Allowance

Balance December 31, 2005	\$ 477
Additions charged to income tax expense	40
Reductions credited to income tax expense	(3)
Reductions charged to goodwill, due to acquisitions	(24)
Additions charged to other comprehensive income (loss), upon adoption of SFAS No. 158	28
Reductions charged to deferred tax asset, due to expired NOL	(2)
Balance December 31, 2006	516
Additions charged to income tax expense	56
Reductions credited to income tax expense	(114)
Additions charged to equity	28
Reductions credited to deferred tax assets, due to expired NOL	(19)
Additions charged to deferred tax assets, due to capital loss carryforwards	51
Reductions credited to goodwill	(28)
Balance December 31, 2007	490
Additions charged to income tax expense	112
Reductions credited to income tax expense	(54)
Reductions charged to deferred tax assets due to expiring NOLs	(8)
Reductions charged to deferred tax assets due to capital loss carryforwards	(7)
Additions charged to equity	(51)
Reductions credited to goodwill	(37)
Balance December 31, 2008	<u>\$ 445</u>

**Amendment to the
2003 Stock Incentive Plan
of
Honeywell International Inc. and its Affiliates**

The 2003 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (the “Plan”) is hereby amended effective January 1, 2009 as follows:

1. The definition of “Change in Control” shall be amended by (i) inserting the following exception at the end of (vi): “except that any such discretion shall not be exercised to the extent it would result in an Award subject to Section 409A of the Code becoming due and/or payable as a result of the Change in Control” and (ii) inserting the following proviso at the end of such definition: “; provided that to the extent an Award subject to Section 409A of the Code becomes due and/or payable as a result of a Change in Control, a Change in Control shall not be deemed to have occurred unless the events constituting the Change in Control would also constitute a “Change in the Ownership or Effective Control of a Corporation or in the Ownership of a Substantial Portion of the Assets of a Corporation” under Treasury Department Proposed Regulation 1.409A-3(g)(5), as revised from time to time in either subsequent proposed or final regulations, and in the event that such regulations are withdrawn or such phrase (or a substantially similar phrase) ceases to be defined, as determined by the Committee.”

2. The following language shall be added to the end of the definition of “Disability”: “; provided that, to the extent an Award subject to Section 409A of the Code shall become payable upon a Participant’s Disability, a Disability shall not be deemed to have occurred for such purposes unless the circumstances would also result in a “disability” within the meaning of Section 409A of the Code.”

3. The following language shall be added as a new sentence to the end of the definition of “Termination of Employment”: “For purposes of clarification, any non-qualified deferred compensation (within the meaning of Section 409A of the Code) payable to the Employee upon a Termination of Employment pursuant to the terms and conditions of this Plan shall be paid to the Employee upon a “separation from service”, as determined in accordance with Section 409A of the Code.”

4. Section 3.2(vii)(B) shall be amended by capitalizing “disability” and “Termination of Employment”.

5. The following shall be added as a new Section 4.3(h): “No Additional Deferral Features. The Committee shall not grant Stock Options or Stock Appreciation Rights that have “additional deferral features” as described in Section 409A of the Code, thereby subjecting the Stock Option or Stock Appreciation Right to the requirements of Section 409A.”

6. The lead-in sentence of Section 4.4 shall be amended by adding “, subject to Section 7.14” immediately following “The Committee may grant Performance Awards under the Plan in the form of Growth Plan Units, Restricted Units or Restricted Stock to the Employees that the Committee may from time to time select, in the amounts and”.

7. The following shall amend and restate the first sentence of Section 4.5: “The Committee may grant Restricted Units and Restricted Stock under the Plan to those Employees whom the Committee may from time to time select, in the amounts and, with respect to Restricted Units subject to Section 7.14, pursuant to the terms and conditions that the Committee, in its discretion, may determine and set forth in the Award Certificate, subject to the provisions below:”

8. Section 4.5(c) shall be amended by inserting “to the extent permissible under Section 409A of the Code” immediately following “In the event of a payment of dividends on Common Stock,”.

9. Section 4.5(e) shall be amended by adding the following to the end of the first sentence: “provided that with respect to any Restricted Unit subject to Section 409A of the Code, such redemption will occur in a manner that complies with Section 409A of the Code.”

10. Section 4.5(f) shall be amended by adding the following to the end of the first sentence “provided that any such election be made in accordance with Section 409A of the Code.”

11. Section 4.6 shall be amended by adding “and subject to Section 7.14” immediately following “The Committee will determine, in its discretion,”.

12. The last sentence of Section 5.4(b)(v) shall be amended by adding “no later than 90 days after the date of the Change in Control” immediately following “In addition, each Participant will receive in cash”.

13. Section 5.4(d) shall be amended by adding “subject to Section 7.14” immediately following: “Any deferred Restricted Units or other deferred vested Awards (including Awards that vested pursuant to subsection (a)), including any related Dividend Equivalents and accrued interest on Dividend Equivalents will be paid in full as soon as practicable, but no later than 90 days after the effective date of the Change in Control, provided that”.

14. Section 6.1 shall be amended by adding “unless such amendment is necessary to comply with applicable law” to the end of each of the last two sentences.

15. The following Section 7.14 shall be added: “7.14 Section 409A of the Code. With respect to Awards subject to Section 409A of the Code, this Plan is intended to comply with the requirements of such Section, and the provisions hereof shall be interpreted in a manner that satisfies the requirements of such Section and the related regulations, and the Plan shall be operated accordingly. If any provision of this Plan or any term or condition of any Award would otherwise frustrate or conflict with this intent, the provision, term or condition will be interpreted and deemed amended so as to avoid this conflict. Any reservation of rights or discretion by the Company or the Committee hereunder affecting the timing of payment of any Award subject to Section 409A of the Code will only be as broad as is permitted by Section 409A of the Code and any regulations thereunder.”

16. The following Section 7.15 shall be added: “7.15 Payments to Specified Employees. Notwithstanding anything herein or in any Award grant agreement to the contrary, in the event that a Participant is a “specified employee” (within the meaning of Section 409A(2)(B) of the Code) as of the date of such Participant’s separation from service (as determined pursuant to Section 409A of the Code), any Awards subject to Section 409A of the Code payable to such Participant as a result of his or her separation from service, shall be paid on the first business day of the first calendar month that begins after the six-month anniversary of the date of the separation from service, or, if earlier, the date of the Participant’s death.”

17. The primary purpose of this amendment is to protect participants in the Plan against the substantial unanticipated tax liability that would result from the Plan’s failure to comply with Code section 409A. Accordingly, to the extent that an amendment to the Plan requires the consent of an individual participant, each participant shall be deemed to have consented to the amendment unless the participant provides written notice of his objection within a reasonable period after being notified of the amendment.

16. The following Section 7.15 shall be added: “7.15 Payments to Specified Employees. Notwithstanding anything herein or in any Award grant agreement to the contrary, in the event that a Participant is a “specified employee” (within the meaning of Section 409A(2)(B) of the Code) as of the date of such Participant’s separation from service (as determined pursuant to Section 409A of the Code), any Awards subject to Section 409A of the Code payable to such Participant as a result of his or her separation from service, shall be paid on the first business day of the first calendar month that begins after the six-month anniversary of the date of the separation from service, or, if earlier, the date of the Participant’s death.”

17. The primary purpose of this amendment is to protect participants in the Plan against the substantial unanticipated tax liability that would result from the Plan’s failure to comply with Code section 409A. Accordingly, to the extent that an amendment to the Plan requires the consent of an individual participant, each participant shall be deemed to have consented to the amendment unless the participant provides written notice of his objection within a reasonable period after being notified of the amendment.

18. This amendment shall not affect any amounts that are deferred before January 1, 2005, within the meaning of Code section 409A and the AJCA, and no change shall be made in the administration of the Plans that would constitute a “material modification” of the Plans with respect to such amounts. Nothing in this amendment shall be construed to prevent Honeywell International Inc. (the “Corporation”) from amending any Plan at a later date to apply the restrictions set forth in Code section 409A to amounts deferred before January 1, 2005, or to prevent the Corporation from amending any Plan in a manner that constitutes a “material modification” of the Plan with respect to such amounts.

**HONEYWELL INTERNATIONAL INC.
INCENTIVE COMPENSATION PLAN FOR EXECUTIVE EMPLOYEES
AMENDED AND RESTATED AS OF JANUARY 1, 2009**

I.

I. Purpose

The purpose of the Honeywell International Inc. Incentive Compensation Plan for Executive Employees (the “Plan”) is to attract and retain highly qualified employees, to obtain from each the best possible performance, to establish a performance goal based on Consolidated Earnings for Incentive Compensation Awards for Senior Executive Employees and to underscore the importance to employees of achieving particular business objectives established for Honeywell International Inc. and its operating units.

II. Definitions

For the purposes of the Plan, the following terms shall have the following meanings:

A. Awards. Incentive Compensation Awards or Long-Term Awards made pursuant to the Plan.

B. Board of Directors. The Board of Directors of Honeywell International Inc.

C. Code. The Internal Revenue Code of 1986 and the regulations promulgated thereunder, as amended from time to time.

D. Committee. The Management Development and Compensation Committee of the Board of Directors or any

successor thereto.

E. Consolidated Earnings. Consolidated net income for the year for which an Award is made as shown on the audited consolidated statement of income of the Company, adjusted to omit the effects of extraordinary items, gain or loss on the disposal of a business segment (other than provisions for operating losses or income during the phase-out period), unusual or infrequently occurring events and transactions and the cumulative effects of changes in accounting principles, all as determined in accordance with generally accepted accounting principles.

F. Company. Honeywell International Inc. or Honeywell International Inc. and its subsidiaries, as the context requires.

G. Covered Employee. An Employee who is a “covered employee” within the meaning of Section 162(m) of the Code, as amended, as such section may be amended.

H. Employee. An individual who is on the active salaried payroll of the Company or a subsidiary of the Company at any time during the period for which an Award relates.

I. Executive Employee. An Employee who by reason of job responsibilities is in a position to make a measurable contribution to the achievement of the Company’s objectives as established from time to time in connection with the Plan. For purposes of the Plan, the term Executive Employee does not include an Employee covered by the definition of the term Senior Executive Employee.

J. Grandfathered Award. An Award issued under the Plan that was earned and vested in full as of December 31, 2004.

K. Reserve. The Incentive Compensation Award Reserve established pursuant to Section IV of the Plan.

L. Senior Executive Employee. An officer of Honeywell International Inc. or other senior-level Employee who by reason of job responsibilities has been determined by the Committee to be in a position to make a significant contribution to the achievement of the Company’s objectives as established from time to time in connection with the Plan.

III. Effective Date

The Plan became effective upon approval by the Company’s shareowners at the Company’s 1994 Annual Meeting of Shareowners and is being amended and restated effective as of January 1, 2009.

IV. Amounts Available for Awards

A. The maximum amount available for Incentive Compensation Awards to Senior Executive Employees shall be determined as set forth in paragraph B of this Section IV and such Awards shall be chargeable against the Reserve. The maximum amount available for Long-Term Awards to Senior Executive Employees and for both Incentive Compensation and Long-Term Awards to Executive Employees shall be determined by the Committee and such Awards shall not be chargeable against the Reserve.

B. A Reserve shall be established to which will be credited for each fiscal year an amount to be determined by the Board of Directors not in excess of 2% of Consolidated Earnings for such year.

Before the Board of Directors shall determine the amount to be credited to the Reserve for any fiscal year, the Company’s independent accountants for such year shall report to the Board of Directors the maximum amount, if any, which may be credited to the Reserve for such year. After receipt of the accountants’ report, which may be based on an estimate of the Company’s financial results for the year, the Board of Directors shall determine the amount (not greater than such maximum amount) that shall be credited to the Reserve for such year. If the accountants’ report is based on an estimate, the amount credited to the Reserve shall be subject

H. Employee. An individual who is on the active salaried payroll of the Company or a subsidiary of the Company at any time during the period for which an Award relates.

I. Executive Employee. An Employee who by reason of job responsibilities is in a position to make a measurable contribution to the achievement of the Company's objectives as established from time to time in connection with the Plan. For purposes of the Plan, the term Executive Employee does not include an Employee covered by the definition of the term Senior Executive Employee.

J. Grandfathered Award. An Award issued under the Plan that was earned and vested in full as of December 31, 2004.

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IV. Amounts Available for Awards

A. The maximum amount available for Incentive Compensation Awards to Senior Executive Employees shall be determined as set forth in paragraph B of this Section IV and such Awards shall be chargeable against the Reserve. The maximum amount available for Long-Term Awards to Senior Executive Employees and for both Incentive Compensation and Long-Term Awards to Executive Employees shall be determined by the Committee and such Awards shall not be chargeable against the Reserve.

B. A Reserve shall be established to which will be credited for each fiscal year an amount to be determined by the Board of Directors not in excess of 2% of Consolidated Earnings for such year.

Before the Board of Directors shall determine the amount to be credited to the Reserve for any fiscal year, the Company's independent accountants for such year shall report to the Board of Directors the maximum amount, if any, which may be credited to the Reserve for such year. After receipt of the accountants' report, which may be based on an estimate of the Company's financial results for the year, the Board of Directors shall determine the amount (not greater than such maximum amount) that shall be credited to the Reserve for such year. If the accountants' report is based on an estimate, the amount credited to the Reserve shall be subject

to receipt of a further report from the accountants to the Board of Directors confirming the maximum amount which may be credited to the Reserve.

The total amount of Incentive Compensation Awards to Senior Executive Employees for a fiscal year shall be limited by the total then in the Reserve but need not exhaust such total. Any balance remaining after the making of Awards to Senior Executive Employees shall be removed from the Reserve and will not be available for future Awards to Senior Executive Employees.

V. Eligibility for Awards

Incentive Compensation Awards and, subject to Section VI B, Long-Term Awards, to Senior Executive Employees

to receipt of a further report from the accountants to the Board of Directors confirming the maximum amount which may be credited to the Reserve.

The total amount of Incentive Compensation Awards to Senior Executive Employees for a fiscal year shall be limited by the total then in the Reserve but need not exhaust such total. Any balance remaining after the making of Awards to Senior Executive Employees shall be removed from the Reserve and will not be available for future Awards to Senior Executive Employees.

V. Eligibility for Awards

Incentive Compensation Awards and, subject to Section VI B, Long-Term Awards, to Senior Executive Employees for any period may be granted to those Senior Executive Employees who shall be selected by the Committee. Such selections, except in the case of the Company's Chief Executive Officer, shall be made after considering the recommendations of the Chief Executive Officer. The Committee shall also give consideration to the contribution made by the Employee to achievement of the Company's established objectives and such other matters as it shall deem relevant. Incentive Compensation Awards and, subject to Section VI B, Long-Term Awards, to Executive Employees for any period may be granted to those Executive Employees who shall be selected by the Chief Executive Officer.

In the discretion of the Committee or the Chief Executive Officer, as appropriate, Awards may be made to Employees who retired or whose employment terminated after the beginning of the period for which an Award is made, or to the designee or estate of an Employee who died during such period.

VI. Determination of Amounts of Awards

The amounts of Awards to Senior Executive Employees will be determined by the Committee acting in its discretion. Such determinations shall be made after consideration of such matters as the Committee shall deem relevant which shall include, except in the case of an Award for the Chief Executive Officer, the recommendations of the Chief Executive Officer. The amounts of Awards to Executive Employees will be determined by the Chief Executive Officer.

Two types of awards may be made under the Plan:

A. Incentive Compensation Awards. These are Awards based on achievement of short-term business objectives for the Company as established by the Board of Directors or the Committee for this purpose for each fiscal year, and achievement of short-term business objectives for the Company's operating units as established by the Chief Executive Officer for this purpose for each fiscal year. Awards to Executive Employees may be based on achievement of short-term business objectives for the Company's operating units rather than for the Company.

In establishing short-term business objectives, consideration will be given to, among other things, the financial plans for the year for the Company and its operating units.

The maximum Incentive Compensation Award payable with respect to any fiscal year to an individual who is the Chief Executive Officer during any part of such fiscal year shall be

equal to 0.4% of Consolidated Earnings for such year. The maximum Incentive Compensation Award payable with respect to any fiscal year to any other Employee shall be equal to 0.2% of Consolidated Earnings for such year. If the total of the maximum Incentive Compensation Awards determined pursuant to this paragraph VI for Senior Executive Employees would otherwise exceed 2% of Consolidated Earnings for a fiscal year, then each individual maximum shall be reduced pro-rata so that in the aggregate their total equals 2% of Consolidated Earnings.

Incentive Compensation Awards may be made either at or following the end of the fiscal year to which they relate; provided, however, that no Incentive Compensation Awards shall be made to Senior Executive Employees prior to receipt by the Chief Executive Officer of assurances from the Chief Financial Officer and the Company's independent

equal to 0.4% of Consolidated Earnings for such year. The maximum Incentive Compensation Award payable with respect to any fiscal year to any other Employee shall be equal to 0.2% of Consolidated Earnings for such year. If the total of the maximum Incentive Compensation Awards determined pursuant to this paragraph VI for Senior Executive Employees would otherwise exceed 2% of Consolidated Earnings for a fiscal year, then each individual maximum shall be reduced pro-rata so that in the aggregate their total equals 2% of Consolidated Earnings.

Incentive Compensation Awards may be made either at or following the end of the fiscal year to which they relate; provided, however, that no Incentive Compensation Awards shall be made to Senior Executive Employees prior to receipt by the Chief Executive Officer of assurances from the Chief Financial Officer and the Company's independent accountants that the amount which the Board of Directors has determined shall be credited to the Reserve for the fiscal year to which the Awards relate is not greater than the maximum amount permitted under Section IV.

B. Long-Term Awards. These are Awards based on achievement of long-term objectives established by the Board of Directors or the Committee for this purpose for each long-term performance period.

Long-term performance periods will cover a period longer than one fiscal year. Long-term objectives will be established in terms of some measurable standard determined by the Board of Directors or the Committee for each period.

The Employee's individual performance and contribution to the achievement of established objectives will be considered in determining the amount of an Award.

No Long-Term Awards shall be granted under the Plan after December 31, 2003. All Long-Term Awards granted under the Plan prior to December 31, 2003 and outstanding as of December 31, 2004 were earned and vested in full as of December 31, 2004.

VII. Form of Awards

Awards under the Plan shall be made in cash.

VIII. Payment of Awards

A. This Section VIII A shall apply to Grandfathered Awards only.

(1) Awards under the Plan shall be paid currently, unless the Committee shall determine that any Award shall be deferred. Deferred Awards may be made in one lump sum or in installments and may accrue notional interest, all as the Committee shall determine; provided, however, that the rate of notional interest shall not exceed the greater of (i) 10% or (ii) 200% of the 10-year U.S. Treasury Bond rate at the time of determination, and interest shall be compounded daily. An individual to whom an Award has been made shall not have any interest in the cash until the cash has been paid.

(2) The rate of notional interest established by the Committee shall be set forth on Schedule A attached hereto and made a part hereof. Any portion of such rate designated as "Vested Rate" on such Schedule A shall be nonforfeitable at all times. Any portion of such rate designated as "Contingent Rate" on such Schedule A shall become nonforfeitable only if the Employee is still employed by the Company at the end of the third full calendar year following the calendar year to which the Award relates; provided, however, that in the event an Employee terminates employment with the Company as a result of early or normal retirement (as defined in the qualified pension plan in which the Employee participates), death or disability (determined in the same manner as under the AlliedSignal Voluntary Employees Beneficiary Association Long-Term Disability Income Plan), no portion of such rate shall be treated as "Contingent", even if such retirement, death or disability occurs prior to the end of the third full calendar year following the calendar year to which the Award relates. The rate established by the Committee and set forth on Schedule A shall remain in effect until superseded by action of the Committee and amendment of such Schedule A.

(2) The rate of notional interest established by the Committee shall be set forth on Schedule A attached hereto and made a part hereof. Any portion of such rate designated as “Vested Rate” on such Schedule A shall be nonforfeitable at all times. Any portion of such rate designated as “Contingent Rate” on such Schedule A shall become nonforfeitable only if the Employee is still employed by the Company at the end of the third full calendar year following the calendar year to which the Award relates; provided, however, that in the event an Employee terminates employment with the Company as a result of early or normal retirement (as defined in the qualified pension plan in which the Employee participates), death or disability (determined in the same manner as under the AlliedSignal Voluntary Employees Beneficiary Association Long-Term Disability Income Plan), no portion of such rate shall be treated as “Contingent”, even if such retirement, death or disability occurs prior to the end of the third full calendar year following the calendar year to which the Award relates. The rate established by the Committee and set forth on Schedule A shall remain in effect until superceded by action of the Committee and amendment of such Schedule A.

(3) When an Award is made, the Company shall cause the cash to be paid to the individual to whom the Award is made at the time or times specified by the Committee or the Chief Executive Officer, as appropriate, or, if no time or times is specified, as soon as practicable after the Award is made.

(4) When circumstances are deemed justifiable by the Committee, it may, upon agreement with the Employee or the Employee’s estate or designee, authorize an immediate lump sum payment in cancellation of all or any part of any outstanding deferred Award, authorize a change in the number of installments in which a deferred Award is to be paid or authorize a change in the time of payment of any unpaid installments. Any such lump sum payments shall be equal to the amount of the unpaid installments canceled plus any accrued notional interest.

(5) Notwithstanding the foregoing, in the event an Employee’s employment with the Company is terminated either voluntarily or for “gross cause” (as defined in the Severance Pay Plan for Designated Career Band 5 Employees of AlliedSignal Inc. or in the AlliedSignal Severance Pay Plan for Senior Executives, as applicable), the nonforfeitable portion of such Employee’s deferred Awards shall be distributed in a lump sum as soon as practicable after such termination of employment.

B. This Section VIII B shall apply to all Incentive Compensation Awards other than Grandfathered Awards. Incentive Compensation Awards shall be paid in full in one lump sum as soon as practicable following the end of the fiscal year in which the Incentive Compensation Award was earned, but no later than the 15th day of the third month following the end of such year, provided that, except as provided in the second paragraph of Section V, the recipient Employee is still actively employed by the Company on the date the Incentive Compensation Award is paid. Notwithstanding the foregoing, the Committee may, in its sole discretion, and with respect to “covered employees” subject to Section 162(m) of the Code,

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permit payment of an Incentive Compensation Award to an individual who is employed by the Company as of the end of the fiscal year in which the Incentive Compensation Award is earned but who is no longer actively employed by the Company on the date such Award is paid.

C. At the time any Incentive Compensation Award is paid to Senior Executive Employees, the Reserve shall be reduced by the amount of such Award, regardless of whether such Award is in a lump sum or in installments, current or deferred.

D. The Committee may, in its sole discretion, permit Employees to defer Incentive Compensation Awards in accordance with and subject to the terms and conditions of the Company’s Deferred Incentive Compensation Plan (the “DIC Plan”).

IX. Accelerated Payment

A. Notwithstanding anything to the contrary in the Plan, in the event of (i) the purchase of shares of the Common

permit payment of an Incentive Compensation Award to an individual who is employed by the Company as of the end of the fiscal year in which the Incentive Compensation Award is earned but who is no longer actively employed by the Company on the date such Award is paid.

C. At the time any Incentive Compensation Award is paid to Senior Executive Employees, the Reserve shall be reduced by the amount of such Award, regardless of whether such Award is in a lump sum or in installments, current or deferred.

D. The Committee may, in its sole discretion, permit Employees to defer Incentive Compensation Awards in accordance with and subject to the terms and conditions of the Company's Deferred Incentive Compensation Plan (the "DIC Plan").

IX. Accelerated Payment

A. Notwithstanding anything to the contrary in the Plan, in the event of (i) the purchase of shares of the Common Stock of Honeywell International Inc. ("Common Stock") pursuant to a tender offer or exchange offer (other than an offer by the Company) for all or any part of the Common Stock, (ii) a change in control of the Company (as defined in this Section IX), (iii) a merger (other than a merger into a majority owned subsidiary of the Company) in which the Company will not survive as an independent, publicly owned corporation, a consolidation, or a sale, exchange or other disposition of all or substantially all the Company's assets, or (iv) a substantial change in the composition of the Board of Directors during any period of two consecutive years such that individuals who at the beginning of such period were members of the Board of Directors cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the Company's shareowners of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period (the date upon which an event described in clause (i), (ii), (iii) or (iv) of this Section IX occurs shall be referred to herein as an "acceleration date"), the Employee shall be entitled to receive, and the Company shall pay in cash to the Employee on or as soon as practicable following such acceleration date, but in no event later than 90 days after the acceleration date, (a) the Employee's Incentive Compensation and Long-Term Awards (other than previously deferred Awards) for each year and long-term performance period that has been completed prior to the acceleration date but which have not yet been paid, (b) an amount equal to the maximum Incentive Compensation Award for any year that has not been completed to which the Employee would have been entitled if the short-term business objectives for such year had been met and if the Employee had been employed throughout the entire year times a fraction the numerator of which is the number of full months of employment during such year to the acceleration date and the denominator of which is 12, and (c) an amount equal to the maximum Long-Term Award for each long-term performance period that has not been completed to which the Employee would have been entitled if the long-term objectives for such period had been met and if the Employee had been employed throughout each such period times a fraction the numerator of which is the number of full months of employment during such long-term performance period to the acceleration date and the denominator of which is the total number of full months in such long-term performance period.

B. A "change in control" is deemed to occur at the time when any entity, person or group (other than the Company, any subsidiary or any savings, pension or other benefit

plan for the benefit of employees of the Company or its subsidiaries) which theretofore beneficially owned less than 30% of the Common Stock then outstanding acquires shares of Common Stock in a transaction or series of transactions that results in such entity, person or group directly or indirectly owning beneficially 30% or more of the outstanding Common Stock.

C. This Section IX C shall apply to Grandfathered Awards only. An Employee may elect, with respect to deferred Awards and notional interest accrued thereon, if any ("Deferred Awards"), that the Deferred Awards be paid in one lump-sum payment as soon as practicable following an acceleration date, but in no event later than 90 days after such acceleration date. Such election must be filed at the time the Employee requests the Committee to defer an Award, but

plan for the benefit of employees of the Company or its subsidiaries) which theretofore beneficially owned less than 30% of the Common Stock then outstanding acquires shares of Common Stock in a transaction or series of transactions that results in such entity, person or group directly or indirectly owning beneficially 30% or more of the outstanding Common Stock.

C. This Section IX C shall apply to Grandfathered Awards only. An Employee may elect, with respect to deferred Awards and notional interest accrued thereon, if any (“Deferred Awards”), that the Deferred Awards be paid in one lump-sum payment as soon as practicable following an acceleration date, but in no event later than 90 days after such acceleration date. Such election must be filed at the time the Employee requests the Committee to defer an Award, but in no event after an acceleration date.

D. This Section IX D shall apply to Grandfathered Awards only. Notwithstanding anything to the contrary in the Plan, after an acceleration date the rate at which notional interest shall be credited on Deferred Awards may not be reduced by the Committee below the rate last set by the Committee prior to the acceleration date (the “Prior Rate”), the Plan may not be amended to reduce the Prior Rate and notional interest shall be credited annually at the Prior Rate or such higher rate as the Committee may determine following the acceleration date on all amounts which continue to be deferred following the acceleration date, including notional interest on all such deferred amounts.

E. Notwithstanding anything herein to the contrary, to the extent an Award has been deferred pursuant to Section VIII D, such Award shall be subject to the terms and conditions of the DIC Plan including, without limitation, with respect to change in control events.

X. Special Awards and Other Plans

Nothing contained in the Plan shall prohibit the Company or any of its subsidiaries from granting special performance or recognition awards, not chargeable against the Reserve, under such conditions, and in such form and manner as it sees fit, to Employees (including Senior Executive Employees) for meritorious service of any nature.

In addition, nothing contained in the Plan shall prohibit the Company or any of its subsidiaries from establishing other incentive compensation plans providing for the payment of incentive compensation to Employees (including Senior Executive Employees), not chargeable against the Reserve.

XI. Amendment and Interpretation of the Plan

A. The Board of Directors shall have the right with the prior approval of the Committee to amend the Plan from time to time or to repeal it entirely or to direct the discontinuance of Awards either temporarily or permanently; provided, however, that (i) no amendment of the Plan shall operate to annul, without the consent of the Employee, an Award already made hereunder, and (ii) with respect to Incentive Compensation Awards for Covered Employees, no amendment of the Plan to change the performance goal based on Consolidated Earnings, to change the maximum Incentive Compensation Award, to change the maximum

interest rate on deferred Awards, or to change the definition of Consolidated Earnings, shall be effective without approval by the shareowners of the Company.

B. The decision of the Committee with respect to any questions arising in connection with the administration or interpretation of the Plan shall be final, conclusive and binding.

XII. Miscellaneous

A. The Plan is intended to comply with the requirements of Section 409A of the Code (“Section 409A”) and the regulations promulgated thereunder, and the provisions hereof shall be interpreted in a manner that satisfies such

interest rate on deferred Awards, or to change the definition of Consolidated Earnings, shall be effective without approval by the shareowners of the Company.

B. The decision of the Committee with respect to any questions arising in connection with the administration or interpretation of the Plan shall be final, conclusive and binding.

XII. Miscellaneous

A. The Plan is intended to comply with the requirements of Section 409A of the Code (“Section 409A”) and the regulations promulgated thereunder, and the provisions hereof shall be interpreted in a manner that satisfies such requirements, to the extent permitted by law. All Grandfathered Awards are intended to be excluded from coverage under Section 409A pursuant to Section 1.409A-6 “Statutory application and effective dates”. All Incentive Compensation Awards granted after December 31, 2004 are intended to be excluded from coverage under Section 409A pursuant to Section 1.409A-1(b)(4) “Short-term deferrals”. If any provision of the Plan would otherwise frustrate or conflict with this intent, the Board of Directors may amend the Plan to the extent necessary to comply with Section 409A, provided that such amendment shall not result in additional cost to the Company and provided further that nothing herein shall require the Company to provide any Employee with any gross-up for any tax, interest or penalty incurred by the Employee under Section 409A of the Code.

B. All expenses and costs in connection with the operation of the Plan shall be borne by the Company and no part thereof (other than the amounts of Incentive Compensation Awards to Senior Executive Employees under the Plan) shall be charged against the Reserve.

C. All Awards under the Plan are subject to withholding, where applicable, for federal, state and local taxes.

SCHEDULE A Notional Interest Rate

Award Year	Vested Rate	Contingent Rate	Total Rate
1998 (Bands 5 and below)	6%	3%	9%
1998 (Bands 6 and above)	8%	3%	11%

SCHEDULE A
Notional Interest Rate

Award Year	Vested Rate	Contingent Rate	Total Rate
1998 (Bands 5 and below)	6%	3%	9%
1998 (Bands 6 and above)	8%	3%	11%

**SUPPLEMENTAL NON-QUALIFIED SAVINGS PLAN FOR
HIGHLY COMPENSATED EMPLOYEES OF
HONEYWELL INTERNATIONAL INC. AND ITS SUBSIDIARIES**

(amended and restated effective January 1, 2009)

1. History. Honeywell International Inc. (the “Corporation”) initially established this Supplemental Non-Qualified Savings Plan for Highly Compensation Employees of Honeywell International Inc. and its Subsidiaries (the “Plan”) effective January 1, 2006 when the Supplemental Non-Qualified Savings Plan For Highly Compensated Employees Of Honeywell International Inc. And Its Subsidiaries (Career Band 5 and Below) (the “Supplemental Savings Plan”) was merged with and into the Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries (Career Band 6 and above) (the “Executive Supplemental Savings Plan”) and the resulting plan from this merger became known as the Plan. The Plan is hereby amended and restated, effective as of January 1, 2009, to implement changes required pursuant to and consistent with Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and the corresponding rules and final regulations issued under Section 409A of the Code with respect to amounts subject to such requirements. This Plan document covers any Participant (as defined below) who was entitled to receive a benefit from the Plan as of December 31, 2008, but did not receive full payment of such benefit under the Plan as of such date, as well as any individual who becomes a Participant in the Plan on or after January 1, 2009. Plan benefit payments commencing prior to January 1, 2009 are governed by the terms of Plan as they existed prior to this amendment and restatement and are either grandfathered from the requirements of Section 409A of the Code or payable pursuant to a fixed schedule as required by, and in compliance with, Section 409A of the Code. Between January 1, 2005 and December 31, 2008, with respect to payments that are subject to the requirements of Section 409A of the Code, the Plan has been operated in accordance with transition relief established by the Treasury Department and Internal Revenue Service pursuant to Section 409A of the Code. This amendment and restatement is adopted in conformity with final regulations under Section 409A of the Code issued by the Treasury Department on April 10, 2007 and effective January 1, 2009.

2. Eligibility . Any employee of the Corporation and its participating affiliates (i) who is in Career Band 6 or above during the designated election period (the “Open Enrollment Period”) that occurs prior to the beginning of the

applicable Plan Year (as defined below), or (ii) (A) who is in Career Band 5 at any time during the Open Enrollment Period that occurs prior to the beginning of the applicable Plan Year and (B) whose Base Annual Salary (as defined in Subparagraph 4(a)(i) below) that is paid and posted to the Plan's electronic recordkeeping system as of the last payday in September of the Plan Year immediately preceding the applicable Plan Year exceeds the dollar limit for a highly compensated employee for the Plan Year under Section 414(q) of the Code, shall be eligible (an "Eligible Employee") to participate in the Plan (subject to the limitations set forth in the following sentence) and elect deferrals of Base Annual Salary for such Plan Year effective as of the first payday of such Plan Year that follows the Open Enrollment Period. Notwithstanding the foregoing, an Eligible Employee may

only participate in the Plan for a Plan Year if such employee is eligible to participate in any of the qualified savings plans (as determined under Section 401(a) of the Code) maintained by the Corporation or its subsidiaries, other than a plan as may be designated by the Corporation from time to time (the “Qualified Savings Plans”), and has made an irrevocable election prior to the beginning of the applicable Plan Year to defer Base Annual Salary to the applicable Qualified Savings Plan. For purposes of this Plan, the “Plan Year” shall mean the calendar year.

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

4. Participation.

(a) Time and Form of Election.

(i) Each Eligible Employee who wishes to participate in the Plan for a particular Plan Year (a “Participant”), must file a timely written or electronic deferral election (the “Election Form”) with the Plan Administrator during the applicable Open Enrollment Period. Such Eligible Employee shall designate in the Election Form that a portion (determined in accordance with Subparagraph 5(a)) of the Eligible Employee’s base annual salary, exclusive of shift differentials, overtime or other premium pay, bonus, incentive or other extra compensation, but inclusive of salary deferred for the Plan Year under this Plan (“Base Annual Salary”), which would have been payable to such Eligible Employee during such Plan Year, in lieu of such payment, be credited to a deferred compensation account maintained under the Plan as an unfunded book entry account stated as a cash balance (the “Account”). On a Participant’s Election Form, the Participant shall also indicate the form of payment for all deferrals credited to the Participant’s Account, as described in Paragraph 7 below, and the Change in Control election is made, as described in Paragraph 10 below.

(b) Change of Amount Deferred. A Participant may not modify his deferral election for a particular Plan Year at any time during that Plan Year.

5. Contributions to Participants’ Accounts.

(a) Participant Deferred Contributions. For a particular Plan Year, a Participant may elect to defer an aggregate amount equal to (i) the difference between the maximum percentage of Base Annual Salary that the Participant may contribute for the Plan Year as Before-Tax Contributions under the Qualified Savings Plans (8% for 2009), without regard to any other limitations that may apply under the Code, and the actual Before-Tax Contributions the Participant contributes to the Qualified Savings Plans for the Plan Year, and/or (ii) from 1% to 25% (in whole percentages) of such Participant’s Base Annual Salary, without regard to any other limitations which may apply under the Code (collectively, “Participant Deferred Contributions”); provided, however, that a Participant who elects to defer any amount hereunder shall be required to make the maximum Before-Tax Contributions permissible under the Qualified Savings Plans for the applicable Plan Year (after giving effect to deferrals under the Plan or otherwise).

(b) Plan Employer Contributions. There shall be credited to the Participant's Account employer contributions under the Plan ("Plan Employer Contributions") in an aggregate amount equal to (i) minus (ii), where (i) is 50% (for Participants entitled to a 50% Employer Contribution in the Qualified Savings Plans) or 100% (for Participants entitled to a 100% Employer Contribution in the Qualified Savings Plans) of the lesser of (x) 8% of the Participant's Base Annual Salary without regard to any limitations that may apply under the Code, or (y) the sum the Participant contributes as Before-Tax Contributions and/or After-Tax Contributions to the Qualified Savings Plans and as Participant Deferred Contributions, and (ii) is the total amount of Employer Contributions contributed to the Participant's account under the Qualified Savings Plans; provided, however, that in no event shall the combined Plan Employer Contributions and Savings Plan Employer Contributions exceed 8% of the Participant's Base Annual Salary without regard to any limitations that may apply under the Code, and provided, further, that Plan Employer Contributions shall not be made with respect to a Participant during any period of suspension of Employer Contributions with respect to such Participant under the terms of the Qualified Savings Plans, whether or not such Participant continues to make Participant Contributions under the Qualified Savings Plans during the period of such suspension.

(c) Vesting. Participant Deferred Contributions and Plan Employer Contributions (collectively "Total Contribution Amounts") and all amounts accrued with respect to Total Contribution Amounts in accordance with Paragraph 6, shall be vested at the time such amounts are credited to the Participant's Account.

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

6. The Participant's Account.

(a) Types of Accounts. A Participant's Account shall consist of two sub-accounts, as applicable: (1) a sub-account which consists of Participant Deferred Contributions and Employer Contributions to the Plan, and interest earned thereon, for amounts that were earned and vested as of December 31, 2004 (the "Grandfathered Account"), and (2) a sub-account which consists of Participant Deferred Contributions and Employer Contributions to the Plan, and interest earned thereon, for amounts that are earned and vested on or after January 1, 2005 (the "Non-Grandfathered Account").

(b) Participant Deferred Contributions.

(i) Participant Deferred Contributions shall be credited to the Participant's Account under the Plan as unfunded book entries stated as cash balances.

(ii) Participant Deferred Contributions credited to the Participant's Account after December 31, 2004, and all Participant Deferred Contributions credited to a Participant's Account under the Supplemental Savings Plan before January 1, 2006, shall accrue amounts (to be posted on the Valuation Date) equivalent to interest, compounded daily, at a rate based upon the cost to the Corporation of borrowing at a fixed rate for a 15-year term; provided however

that, for 2005, Participant Deferred Contributions credited to the Executive Supplemental Savings Plan between January 1, 2005 and December 31, 2005 shall accrue amounts (to be posted each Valuation Date) equivalent to interest, compounded daily, at a rate equal to 8%. The interest rate described in this paragraph is subject to change from Plan Year to Plan Year and shall be determined annually by the Chief Financial Officer of the Corporation in consultation with the Treasurer of the Corporation prior to January 1 of each Plan Year.

(iii) Participant Deferred Contributions credited to the Participant's Account under the Executive Supplemental Savings Plan prior to January 1, 1994 or after the Participant has terminated employment shall accrue amounts (to be posted each Valuation Date) equivalent to interest, compounded daily, at a rate based upon the cost to the Corporation of borrowing at a fixed rate for a 15-year term. The interest rate described in this paragraph is subject to change from Plan Year to Plan Year and shall be determined annually by the Chief Financial Officer of the Corporation in consultation with the Treasurer of the Corporation prior to January 1 of each Plan Year.

(iv) Participant Deferred Contributions credited to the Participant's Account under the Executive Supplemental Savings Plan between January 1, 1994 and December 31, 2004, but before a Participant terminates employment, shall accrue amounts (to be posted each Valuation Date) equivalent to interest, compounded daily, at a rate determined annually by the Management Development and Compensation Committee (the "Committee") of the Board of Directors of the Corporation (the "Board"). The rate established in the preceding sentence shall not exceed the greater of (i) 10% (8% for Participant Deferred Contributions credited on or after January 1, 2004 and such other percentage that may be established by the Committee for subsequent Plan Years), or (ii) 200% of the 10-year U.S. Treasury Bond rate at the time of determination and, once established for a Plan Year, shall remain in effect with respect to all Participant Deferred Contributions credited to the Participant's Account during such Plan Year until such amounts are distributed.

(c) Plan Employer Contributions. Plan Employer Contributions shall be credited to the Participant's Account under the Plan as unfunded book entries stated as shares of Common Stock (including fractional shares). The number of shares of Common Stock credited to a Participant's Account shall be determined by dividing the equivalent cash amount (as determined under Subparagraph 5(b)) by the closing price of Common Stock on the day that such Plan Employer Contributions are credited to the Participant's Account. Amounts equivalent to the dividends that would have been payable in respect of the Common Stock shall be credited to the Participant's Account as if reinvested in Common Stock, with the number of shares credited determined by dividing the equivalent cash dividend amount by the closing price of Common Stock on the date the dividends would have been payable. Amounts credited to the Participant's Account shall accrue amounts equivalent to interest and dividends, as the case may be, until distributed in accordance with the Plan.

(d) Grandfathered and Non-Grandfathered Accounts. The aggregate amount of the Participant's Deferred Contributions, plus earnings credited thereon pursuant to this Paragraph 6

(collectively, the “Participant Deferred Contribution Amounts ”), and the aggregate number of shares of Common Stock representing the Plan Employer Contributions, plus dividends reinvested pursuant to this Paragraph 6 (collectively the “Plan Employer Contribution Amounts,” and together with Participant Deferred Contribution Amounts, the “Total Contribution Amounts”) credited to the Participant’s Grandfathered Account pursuant to this Paragraph 6, will hereinafter be referred to as “Grandfathered Contribution Amounts.” Total Contribution Amounts credited to a Participant’s Non-Grandfathered Account will hereinafter be referred to as “Non-Grandfathered Contribution Amounts.”

7. Distribution from Accounts.

(a) Form and Timing of Payment.

(i) Participant Deferred Contributions.

(A) 2006 Plan Year and Later. The aggregate amount of the Participant’s Participant Deferred Contribution Amounts credited to the Participant’s Non-Grandfathered Account for Plan Years beginning on or after January 1, 2006 shall be paid in one lump-sum payment to such Participant in the January of the Plan Year that follows the Plan Year in which the Participant has a Separation from Service (as defined in Section 409A(a)(2)(A)(i) of the Code and its corresponding regulations) with the Corporation and its affiliates, unless the Participant elects in his Election Form at the time of his election to defer Base Annual Salary for such Plan Year that such Participant Deferred Contribution Amounts for the Plan Year will instead be paid in substantially equal annual installments (not to exceed ten (10)) if he has a Separation from Service with the Corporation and its affiliates on or after he attains age 55 and has completed ten (10) Years of Service (as defined below), in which case the first installment shall commence in the January of the Plan Year that follows the Plan Year in which the Participant has a Separation from Service and each remaining installment will be paid to the Participant in each succeeding January.

Notwithstanding the foregoing, if at the time of the Participant’s Separation from Service, the Participant is a “Specified Employee” (as defined below) the payments provided in the immediately preceding paragraph shall be paid (or commence, in the case of installments) in (i) the January of the Plan Year that follows the Plan Year in which the Participant’s Separation from Service with the Corporation and its affiliates occurs, if the Participant’s Separation from Service with the Corporation and its affiliates occurs prior to July 1 of such Plan Year, or (ii) the July of the Plan Year that follows the Plan Year in which the Participant’s Separation from Service with the Corporation and its affiliates occurs, if the Participant’s Separation from Service with the Corporation and its affiliates occurs after June 30 of such Plan Year. If the Participant elected to receive his distribution in the form of installment payments, after the first payment is made pursuant to the immediately preceding sentence, each subsequent installment will be paid to the Participant in the January of each Plan Year that follows until all installments are paid to the Participant.

(B) For purposes of this Plan, the term (i) “Years of Service” shall mean each consecutive twelve (12) month period in which the Participant was employed by the

Corporation or an affiliate as measured from the Participant's commencement of employment with the Corporation or an affiliate, and (ii) "Specified Employee" shall mean any Participant who, at any time during the twelve (12) month period ending on the identification date (as determined by the Vice President, Compensation and Benefits or its delegate), is a specified employee under Section 409A of the Code, as determined by the Vice President – Compensation and Benefits (or his delegate), which determination of "specified employees," including the number and identity of persons considered "specified employees" and identification date, shall be made by the Vice President – Compensation and Benefits (or his delegate) in accordance with the provisions of Sections 416(i) and 409A of the Code and the regulations issued thereunder.

2005 Plan Year. For the 2005 Plan Year only, the Participant Deferred Contribution Amounts credited to the Participant's Non-Grandfathered Account for such Plan Year shall be paid in one lump-sum payment in cash in January of the Plan Year immediately following the Plan Year in which the Participant has a Separation from Service with the Corporation and its affiliates. Notwithstanding the foregoing, if at the time of the Participant's Separation from Service, the Participant is a Specified Employee the payment provided in the immediately preceding sentence shall be paid in (i) the January of the Plan Year that follows the Plan Year in which the Participant's Separation from Service with the Corporation and its affiliates occurs, if the Participant's Separation from Service with the Corporation and its affiliates occurs prior to July 1 of such Plan Year, or (ii) the July of the Plan Year that follows the Plan Year in which the Participant's Separation from Service with the Corporation and its affiliates occurs, if the Participant's Separation from Service with the Corporation and its affiliates occurs after June 30 of such Plan Year. If the Participant elected to receive his distribution in the form of installment payments, after the first payment is made pursuant to the immediately preceding sentence, each subsequent installment will be paid to the Participant in the January of each Plan Year that follows until all installments are paid to the Participant.

(C) Plan Years Prior to January 1, 2005. The Participant made an election at the time the Participant made a deferral election for Plan Years beginning before January 1, 2005, with respect to the distribution of the Participant Deferred Contribution Amounts credited to the Participant's Grandfathered Account pursuant to such election. A Participant elected to receive such amount in one lump-sum payment or in a number of annual installments (up to fifteen (15)). The lump-sum payment or the first installment shall be paid in cash as soon as practicable during the month of January of such future calendar year as the Participant may designate or, if the Participant so elects, as soon as practicable during the month of January of the calendar year immediately following the year in which the Participant last contributed to the Plan or the year in which the Participant terminates employment with the Corporation or any of its subsidiaries (whether by reason of retirement or otherwise). Subsequent installments shall be paid in cash as soon as practicable during the month of January of each succeeding calendar year until the entire amount of the Participant Deferred Contribution Amounts credited to the Participant's Grandfathered Account shall have been paid.

(ii) Plan Employer Contributions. The distribution form and timing that apply to the Participant's Deferred Contribution Amounts for a Plan Year pursuant to Subparagraph 7(a) above shall also apply to the form and timing of the distribution of the Plan Employer Contribution Amounts credited to the Participant's Account pursuant to Paragraph 5. Except to

the extent otherwise provided with respect to fractional shares, all distributions of Plan Employer Contribution Amounts shall be made in Common Stock. Installments after the first installment payment, if applicable, shall be paid in the January of each succeeding calendar year until the entire amount of the Plan Employer Contribution Amounts shall have been paid. Any fractional shares of Common Stock shall be paid in an equivalent cash amount, as determined using the closing price of Common Stock on the trading date next preceding the distribution date.

(iii) Calculation of Installment Payments. If installment payments are to be made to a Participant for any Plan Year, the amount of each installment shall be determined by (A) multiplying the balance of the Participant Deferred Contribution Amounts credited to the Participant for such Plan Year by a fraction, the numerator of which is one and the denominator of which is (x) the number of installments elected, reduced by (y) one for each annual installment previously received, and (B) multiplying the balance of the Plan Employer Contribution Amount on the last Valuation Date of such Plan Year by a fraction, the numerator of which is one and the denominator of which is (x) the number of installments elected, reduced by (y) one for each annual installment previously received, and then rounding down to the next whole share of Common Stock; provided, however, the amount of the last installment shall be determined without regard to the rounding requirement of the preceding portion of this clause.

(b) Adjustment of Form of Distribution.

(i) 2005 Plan Year and Later. For Plan Years beginning on or after January 1, 2005, a Participant may not change the timing or payment form of distribution of the Non-Grandfathered Contribution Amounts credited to his Non-Grandfathered Account for any such Plan Year.

2004 Plan Year and Earlier. For Plan Years beginning before January 1, 2005, prior to the beginning of any calendar year, a Participant may elect to change the timing and method of distribution of the Participant's Grandfathered Contribution Amounts that are credited to his Grandfathered Account commencing with such calendar year. A Participant's Grandfathered Contribution Amounts credited to the Participant's Grandfathered Account prior to the effective date of such change (the "Prior Balance"), and all amounts thereafter accrued with respect to the Prior Balance, shall not be affected by such change and, except as otherwise provided in this Paragraph 7 or as determined by the Plan Administrator pursuant to Paragraph 9, shall be distributed only in accordance with the election in effect at the time such Prior Balance was credited to the Participant's Grandfathered Account.

(ii) Distribution Default for Amounts Credited to the Participant's Grandfathered Account.

(A) Distribution Default for Participant Deferred Contribution Amounts. Any Participant Deferred Contribution Amounts credited to a Participant's Grandfathered Account which are not covered by a timely distribution election under Subparagraph 7(a)(i) above shall be distributed to the Participant in one (1) lump-sum cash payment as soon as practicable during the month of January of the calendar year immediately following the later of the calendar year in which the Participant last contributed to the Plan or the

year in which the Participant terminates his employment with the Corporation or any of its subsidiaries (whether by reason of Retirement or otherwise); provided, however, if the Participant has made an election pursuant to Subparagraphs 10(a), 10(b) or 10(c), the lump sum payment shall be made within the ninety (90) day period following a Change in Control, as defined in Subparagraph 10(e).

(B) Distribution Default for Plan Employer Contribution Amounts. Any Plan Employer Contribution Amounts credited to a Participant's Grandfathered Account which are not covered by a timely distribution election under Subparagraph 7(a)(ii) above shall be distributed to the Participant in Common Stock as soon as practicable during the month of January of the calendar year immediately following the later of the calendar year in which the Participant last contributed to the Plan or the calendar year in which the Participant terminates his employment with the Corporation or any of its subsidiaries (whether by reason of Retirement or otherwise); provided, however, if the Participant has made an election pursuant to Subparagraphs 10(a), 10(b) or 10(c), the distribution shall be made within the ninety (90) day period following a Change in Control, as defined in Subparagraph 10(e). Any fractional shares of Common Stock shall be paid in an equivalent cash amount, as determined using the closing price of Common Stock on the trading date next preceding the distribution date.

(c) Changing Prior Distribution Elections with Respect to Amounts Deferred for Plan Years Prior to January 1, 2005.

(i) For Total Contribution Amounts credited to the Participant's Grandfathered Account, the Plan Administrator may from time to time allow Participants to request new elections with respect to the distribution of a Participant's Prior Balance under the Plan (other than with respect to any such Prior Balance for which distributions have already commenced). The Plan Administrator shall reserve the right to accept or reject any such request at any time and such election shall be subject to such restrictions and limitations as the Plan Administrator shall determine in its sole discretion, provided that any new election shall generally be required to be made at least twelve (12) months prior to any scheduled payment date.

(ii) For Total Contribution Amounts credited to the Participant's Grandfathered Account for Plan Years beginning before January 1, 2005, the Plan Administrator may also allow a Participant to request an immediate distribution of all or a portion of such Participant's Prior Balance (including any portion of such Prior Balance for which distributions have already commenced) and any Deferred Contribution Amounts and Plan Employer Contribution Amounts credited to the Participant's Grandfathered Account immediately prior to such request. Any such immediate distribution shall be subject to a penalty equal to six percent (6%) of the amount requested to be distributed and shall be subject to the approval of the Plan Administrator and such other restrictions or conditions as may be established by the Plan Administrator from time to time.

8. Distribution on Death.

(a) Participant Deferred Contribution Amounts. If a Participant should die before all Participant Deferred Contribution Amounts credited to the Participant's Non-Grandfathered Account have been paid in accordance with Paragraph 7, the balance of the Participant Deferred Contribution Amounts in such Participant's Non-Grandfathered Account shall be paid in cash within sixty (60) days following the date of the Participant's death to the beneficiary designated in writing by the Participant and filed with the Plan Administrator. If a Participant should die before all Participant Deferred Contribution Amounts credited to the Participant's Grandfathered Account have been paid in accordance with Paragraph 7, the balance of the Participant Deferred Contribution Amounts in such Participant's Grandfathered Account shall be paid in cash as soon as practicable following the Participant's death to the beneficiary designated in writing by the Participant and filed with the Plan Administrator; provided, however, if the Participant has made an election pursuant to Subparagraphs 10(a), 10(b) or 10(c) for Participant Deferred Contribution Amounts credited to the Participant's Grandfathered Account, such amount shall be paid within the ninety (90) day period following a Change in Control, as defined in Subparagraph 10(e). If (i) no beneficiary designation has been made, or (ii) the designated beneficiary shall have predeceased the Participant and no further designation has been made, then such balance shall be paid to the estate of the Participant. A Participant may change the designated beneficiary at any time during the Participant's lifetime by filing a subsequent designation in writing with the Plan Administrator.

(b) Plan Employer Contribution Amounts. If a Participant should die before all Plan Employer Contribution Amounts credited to the Participant's Non-Grandfathered Account have been paid in accordance with Paragraph 7, the balance of the Plan Employer Contribution Amounts in such Participant's Non-Grandfathered Account shall be paid in Common Stock within sixty (60) days following the date of the Participant's death to the beneficiary designated in writing by the Participant and filed with the Plan Administrator. If a Participant should die before all Plan Employer Contribution Amounts credited to the Participant's Grandfathered Account have been paid in accordance with Paragraph 7, the balance of the Plan Employer Contribution Amounts in such Participant's Grandfathered shall be paid in Common Stock as soon as practicable following the Participant's death to the beneficiary designated in writing by the Participant and filed with the Plan Administrator; provided, however, if the Participant has made an election pursuant to Subparagraphs 10(a), 10(b) or 10(c) for Plan Employer Contribution Amounts credited to the Participant's Grandfathered Account, such amount shall be paid within the ninety (90) day period following a Change in Control, as defined in Subparagraph 10(e). If (i) no such beneficiary designation has been made, or (ii) the designated beneficiary shall have predeceased the Participant and no further designation has been made, then such balance shall be paid to the estate of the Participant. A Participant may change the designated beneficiary at any time during the Participant's lifetime by filing a subsequent designation in writing with the Plan Administrator. Any fractional shares of Common Stock shall be paid in an equivalent cash amount, as determined using the closing price of Common Stock on the trading date immediately preceding the distribution date.

9. Payment in the Event of Hardship.

(a) For Non-Grandfathered Contribution Amounts. For Plan Years beginning on or after January 1, 2005, a Participant may not receive a distribution in the event of hardship or unforeseeable emergency from his Non-Grandfathered Contribution Amounts.

(b) For Grandfathered Contribution Amounts. For Grandfathered Contribution Amounts, upon receipt of a request from a Participant delivered in writing to the Plan Administrator along with a Certificate of Unavailability of Resources form, the Plan Administrator, or his designee, may cause the Corporation to accelerate (or require the subsidiary of the Corporation which employs or employed the Participant to accelerate) payment of all or any part of the amount credited to the Participant's Account, including accrued amounts, if it finds in its sole discretion that payment of such amounts in accordance with the Participant's prior election under Paragraph 4 would result in severe financial hardship to the Participant, and such hardship is the result of an unforeseeable emergency caused by circumstances beyond the control of the Participant. Acceleration of payment may not be made under this Subparagraph

9(b) to the extent that such hardship is or may be relieved (a) through reimbursement or compensation by insurance or otherwise, or (b) by liquidation of the Participant's assets, to the extent the liquidation of assets would not itself cause severe financial hardship. Any distribution of Participant Deferred Contribution Amounts pursuant to this Paragraph 9 shall be made in cash, while any distribution of Plan Employer Contribution Amounts pursuant to this Paragraph 9 shall be made in Common Stock. Any fractional shares of Common Stock shall be paid in an equivalent cash amount, as determined using the closing price of Common Stock on the trading date next preceding the distribution date.

10. Change in Control.

(a) Initial Lump-Sum Payment Election.

(i) Non-Grandfathered Contribution Amounts. Notwithstanding any election made pursuant to Paragraph 4 hereof, for Participant Deferred Contributions attributable to each Plan Year beginning on or after January 1, 2007, a Participant may designate in his Election Form at the time the individual files his Election Form during the Open Enrollment Period for a Plan Year to have his Participant Deferred Contributions (and corresponding Plan Employer Contributions) for such Plan Year paid in one (1)-lump sum payment as soon as practicable following a Change in Control, but in no event later than ninety (90) days after such Change in Control (as defined below); provided however that if the event that constitutes a Change in Control does not qualify as a change in ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation, within the meaning of Section 409A(a)(2)(A)(v) of the Code and its corresponding regulations, a Change in Control shall not be deemed to have occurred for purposes of this clause (i).

(ii) Grandfathered Contribution Amounts. Notwithstanding any election made pursuant to Paragraph 4 for Grandfathered Contribution Amounts, any person who became eligible to participate in the Plan filed a written election with the Plan Administrator on his Election Form to have his Grandfathered Contribution Amount paid in one (1) lump sum payment as soon as practicable following a Change in Control (as defined below), but in no event later than ninety (90) days after such Change in Control.

(iii) Form of Consideration. Any distribution of Participant Deferred Contribution Amounts pursuant to this Paragraph 10 shall be made in cash, while any distribution of Plan Employer Contribution Amounts pursuant to this Paragraph 10 shall be made in Common Stock (or the common stock of any successor corporation issued in exchange for, or with respect to, Common Stock incident to the Change in Control). Any fractional shares of Common Stock (or the common stock of any successor corporation issued in exchange for, or with respect to, Common Stock incident to the Change in Control) shall be paid in an equivalent cash amount.

(b) Subsequent Lump-Sum Payment Election. For Grandfathered Contribution Amounts only, a Participant who did not make an election pursuant to Subparagraph 10(a)(ii) or who has revoked, pursuant to Subparagraph 10(c), an election previously made under

Subparagraph 10(a)(ii) or this Subparagraph 10(b) may, prior to the earlier of a Change in Control or the beginning of the calendar year in which the election is to take effect, elect to have the aggregate amount credited to the Participant's Grandfathered Account for all calendar years commencing with the first calendar year beginning after the date the election is made, paid in one (1) lump-sum payment as soon as practicable following a Change in Control, but in no event later than ninety (90) days after such Change in Control.

(c) Revocation of Prior Change in Control Payment Elections. For Grandfathered Contribution Amounts only, a Participant may, prior to a Change in Control, file an election revoking any election made pursuant to Subparagraphs 10(a)(ii) or 10(b) or file a new lump sum payment election under this Paragraph 10 with respect to amounts previously credited to the Participant's Grandfathered Account. Any such revocation or new election shall be made at the time specified by the Plan Administrator and shall be subject to such restrictions and limitations as the Plan Administrator shall determine from time to time.

(d) Interest Equivalents. Notwithstanding anything to the contrary in the Plan, after a Change in Control, the Plan may not provide, or be amended to provide, interest accruals with respect to Participant Deferred Contributions at rates lower than the rates in effect under Paragraph 6 immediately prior to the Change in Control.

(e) Definition of Change in Control. For purposes of the Plan, a Change in Control is deemed to occur at the time (i) when any entity, person or group (other than the Corporation, any subsidiary or any savings, pension or other benefit plan for the benefit of employees of the Corporation or its subsidiaries) which therefore beneficially owned less than 30% of the common stock then outstanding acquires shares of Common Stock in a transaction or series of transactions that results in such entity, person or group directly or indirectly owning beneficially 30% or more of the outstanding Common Stock, (ii) of the purchase of shares of Common Stock pursuant to a tender offer or exchange offer (other than an offer by the Corporation) for all, or any part of, the Common Stock, (iii) of a merger in which the Corporation shall not survive as an independent, publicly owned corporation, a consolidation, or a sale, exchange or other disposition of all or substantially all of the Corporation's assets, (iv) of a substantial change in the composition of the Board during any period of two consecutive years such that individuals who at the beginning of such period were members of the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the stockholders of the Corporation, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period, or (v) of any transaction or other event which the Corporate Governance Committee of the Board, in its discretion, determines to be a Change in Control for purposes of the Plan.

11. Administration

(a) Plan Administrator. The Plan Administrator and "named fiduciary" for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") shall be the Senior Vice President-Human Resources and Communications of the Corporation (or the person acting in such capacity in the event such position is abolished, restructured or renamed). The Plan Administrator shall have the authority to appoint one (1) or more other named fiduciaries of

the Plan and to designate persons, other than named fiduciaries, to carry out fiduciary responsibilities under the Plan, pursuant to Section 405(c)(1)(B) of ERISA. Any person acting on behalf of the Plan Administrator shall serve without additional compensation. The Plan Administrator shall keep or cause to be kept such records and shall prepare or cause to be prepared such returns or reports as may be required by law or necessary for the proper administration of the Plan.

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

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

12. Claims Procedures and Appeals.

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

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

- (i) set forth the specific reasons for the denial of benefits;
- (ii) contain specific references to Plan provisions relative to the denial;

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

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

(v) advise the claimant of his right to bring a civil action under Section 502(a) of ERISA, following an adverse benefit determination on review.

(c) When a claimant receives notice of denial of a claim or does not receive notification of acceptance or denial within ninety (90) days after submitting a claim, the claimant, either in person or by duly authorized representative, may:

(i) request, in writing, a review of the claim by the Plan Administrator;

(ii) review pertinent documents relating to the denial;

(iii) submit issues and comments in writing; and

(iv) request, in writing, a hearing with the Plan Administrator; provided that the claimant takes appropriate action within sixty (60) days after receiving notice of denial.

(d) The Plan Administrator shall make its decision with respect to a claim review promptly, but not later than sixty (60) days after receipt of the request. Such sixty (60) day period may be extended for another period of sixty (60) days if the Plan Administrator reviewing the claim finds that special circumstances require an extension of time for processing.

(e) The final decision of the Plan Administrator shall be in writing, (i) give specific reason(s) for the adverse decision, (ii) make specific references to the pertinent Plan provisions on which the decision is based, (iii) include a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits, and (iv) a statement describing any voluntary appeals procedures offered by the Plan and the claimant's right to obtain information about such procedures, and a statement of the claimant's right to bring an action under Section 502(a) of ERISA. All interpretations, determinations and decisions of the Plan Administrator in respect of any claim shall be made in its sole discretion based on the applicable Plan documents and shall be final, conclusive and binding on all parties.

13. Miscellaneous.

(a) Anti-Alienation. The right of a Participant to receive any amount credited to the Participant's Account shall not be transferable or assignable by the Participant, except by will or

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

(b) Section 409A. The Plan is intended to comply with the applicable requirements of Section 409A of the Code and its corresponding regulations and related guidance with respect to Non-Grandfathered Contribution Amounts credited to the Participant's Account, and shall be administered in accordance with Section 409A of the Code with respect to such Non-Grandfathered Contribution Amounts. Notwithstanding anything in the Plan to the contrary, elections to defer Non-Grandfathered Contribution Amounts under the Plan, and distributions of Non-Grandfathered Contribution Amounts, may only be made in a manner and upon an event permitted by Section 409A of the Code. To the extent that any provision of the Plan would cause a conflict with the requirements of Section 409A of the Code, or would cause the administration of the Plan to fail to satisfy the requirements of Section 409A of the Code, such provision shall be deemed null and void to the extent permitted by applicable law. Other than a valid Election Form, in no event shall a Participant, directly or indirectly, designate the Plan Year of payment with respect to Non-Grandfathered Accounts. For the avoidance of doubt, deferrals under the Plan are maintained on a Plan Year basis.

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

(d) Withholding. The Corporation shall withhold from any distribution made from Participant Deferred Contribution Amounts the amount necessary to satisfy applicable federal, state and local tax withholding requirements. With respect to distributions of Plan Employer Contribution Amounts, the delivery of the shares of Common Stock shall be delayed until the Participant makes arrangements, pursuant to procedures to be adopted by the Plan Administrator, to satisfy the applicable federal, state and local tax withholding requirements. Each Participant, however, shall be responsible for the payment of all individual tax liabilities relating to any such benefits.

(e) Offset. To the maximum extent permitted under Section 409A of the Code and its corresponding regulations, if a Participant becomes entitled to a distribution of benefits under the Plan, and if at such time the Participant has outstanding any debt, obligation, or other liability representing an amount owing to the Corporation or any participating affiliate, then the Corporation may offset such amount owed to the Corporation or the participating affiliate against

the amount of benefits otherwise distributable. Such determination shall be made by the Plan Administrator.

(f) Termination and Amendment. The Corporation may at any time amend or terminate the Plan, subject to the requirements of Section 409A of the Code with respect to the Non-Grandfathered Amounts. Notwithstanding the foregoing, and unless such amendment is required by Section 409A of the Code, the Plan may not, without the consent of an affected Participant, be amended in any manner which would (i) adversely affect such Participant's rights and expectations with respect to deferral amounts credited to such Participant's Account immediately prior to such amendment (including, but not limited to, any amendment which would adversely affect the rights or features applicable to, or any of the components that are taken into account in determining, the deferral amounts of any Participant hereunder), or (ii) with respect to any Participant who separates from service either during a Potential Change in Control Period (as defined below) or within two years following a Change in Control under circumstances entitling such Participant to severance benefits under the Corporation's Severance Plan for Corporate Staff Employees or Part II of the Corporation's Severance Plan for Senior Executives, adversely affect such Participant's rights and expectations with respect to Grandfathered Contribution Amounts to defer the receipt of severance payments pursuant to such plan. For purposes of the preceding sentence, a "Potential Change in Control Period" shall commence when: (A) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control; (B) the Corporation or any person or group publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control; (C) any person or group (other than the Corporation, any subsidiary or any savings, pension or other benefit plan for the benefit of employees of the Corporation or its subsidiaries) becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing 15% or more of either the then outstanding shares of common stock of the Corporation or the combined voting power of the Corporation's then outstanding securities (not including in the securities beneficially owned by such person or group any securities acquired directly from the Corporation or its affiliates); or (D) the Board adopts a resolution to the effect that, for purposes of the Plan, a Potential Change in Control Period has commenced. The Potential Change in Control Period shall continue until the earlier of (I) a Change in Control or (II) the adoption by the Board of a resolution stating that, for purposes of the Plan, the Potential Change in Control Period has expired.

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

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

(i) Gender; Number. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may read as the plural and the plural as the singular.

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

(k) Fiduciary Capacities. Any person or group of persons may serve in more than one fiduciary capacity with respect to the Plan. For purposes of this Subparagraph 13(k), the term “fiduciary” shall have the same meaning as in ERISA.

(l) Participants Subject to Section 16. Notwithstanding anything herein to the contrary, if any request and subject to Section 409A of the Code, election or other action under the Plan affecting a Participant subject to Section 16 of the Securities Exchange Act of 1934 should require the approval of the Committee to exempt such request, election or other action from potential liability under Section 16, then the approval of the Committee shall be obtained in lieu of the approval of the Plan Administrator.

**HONEYWELL INTERNATIONAL INC. SEVERANCE PLAN
FOR SENIOR EXECUTIVES**

Amended and restated, effective as of January 1, 2009

**PART I
GENERAL PROVISIONS**

1. Purpose.

The purpose of the Honeywell International Inc. Severance Plan for Senior Executives (the “Plan”) is to provide severance related benefits to selected eligible employees of a Honeywell Employer (as defined in Part II of the Plan) who are employed in a position in Career Band 6 or above and whose employment relationship is involuntarily terminated at the initiative of the Employer for reasons other than Gross Cause (as defined below). This Plan is intended to be an unfunded plan for a select group of management or highly compensated employees for purposes of ERISA (as defined below).

This Plan is comprised of Part I—general provisions relating to the operation of the Plan, and Part II—special provisions that become effective only upon a Change in Control (as defined below). As set forth herein, this Plan constitutes the amendment and restatement, as of January 1, 2009, of the Severance Plan for Senior Executives established by Allied Corporation on March 31, 1983 and amended and restated by AlliedSignal Inc. as of April 25, 1988, January 1, 1990, April 29, 1991, January 1, 1994, May 1, 1999 and amended and restated by the Company as of December 20, 2001. The Plan is now hereby amended and restated effective as of January 1, 2009 to implement changes required pursuant to and consistent with Section 409A of the Code.

As used throughout the Plan unless otherwise clearly or necessarily indicated by context:

(a) “Annual Base Salary” means an amount equal to the product of Base Salary and twelve.

(b) “Annual Incentive Compensation” means, except as provided in Section 19(b), the product of (i) times (ii), where (i) is the target percentage that would be utilized in determining the Incentive Award for the Participant in the calendar year in which Participant’s Covered Termination occurs, and (ii) is Annual Base Salary.

(c) “Base Salary” means the monthly base salary payable to a Participant at the highest rate in effect during any of the 36 months preceding a

Covered Termination.

(d) "Board" means the Board of Directors of the Company.

(e) "Career Band" means the salary and position classification system adopted by the Company for use after January 1, 1994.

(f) "Change in Control" is deemed to occur at the time (i) when any entity, person or group (other than the Company, any subsidiary or any savings, pension or other benefit plan for the benefit of employees of the Company or its subsidiaries) which theretofore beneficially owned less than 30% of the Common Stock then outstanding acquires shares of Common Stock in a transaction or series of transactions that results in such entity, person or group directly or indirectly owning beneficially 30% or more of the outstanding Common Stock, (ii) of the purchase of shares of Common Stock pursuant to a tender offer or exchange offer (other than an offer by the Company) for all, or any part of, the Common Stock, (iii) of a merger in which the Company will not survive as an independent, publicly owned corporation, (iv) of a consolidation, or a sale, exchange or other disposition of all or substantially all of the Company's assets, (v) of a substantial change in the composition of the Board during any period of two consecutive years such that individuals who at the beginning of such period were members of the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the shareowners of the Company, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period, or (vi) of any transaction or other event which the Management Development and Compensation Committee of the Board, in its discretion, determines to be a Change in Control for purposes of this Plan.

(g) "Code" means the Internal Revenue Code of 1986, as amended from time to time, together with applicable final regulations issued thereunder.

(h) "Common Stock" means the common stock of the Company or such other stock into which the common stock may be changed as a result of split-ups, recapitalizations, reclassifications and any similar transaction.

(i) "Company" means Honeywell International Inc., a Delaware corporation.

(j) "Covered Termination" means, except as provided in Section 19(c), a Participant's Discharge. Notwithstanding the preceding sentence, in the event of a sale or transfer of a facility or line of business that causes a severance of the employment relationship with the Employer, a Covered Termination also shall be deemed to have occurred only if the Participant is not offered substantially comparable employment with the new employer, as determined by the Plan Administrator, in its sole discretion. In addition, following a Change in Control, a Covered Termination shall include any geographic relocation of the Participant's position to a new location which is more than fifty (50) miles from the location of the Participant's position immediately prior to a Change in Control.

(k) "Discharge" means an involuntary termination of a Participant's employment relationship by the Employer for reasons other than death or Gross Cause.

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(l) "Determination Year" means a calendar year within which performance is measured for purposes of determining the amount of Incentive Awards payable for that year.

(m) "Effective Date" means March 31, 1983.

(n) "Employer" means the Company and its participating divisions, subsidiaries, strategic business units and their respective successors.

(o) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, together with applicable final regulations issued thereunder.

(p) "Gross Cause" means any of the following: (i) clear and convincing evidence of a significant violation of the Company's Code of Business Conduct; (ii) the misappropriation, embezzlement or willful destruction of Company property of significant value; (iii)(A) the willful failure to perform, (B) gross negligence in the performance of, or (C) intentional misconduct in the performance of, significant duties that results in material harm to the business of the Company; (iv) the conviction (treating a nolo contendere plea as a conviction) of a felony (whether or not any right to appeal has been or may be exercised); or (v) clear and convincing evidence of the willful falsification of any financial records of the Company that are used in compiling the Company's financial statements or related disclosures, with the intent of violating Generally Accepted Accounting Principles or, if applicable, International Financial Reporting Standards. In the case of a determination under Part I of the Plan, Gross Cause shall be

(l) “Determination Year” means a calendar year within which performance is measured for purposes of determining the amount of Incentive Awards payable for that year.

(m) “Effective Date” means March 31, 1983.

(n) “Employer” means the Company and its participating divisions, subsidiaries, strategic business units and their respective successors.

(o) “ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, together with applicable final regulations issued thereunder.

(p) “Gross Cause” means any of the following: (i) clear and convincing evidence of a significant violation of the Company’s Code of Business Conduct; (ii) the misappropriation, embezzlement or willful destruction of Company property of significant value; (iii)(A) the willful failure to perform, (B) gross negligence in the performance of, or (C) intentional misconduct in the performance of, significant duties that results in material harm to the business of the Company; (iv) the conviction (treating a nolo contendere plea as a conviction) of a felony (whether or not any right to appeal has been or may be exercised); or (v) clear and convincing evidence of the willful falsification of any financial records of the Company that are used in compiling the Company’s financial statements or related disclosures, with the intent of violating Generally Accepted Accounting Principles or, if applicable, International Financial Reporting Standards. In the case of a determination under Part I of the Plan, Gross Cause shall be determined (i) by the Chief Executive Officer of the Company, with the concurrence of the Company’s Board of Directors and with the advice of the Company’s functional leaders with expertise in such matters, with respect to any officer of the Company elected by the Board of Directors, and (ii) by the Plan Administrator, with the advice of the Company’s functional leaders with expertise in such matters, with respect to all other Plan Participants.

(q) “Incentive Award” means an incentive compensation award or any other annual incentive award determined under the Honeywell International Inc. Incentive Compensation Plan for Executive Employees, and any predecessor or successor plan, but shall not include any performance improvement award or any other long-term incentive award under any such plan.

(r) “Named Fiduciary” means the Plan Administrator and/or such other committee, entity or person as the Company or the Plan Administrator may designate to administer the terms and conditions of the Plan, as the case may be.

(s) “Notice Period” means the notice period provided under applicable law (whether working or non-working), if any.

(t) “Participant” means an Existing Participant, an Officer Participant or a New Participant, each defined as follows:

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(i) “Existing Participant” means, except as further defined in Part II an individual who, on July 1, 1993, was an employee of an Employer in Salary Grade 20 or above or in a position comparable to a position of Salary Grade 20 or above.

(ii) “Officer Participant” means, except as further defined in Part II, an individual (other than an Existing Participant) who is an officer of an Employer in Career Band 7 as determined by the Plan Administrator in his or her sole discretion.

“New Participant” means an individual (other than an Existing Participant and an Officer Participant) who is employed by an Employer in a position evaluated in Career Band 6 or above or in a position comparable to a position in Career Band 6 or above, all as determined by the Plan Administrator in his or her sole discretion.

(u) “Pay Continuation” means the component of the severance benefit described in Section 3(a)(i).

(v) “Plan Administrator” means the person defined in Section 7 and Section 22(a).

(w) “Pro Rata Factor” means (i) for the Determination Year in which a Covered Termination occurs, a fraction the numerator of which is equal to the number of calendar months which have elapsed from the first day of the calendar month following the Covered Termination through December 31st of the Determination Year, and the denominator of which is twelve, and (ii) for any subsequent Determination Year shall mean a fraction, the numerator of which is equal to the Severance Pay Factor, reduced by the number of calendar months which have elapsed from the first day of the calendar month following the Covered Termination through December 31st of the year preceding the Determination Year, and the denominator of which is twelve; provided, however, that the Pro Rata Factor shall never be greater than 1.0.

(x) “Prorated Annual Incentive Compensation” means the component of the severance benefit described in Section 3(a)(ii).

(i) “Existing Participant” means, except as further defined in Part II an individual who, on July 1, 1993, was an employee of an Employer in Salary Grade 20 or above or in a position comparable to a position of Salary Grade 20 or above.

(ii) “Officer Participant” means, except as further defined in Part II, an individual (other than an Existing Participant) who is an officer of an Employer in Career Band 7 as determined by the Plan Administrator in his or her sole discretion.

“New Participant” means an individual (other than an Existing Participant and an Officer Participant) who is employed by an Employer in a position evaluated in Career Band 6 or above or in a position comparable to a position in Career Band 6 or above, all as determined by the Plan Administrator in his or her sole discretion.

(u) “Pay Continuation” means the component of the severance benefit described in Section 3(a)(i).

(v) “Plan Administrator” means the person defined in Section 7 and Section 22(a).

(w) “Pro Rata Factor” means (i) for the Determination Year in which a Covered Termination occurs, a fraction the numerator of which is equal to the number of calendar months which have elapsed from the first day of the calendar month following the Covered Termination through December 31st of the Determination Year, and the denominator of which is twelve, and (ii) for any subsequent Determination Year shall mean a fraction, the numerator of which is equal to the Severance Pay Factor, reduced by the number of calendar months which have elapsed from the first day of the calendar month following the Covered Termination through December 31st of the year preceding the Determination Year, and the denominator of which is twelve; provided, however, that the Pro Rata Factor shall never be greater than 1.0.

(x) “Prorated Annual Incentive Compensation” means the component of the severance benefit described in Section 3(a)(ii).

(y) “Salary Grade” means the salary and position classification used by the Company prior to January 1, 1994, or any comparable salary and position classification used by any other Employer.

(z) “Severance Pay Factor” means, with respect to any Participant, the relevant factor specified in Section 3(a)(i)(A).

(aa) “Severance Period” means the period commencing on the first day of the first month following a Covered Termination, which is comprised of the number of consecutive months equal to the lesser of (i) the Severance Pay Factor, or (ii) the number of months occurring before the first day of the month following the Participant’s attainment of age 65 or, if later, eligibility to receive an unreduced retirement benefit under a qualified defined benefit pension plan maintained by an Employer. In the event of a Change in Control, the Severance Period will commence immediately following the expiration of the Notice Period (if any) referenced in Section 4(b) hereof; provided,

however, that the amounts attributable to the Notice Period shall be paid in accordance with the “short-term deferral exception” under Treas. Reg. §1.409A -1(b)(4).

(bb) “Specified Employee” means any Participant who, at any time during the twelve (12) month period ending on the identification date (as determined by the Vice President, Compensation and Benefits or its delegate), is a “specified employee” under Section 409A of the Code, as determined by the Vice President – Compensation and Benefits (or his delegate), which determination of “specified employees,” including the number and identity of persons considered “specified employees” and identification date, shall be made by the Vice President – Compensation and Benefits (or his delegate) in accordance with the provisions of Sections 416(i) and 409A of the Code.

2. Participation.

(a) An employee of an Employer who is at any time a Participant in the Plan shall continue as a Participant in the Plan until the earlier of (i) the date the employment relationship with the Employer is severed for reasons other than a Covered Termination, or (ii) the date the employee ceases to be employed in a position equivalent to Career Band 6 or above; provided, however, any employee who ceases to be employed in a position equivalent to Career Band 6 or above on or after a Change in Control shall nevertheless continue to be a Participant in the Plan.

(b) A Participant in the Plan who is at any time the subject of a Covered Termination shall continue to be a Participant in the Plan until all of the benefits for which he or she is entitled under Section 3 of the Plan, if any, have been paid.

3. Severance Benefits.

(a) Eligibility for Benefits. Subject to Section 3(b) below, a Participant who is the subject of a Covered Termination shall receive the benefits

however, that the amounts attributable to the Notice Period shall be paid in accordance with the “short-term deferral exception” under Treas. Reg. §1.409A -1(b)(4).

(bb) “Specified Employee” means any Participant who, at any time during the twelve (12) month period ending on the identification date (as determined by the Vice President, Compensation and Benefits or its delegate), is a “specified employee” under Section 409A of the Code, as determined by the Vice President – Compensation and Benefits (or his delegate), which determination of “specified employees,” including the number and identity of persons considered “specified employees” and identification date, shall be made by the Vice President – Compensation and Benefits (or his delegate) in accordance with the provisions of Sections 416(i) and 409A of the Code.

2. Participation.

(a) An employee of an Employer who is at any time a Participant in the Plan shall continue as a Participant in the Plan until the earlier of (i) the date the employment relationship with the Employer is severed for reasons other than a Covered Termination, or (ii) the date the employee ceases to be employed in a position equivalent to Career Band 6 or above; provided, however, any employee who ceases to be employed in a position equivalent to Career Band 6 or above on or after a Change in Control shall nevertheless continue to be a Participant in the Plan.

(b) A Participant in the Plan who is at any time the subject of a Covered Termination shall continue to be a Participant in the Plan until all of the benefits for which he or she is entitled under Section 3 of the Plan, if any, have been paid.

3. Severance Benefits.

(a) Eligibility for Benefits. Subject to Section 3(b) below, a Participant who is the subject of a Covered Termination shall receive the benefits described in this Section 3.

(i) Pay Continuation.

(A) An Existing Participant shall receive a benefit in an amount equal to his or her Base Salary multiplied by the relevant Severance Pay Factor determined as follows (a detailed schedule of each Existing Participant’s Severance Pay Factor is attached hereto as Exhibit A):

<u>Salary Grade as of July 1, 1993</u>	<u>Severance Pay Factor</u>
20 and 21	18
22 and 23	24
24 and above	36

Provided, however, that the Severance Pay Factor of an Existing Participant, whose Salary Grade is reduced after a Change in Control, shall not be reduced for purposes of this Plan.

(B) An Officer Participant shall receive a benefit in an amount equal to his or her Base Salary multiplied by a Severance Pay Factor of 18 (or 36 in the case of an Officer Participant who is an Executive Vice President or Senior Vice President), or following a Change in Control, a Severance Pay Factor of 24 (36 in the case of an Officer Participant who is an Executive Vice President or Senior Vice President).

(C) A New Participant shall receive a benefit in an amount equal to his or her Base Salary multiplied by a Severance Pay Factor of 12.

(ii) Annual Incentive Compensation. An Existing Participant or an Officer Participant shall receive a benefit in an amount equal to his or her Annual Incentive Compensation multiplied by the applicable Pro Rata Factor. The Pro Rata Factor shall be determined for the calendar year in which a Covered Termination occurs and each calendar year thereafter through the end of the calendar year in which the Severance Period ends.

(iii) Benefit Continuation. For the duration of the Severance Period, the Participant shall be entitled to the continuation of the following employee benefits:

(A) Basic and contributory medical insurance (including for qualified dependents) (“Health Plan Coverage”), at the active employee coverage level and prevailing active employee contribution rate, if any; provided, however, (1) that such level of Health Plan Coverage shall not exceed the level of Health Plan Coverage in effect on the date of the Participant’s Covered Termination, (2) that such continuation of Health Plan Coverage will cease on the earlier of (I) the first month that similar benefits are provided to the Participant by a subsequent employer, (II) the first month in which the Participant fails to pay to the Employer the prevailing active employee contribution rate, (III) the end of the Severance Period,

Provided, however, that the Severance Pay Factor of an Existing Participant, whose Salary Grade is reduced after a Change in Control, shall not be reduced for purposes of this Plan.

(B) An Officer Participant shall receive a benefit in an amount equal to his or her Base Salary multiplied by a Severance Pay Factor of 18 (or 36 in the case of an Officer Participant who is an Executive Vice President or Senior Vice President), or following a Change in Control, a Severance Pay Factor of 24 (36 in the case of an Officer Participant who is an Executive Vice President or Senior Vice President).

(C) A New Participant shall receive a benefit in an amount equal to his or her Base Salary multiplied by a Severance Pay Factor of 12.

(ii) Annual Incentive Compensation. An Existing Participant or an Officer Participant shall receive a benefit in an amount equal to his or her Annual Incentive Compensation multiplied by the applicable Pro Rata Factor. The Pro Rata Factor shall be determined for the calendar year in which a Covered Termination occurs and each calendar year thereafter through the end of the calendar year in which the Severance Period ends.

(iii) Benefit Continuation. For the duration of the Severance Period, the Participant shall be entitled to the continuation of the following employee benefits:

(A) Basic and contributory medical insurance (including for qualified dependents) (“Health Plan Coverage”), at the active employee coverage level and prevailing active employee contribution rate, if any; provided, however, (1) that such level of Health Plan Coverage shall not exceed the level of Health Plan Coverage in effect on the date of the Participant’s Covered Termination, (2) that such continuation of Health Plan Coverage will cease on the earlier of (I) the first month that similar benefits are provided to the Participant by a subsequent employer, (II) the first month in which the Participant fails to pay to the Employer the prevailing active employee contribution rate, (III) the end of the Severance Period, or (IV) the date on which such coverage must terminate pursuant to the terms of the controlling health insurance benefit plan applicable to the Participant on the date of such Participant’s Covered Termination, and (3) the Employer-paid portion of the monthly premium for the Health Plan Coverage shall be imputed as income to the Participant as may be required under section 105(h) of the Code, subject to applicable withholding from amounts otherwise payable to the Participant.

(B) Basic and contributory life insurance (including for qualified dependents) (“Life Insurance Coverage”), at the active employee coverage level and prevailing active employee contribution rate, if any; provided, however, (1) that such level of Life Insurance Coverage shall not exceed the level of Life Insurance Coverage in effect on the date of the Participant’s Covered Termination, (2) that such continuation of Life Insurance Coverage will cease on the earlier of (I) the date similar benefits are provided the Participant by a subsequent employer, (II) the first month in which the

Participant fails to pay to the Employer the prevailing active employee contribution rate, (III) the end of the Severance Period, or (IV) the date on which such coverage must terminate pursuant to the terms of the controlling life insurance benefit plan applicable to the Participant on the date of such Participant’s Covered Termination, and (3) the Employer-paid contributions required to maintain the Life Insurance Coverage will be imputed as income to the Participant as may be required by applicable law.

(iv) Pension Service Continuation. Except as otherwise provided by an applicable pension plan and, subject to the requirements for qualification of Section 401(a) of the Code, only the first twelve (12) months of the Severance Period, Pay Continuation and Prorated Annual Incentive Compensation will be recognized for purposes of the vesting and pension calculation provisions of the AlliedSignal Inc. Retirement Program or any other pension plan sponsored by an Employer in which the Participant participates. The normal policy for qualifying leaves remains applicable thereafter.

(b) Benefits Conditioned on Release and Non-Competition. Notwithstanding anything in this Section 3 to the contrary, all benefits under this Plan except benefits provided pursuant to Part II, shall be provided in consideration for, and may be conditioned upon, (i) the execution and non-revocation of a release by the Participant of all current or future claims, known or unknown, arising on or before the date of the release against the Employer, its subsidiaries, affiliates and their respective officers, directors and employees in a form and manner prescribed by the Plan Administrator, and (ii) the execution of a non-competition agreement by the Participant in favor of the Company and its subsidiaries and affiliates in a form and manner prescribed by the Plan Administrator. Additionally, no severance benefits shall be payable under this Section 3 unless the Participant has returned to the Employer all property of the Employer and any information of a proprietary nature in his or her possession.

(c) Benefit Limitations.

(i) Except as provided in subparagraph (ii) below, any benefit determined to be payable to a Participant under any other severance plan sponsored or funded by an Employer shall be reduced by the amount of any similar benefit payable to the Participant under this Plan (excluding any benefit payable under Section 20(a)).

Participant fails to pay to the Employer the prevailing active employee contribution rate, (III) the end of the Severance Period, or (IV) the date on which such coverage must terminate pursuant to the terms of the controlling life insurance benefit plan applicable to the Participant on the date of such Participant's Covered Termination, and (3) the Employer-paid contributions required to maintain the Life Insurance Coverage will be imputed as income to the Participant as may be required by applicable law.

(iv) Pension Service Continuation. Except as otherwise provided by an applicable pension plan and, subject to the requirements for qualification of Section 401(a) of the Code, only the first twelve (12) months of the Severance Period, Pay Continuation and Prorated Annual Incentive Compensation will be recognized for purposes of the vesting and pension calculation provisions of the AlliedSignal Inc. Retirement Program or any other pension plan sponsored by an Employer in which the Participant participates. The normal policy for qualifying leaves remains applicable thereafter.

(b) Benefits Conditioned on Release and Non-Competition. Notwithstanding anything in this Section 3 to the contrary, all benefits under this Plan except benefits provided pursuant to Part II, shall be provided in consideration for, and may be conditioned upon, (i) the execution and non-revocation of a release by the Participant of all current or future claims, known or unknown, arising on or before the date of the release against the Employer, its subsidiaries, affiliates and their respective officers, directors and employees in a form and manner prescribed by the Plan Administrator, and (ii) the execution of a non-competition agreement by the Participant in favor of the Company and its subsidiaries and affiliates in a form and manner prescribed by the Plan Administrator. Additionally, no severance benefits shall be payable under this Section 3 unless the Participant has returned to the Employer all property of the Employer and any information of a proprietary nature in his or her possession.

(c) Benefit Limitations.

(i) Except as provided in subparagraph (ii) below, any benefit determined to be payable to a Participant under any other severance plan sponsored or funded by an Employer shall be reduced by the amount of any similar benefit payable to the Participant under this Plan (excluding any benefit payable under Section 20(a)).

(ii) Any benefit determined to be payable under this Plan (excluding any benefit payable under Section 20(a)) to a Participant who was not eligible to participate in this Plan prior to April 25, 1988 will be reduced to the extent of any duplication of benefits between the Plan and any benefits that may be payable to the Participant under arrangements existing prior to April 25, 1988.

(iii) Notwithstanding any provision of the Plan to the contrary, for a Participant who is a U.S. taxpayer subject to the requirements of Section 409A of the Code, the time and form of payment of any payment that is provided by this Plan and also by the terms of the Honeywell International Inc. Severance Plan for Corporate Staff Employees (Involuntary Termination Following a Change in Control) or any other severance pay plan that applies to such Participant shall be determined in accordance with the terms of this Plan.

4. Benefit Payments.

(a) Form and Timing of Payments. Except as provided in Sections 21(a) and 21(b) and unless delay of payment is required pursuant to Section 15(b)(ii), any Pay Continuation shall be paid in equal monthly installments over the Severance Period, with the first installment commencing within 60 days after the Covered Termination, and any Prorated Annual Incentive Compensation shall be paid in the January after the end of the Determination Year. No Prorated Annual Incentive Compensation shall be payable for any Determination Year with respect to which the Pro Rata Factor is less than or equal to zero.

(b) Interim Incentive Compensation Payments. In the event that a Participant's employment is terminated pursuant to a Covered Termination within two years following a Change in Control, the Participant shall be paid an additional amount, with respect to any Notice Period equal to the product of (1) the amount of annual incentive compensation that such Participant would earn for the year of termination under the incentive compensation plan in which such Participant participated immediately prior to such termination (assuming performance at the target level of performance), and (2) a fraction, the numerator of which is the sum of the number of days in the Participant's Notice Period, and the denominator of which is 365; provided, however, the numerator of such fraction shall not include any period for which the Participant has already received or will receive a short-term incentive compensation award. Any amount payable pursuant to this Section 4(b) shall be paid in a single lump sum payment no later than March 15th of the year following the year in which the Covered Termination occurs.

5. Forfeiture of Benefits.

Notwithstanding anything to the contrary in the Plan and except as provided in Section 21(c), a Participant receiving benefits or otherwise entitled to receive benefits under this Plan shall cease to receive such benefits under the Plan and the right to receive any benefits in the future under the Plan shall be forfeited, in the event the Participant, either before or after termination of employment, as determined by the Named Fiduciary, in

(iii) Notwithstanding any provision of the Plan to the contrary, for a Participant who is a U.S. taxpayer subject to the requirements of Section 409A of the Code, the time and form of payment of any payment that is provided by this Plan and also by the terms of the Honeywell International Inc. Severance Plan for Corporate Staff Employees (Involuntary Termination Following a Change in Control) or any other severance pay plan that applies to such Participant shall be determined in accordance with the terms of this Plan.

4. Benefit Payments.

(a) Form and Timing of Payments. Except as provided in Sections 21(a) and 21(b) and unless delay of payment is required pursuant to Section 15(b)(ii), any Pay Continuation shall be paid in equal monthly installments over the Severance Period, with the first installment commencing within 60 days after the Covered Termination, and any Prorated Annual Incentive Compensation shall be paid in the January after the end of the Determination Year. No Prorated Annual Incentive Compensation shall be payable for any Determination Year with respect to which the Pro Rata Factor is less than or equal to zero.

(b) Interim Incentive Compensation Payments. In the event that a Participant's employment is terminated pursuant to a Covered Termination within two years following a Change in Control, the Participant shall be paid an additional amount, with respect to any Notice Period equal to the product of (1) the amount of annual incentive compensation that such Participant would earn for the year of termination under the incentive compensation plan in which such Participant participated immediately prior to such termination (assuming performance at the target level of performance), and (2) a fraction, the numerator of which is the sum of the number of days in the Participant's Notice Period, and the denominator of which is 365; provided, however, the numerator of such fraction shall not include any period for which the Participant has already received or will receive a short-term incentive compensation award. Any amount payable pursuant to this Section 4(b) shall be paid in a single lump sum payment no later than March 15th of the year following the year in which the Covered Termination occurs.

5. Forfeiture of Benefits.

Notwithstanding anything to the contrary in the Plan and except as provided in Section 21(c), a Participant receiving benefits or otherwise entitled to receive benefits under this Plan shall cease to receive such benefits under the Plan and the right to receive any benefits in the future under the Plan shall be forfeited, in the event the Participant, either before or after termination of employment, as determined by the Named Fiduciary, in its sole discretion (a) is convicted of a felony, (b) commits any fraud or misappropriates property, proprietary information, intellectual property or trade secrets of the Employer for personal gain or for the benefit of another party, (c) actively recruits

and offers employment to any management employee of the Employer, (d) engages in intentional misconduct substantially damaging to the property or business of any Employer, (e) makes false or misleading statements about the Employer or its products, officers or employees to (A) competitors or customers or potential customers of the Employer, or (B) current or former employees of the Employer, or (f) violates the terms of the release or non-competition agreement described in Section 3(b) of the Plan.

6. Payment of Benefits Upon Incompetence or Death.

In the event the Named Fiduciary is presented with evidence satisfactory to it that a Participant receiving benefits or entitled to receive benefits is adjudged to be legally incompetent, the remainder of such Participant's unpaid benefits shall be paid to the Participant's conservator, legal representative or any other person deemed by the Named Fiduciary to have assumed responsibility for the maintenance of such person receiving or entitled to receive benefits at the same time and in the same form as such unpaid benefits would be paid to the Participant prior to such adjudication. In the event a Participant receiving benefits or entitled to receive benefits dies, the remainder of such Participant's unpaid benefits shall be paid to the Participant's beneficiary (as determined in the following paragraph) at the same time and in the same form as such unpaid benefits would have been paid to the Participant had the Participant survived.

A Participant may designate a beneficiary in the form and manner prescribed by the Named Fiduciary. Any designation of a beneficiary may be revoked by filing a later designation or revocation. In the absence of an effective designation of a beneficiary by a Participant or upon the death of all designated beneficiaries on or before a Participant's death, the remainder of the Participant's unpaid benefits shall be paid to the Participant's spouse or, if none, to the Participant's estate. Any payment made pursuant to this Section 6 shall be a discharge of any liability under the Plan therefor.

7. Administration.

(a) Plan Administration. Except as provided in Section 22(a), the Plan shall be administered by the Plan Administrator, who may act through one or more Named Fiduciaries under this Plan who shall have the powers and authorities as described in this Section 7. The Plan Administrator shall be the Senior Vice President, Human Resources and Communications, or such other person as the Board may appoint. The Plan Administrator

and offers employment to any management employee of the Employer, (d) engages in intentional misconduct substantially damaging to the property or business of any Employer, (e) makes false or misleading statements about the Employer or its products, officers or employees to (A) competitors or customers or potential customers of the Employer, or (B) current or former employees of the Employer, or (f) violates the terms of the release or non-competition agreement described in Section 3(b) of the Plan.

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7. Administration.

(a) Plan Administration. Except as provided in Section 22(a), the Plan shall be administered by the Plan Administrator, who may act through one or more Named Fiduciaries under this Plan who shall have the powers and authorities as described in this Section 7. The Plan Administrator shall be the Senior Vice President, Human Resources and Communications, or such other person as the Board may appoint. The Plan Administrator shall have the authority to appoint and remove any other Named Fiduciary at his or her discretion.

Any person acting on behalf of the Named Fiduciary shall serve without additional compensation. The Named Fiduciary shall keep or cause to be kept such records and shall prepare or cause to be prepared such returns or reports as may be required by law or necessary for the proper administration of the Plan.

(b) Powers and Duties of Named Fiduciary. The Named Fiduciary shall have the full discretionary power and authority to construe and interpret the Plan (including, without limitation, supplying omissions from, correcting deficiencies in, or resolving

inconsistencies or ambiguities in, the language of the Plan); to determine all questions of fact arising under the Plan, including questions as to eligibility for and the amount of benefits; to establish such rules and regulations (consistent with the terms of the Plan) as it deems necessary or appropriate for administration of the Plan; to delegate responsibilities to others to assist it in administering the Plan; and to perform all other acts it believes reasonable and proper in connection with the administration of the Plan. The Named Fiduciary shall be entitled to rely on the records of the Employer in determining any Participant's entitlement to and the amount of benefits payable under the Plan. Any determination of the Named Fiduciary, including interpretations of the Plan and determinations of questions of fact, shall be final and binding on all parties.

The Named Fiduciary may retain attorneys, consultants, accountants or other persons (who may be employees of the Employer) to render advice and assistance and may delegate any of the authorities conferred on him under this Plan to such persons as he shall determine to be necessary to effect the discharge of his duties hereunder. The Plan Administrator, or other Named Fiduciary, the Employer, the Company and its officers and directors shall be entitled to rely upon the advice, opinions and determinations of any such persons. Any exercise of the authorities set forth in this Section 7, whether by the Plan Administrator, or other Named Fiduciary or his delegee, shall be final and binding upon the Employer and all Participants.

(c) Plan Year. The plan year shall be the calendar year.

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

8. Claims and Appeals Procedures.

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The Named Fiduciary may retain attorneys, consultants, accountants or other persons (who may be employees of the Employer) to render advice and assistance and may delegate any of the authorities conferred on him under this Plan to such persons as he shall determine to be necessary to effect the discharge of his duties hereunder. The Plan Administrator, or other Named Fiduciary, the Employer, the Company and its officers and directors shall be entitled to rely upon the advice, opinions and determinations of any such persons. Any exercise of the authorities set forth in this Section 7, whether by the Plan Administrator, or other Named Fiduciary or his delegee, shall be final and binding upon the Employer and all Participants.

(c) Plan Year. The plan year shall be the calendar year.

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

8. Claims and Appeals Procedures.

Except as provided in Sections 22(c)-(f), the Plan's benefit claims and appeals procedures shall be as follows:

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

(b) The Named Fiduciary shall provide notice in writing to any Participant when a claim for benefits under the Plan has been denied in whole or in part. Such notice shall be provided within 60 days of the receipt by the Named Fiduciary of the Participant's claim or, if special circumstances require, and the Participant is so notified in writing, within 120 days of the receipt by the Named Fiduciary of the Participant's claim. The notice shall be written in a manner calculated to be understood by the claimant and shall:

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

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

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

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

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

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

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

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

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

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(f) Arbitration.

(i) Any dispute, controversy, or claim arising out of or relating to any Plan benefit, including, without limitation, any dispute, controversy or claim as to whether the decision of the Named Fiduciary respecting the benefits under this Plan or interpretation of this Plan is arbitrary and capricious, that is not settled in accordance with the procedures outlined in Section 8, shall be settled by final and binding arbitration in accordance with the American Arbitration Association Employment Dispute Resolution or other applicable rules. Before resorting to arbitration, an aggrieved Participant must first follow the review procedure outlined in this Section of the Plan. If there is still a dispute after the procedures in this Section have been exhausted, the Participant must request arbitration in writing within six (6) months after the Plan Administrator issues, or is deemed to have issued, its determination under subparagraph (e) above.

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

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

9. Unfunded Obligation.

All benefits payable under this Plan shall constitute an unfunded obligation of the Employer. Payments shall be made, as due, from the general funds of the Employer. This Plan shall constitute solely an unsecured promise by the Employer to pay severance benefits to employees to the extent provided herein.

10. Inalienability of Benefits.

No Participant shall have the power to transfer, assign, anticipate, mortgage or otherwise encumber any rights or any amounts payable under this Plan; nor shall any such rights or amounts payable under this Plan be subject to seizure, attachment, execution, garnishment or other legal or equitable process, or for the payment of any debts, judgments, alimony, or separate maintenance, or be transferable by operation of law in the event of bankruptcy, insolvency, or otherwise. In the event a person who is receiving or is entitled to receive benefits under the Plan attempts to assign,

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

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11. Withholding.

The Employer shall have the right to withhold any taxes required to be withheld with respect to any payments due under this Plan. Each Participant, however, shall be responsible for the payment of all individual tax liabilities relating to any such benefits.

12. Amendment or Termination.

Except to the extent otherwise provided in Section 22(i), the Company reserves the right to amend or terminate the Plan at any time without prior notice to or the consent of any employee. No amendment or termination shall adversely affect the rights of any Participant whose employment terminated prior to such amendment or termination.

However, except as provided in Section 22(i), any Participant whose employment continues after amendment of the Plan shall be governed by the terms of the Plan as so amended. Any Participant whose employment continues after termination of the Plan shall have no right to a benefit under the Plan.

13. Plan Not a Contract of Employment; Employer's Policies Control.

Nothing contained in this Plan shall give an employee the right to be retained in the employment of an Employer. This Plan is not a contract of employment between the Employer and any employee.

Any dispute involving issues of employment other than claims for benefits under this Plan shall be governed by the appropriate employment dispute resolution policies and procedures of the Employer.

14. Action by an Employer.

Unless expressly indicated to the contrary herein, any action required to be taken by the Company may be taken by action of its Board or by any appropriate officer or officers traditionally responsible for such determination or actions, or such other individual or individuals as may be designated by the Board or any such officer.

15. Governing Law.

However, except as provided in Section 22(i), any Participant whose employment continues after amendment of the Plan shall be governed by the terms of the Plan as so amended. Any Participant whose employment continues after termination of the Plan shall have no right to a benefit under the Plan.

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Unless expressly indicated to the contrary herein, any action required to be taken by the Company may be taken by action of its Board or by any appropriate officer or officers traditionally responsible for such determination or actions, or such other individual or individuals as may be designated by the Board or any such officer.

15. Governing Law.

(a) ERISA. The Plan is an employee welfare benefit plan within the meaning of Section 3(1) of ERISA, and will be construed in accordance with the provisions of ERISA.

(b) Section 409A of the Code.

(i) Interpretation. Notwithstanding the other provisions hereof, this Plan is intended to comply with the applicable requirements of Section 409A of the Code and this Plan shall be interpreted to avoid any penalty sanctions under Section 409A of the Code. Accordingly, all provisions herein, or incorporated by reference, shall be construed and interpreted to comply with Section 409A of the Code and, if necessary, any such provision shall be deemed amended to comply with Section 409A of the Code. All payments to be made upon a termination of employment under this Plan may only be made upon a "separation from service" under Section 409A of the Code. If any payment or benefit cannot be provided or made at the time specified herein without incurring sanctions under Section 409A of the Code, then such benefit or payment shall be provided in full at the earliest time thereafter when such sanctions will not be imposed. For purposes of Section 409A of the Code, each payment made under this Plan shall be treated as a separate payment and each installment and the right to a series of installment payments under this Plan is to be treated as a right to a series of separate payments. In no event may the Participant, directly or indirectly, designate the calendar year of payment.

(ii) Payment Delay. To the maximum extent permitted under Section 409A of the Code, the severance benefits provided under this Plan are intended to comply

with the "short-term deferral exception" under Treas. Reg. §1.409A -1(b)(4), and any remaining amount is intended to comply with the "separation pay exception" under Treas. Reg. §1.409A -1(b)(9)(iii); provided, however, if on the date of the Participant's termination of employment, Honeywell's stock is publicly-traded on an established securities market or otherwise and the Participant is a Specified Employee, then all cash severance payments payable to the Participant under this Plan that are deemed as deferred compensation subject to the requirements of Section 409A of the Code and payable within six (6) months following the Participant's "separation from service" shall be postponed for a period of six (6) months following the Participant's "separation from service" with Honeywell. The postponed amounts shall be paid to the Participant in a lump sum within thirty (30) days after the date that is six (6) months following the Participant's "separation from service" with Honeywell, without earnings or interest. If the Participant dies during such six-month period and prior to payment of the postponed cash amounts hereunder, the amounts delayed on account of Section 409A of the Code shall be paid to the Participant's beneficiary within sixty (60) days after Participant's death, without earnings or interest.

(iii) Reimbursements. All reimbursements provided under this Plan shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (A) any reimbursement is for expenses incurred during the Participant's lifetime (or during a shorter period of time specified in this Plan), (B) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year, (C) the reimbursement of an eligible expense will be made on or before the last day of the taxable year following the year in which the expense is incurred, and (D) the right to reimbursement is not subject to liquidation or exchange for another benefit. Any tax gross up payments to be made hereunder shall be made not later than the end of the Participant's taxable year next following the Participant's taxable year in which the related taxes are remitted to the taxing authority.

with the “short-term deferral exception” under Treas. Reg. §1.409A -1(b)(4), and any remaining amount is intended to comply with the “separation pay exception” under Treas. Reg. §1.409A -1(b)(9)(iii); provided, however, if on the date of the Participant’s termination of employment, Honeywell’s stock is publicly-traded on an established securities market or otherwise and the Participant is a Specified Employee, then all cash severance payments payable to the Participant under this Plan that are deemed as deferred compensation subject to the requirements of Section 409A of the Code and payable within six (6) months following the Participant’s “separation from service” shall be postponed for a period of six (6) months following the Participant’s “separation from service” with Honeywell. The postponed amounts shall be paid to the Participant in a lump sum within thirty (30) days after the date that is six (6) months following the Participant’s “separation from service” with Honeywell, without earnings or interest. If the Participant dies during such six-month period and prior to payment of the postponed cash amounts hereunder, the amounts delayed on account of Section 409A of the Code shall be paid to the Participant’s beneficiary within sixty (60) days after Participant’s death, without earnings or interest.

(iii) Reimbursements. All reimbursements provided under this Plan shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (A) any reimbursement is for expenses incurred during the Participant’s lifetime (or during a shorter period of time specified in this Plan), (B) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year, (C) the reimbursement of an eligible expense will be made on or before the last day of the taxable year following the year in which the expense is incurred, and (D) the right to reimbursement is not subject to liquidation or exchange for another benefit. Any tax gross up payments to be made hereunder shall be made not later than the end of the Participant’s taxable year next following the Participant’s taxable year in which the related taxes are remitted to the taxing authority.

16. Severability.

If any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts of this Plan, but this Plan shall be construed and enforced as if said illegal or invalid provision had never been included herein.

17. Coordination of Benefits.

In the event that (i) a Participant in the Plan is covered by another severance plan of Honeywell International Inc. or an affiliate which provides benefits similar to those provided under the Plan, and (ii) such Participant becomes entitled to benefits under the Plan and such other plan, each benefit to which the Participant is entitled shall contain those rights and features which combine the most favorable rights and features of such benefit under the Plan and such other plan; provided, however, that in no event shall there be any duplication of such benefit. Notwithstanding any provision of the Plan to the contrary, for a Participant who is a U.S. taxpayer subject to the requirements of Section 409A of the Code, the time and form of payment of any payment that is provided by this Plan and also by the terms of the Honeywell International Inc. Severance Plan for Corporate Staff Employees (Involuntary Termination Following a Change in Control) or any other severance pay plan that applies to such Participant shall be determined in accordance with the terms of this Plan.

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of the Code at the time of payment shall be paid at the same time and in the same payment form as the benefits paid under the other severance plan described above.

PART II SPECIAL PROVISIONS THAT BECOME EFFECTIVE ONLY UPON CHANGE IN CONTROL

18. Change in Control.

(a) The provisions of this Part II become effective upon a Change in Control and, in addition to the provisions of Part I that are not superseded by provisions of this Part II, shall control (i) the determination of eligibility for, the amount of, and the time of payment of benefits under the Plan to any Existing Participant or Officer Participant who is the subject of a Covered Termination which occurs within the two-year period following the Change in Control, (ii) the terms of payment for any Existing Participant or Officer Participant whose Severance Period extends beyond the Change in Control, and (iii) the determination of eligibility for, the amount of, and the time of payment of benefits under Section 21 of the Plan to any Existing Participant or Officer Participant.

(b) Without derogation to the effect the provisions of this Part II may have on the determination of any Participant’s eligibility for benefits under the Plan or the amount of such benefits, it is intended that this Part II will assure that the purposes of this Plan, as they may affect Existing Participants or Officer Participants, will not be adversely affected by the unique circumstances which may exist following a Change in Control. The provisions of this Part II will have no effect whatsoever prior to a Change in Control.

19. Definitions.

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(a) The provisions of this Part II become effective upon a Change in Control and, in addition to the provisions of Part I that are not superseded by provisions of this Part II, shall control (i) the determination of eligibility for, the amount of, and the time of payment of benefits under the Plan to any Existing Participant or Officer Participant who is the subject of a Covered Termination which occurs within the two-year period following the Change in Control, (ii) the terms of payment for any Existing Participant or Officer Participant whose Severance Period extends beyond the Change in Control, and (iii) the determination of eligibility for, the amount of, and the time of payment of benefits under Section 21 of the Plan to any Existing Participant or Officer Participant.

(b) Without derogation to the effect the provisions of this Part II may have on the determination of any Participant's eligibility for benefits under the Plan or the amount of such benefits, it is intended that this Part II will assure that the purposes of this Plan, as they may affect Existing Participants or Officer Participants, will not be adversely affected by the unique circumstances which may exist following a Change in Control. The provisions of this Part II will have no effect whatsoever prior to a Change in Control.

19. Definitions.

(a) "Honeywell Employer" means the Employer and any other person, organization or entity that agrees in writing to be bound by the terms of the Plan for a period of time that extends through the two-year period following a Change in Control.

(b) "Annual Incentive Compensation" means, notwithstanding the provisions of Section 1(b), the product of Annual Base Salary and the greater of (i) the target percentage utilized in determining Incentive Awards as in effect for the most recent Determination Year ended prior to the Change in Control, or (ii) the average of the target percentages applied in determining the Participant's Incentive Award in the last three Determination Years prior to the date of Covered Termination (or such lesser period as the Participant may have been employed).

(c) "Covered Termination" means, notwithstanding the provisions of Section 1(j), severance of the employment relationship (i) at the initiative of the Participant for Good Reason, or (ii) at a Honeywell Employer's initiative for reasons other than death or Gross Cause. Notwithstanding the preceding sentence, in the event of a sale or transfer of a facility or line of business that causes a severance of the employment relationship, a Covered Termination shall be deemed to have occurred only if the new employer has not agreed in writing to be a Honeywell Employer with respect to the Participant or the Participant is not employed by the new employer.

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(d) "Existing Participant" for purposes of this Part II means (i) an individual who, on July 1, 1993, was an employee of an Employer in Salary Grade 20 or above or in a position comparable to Salary Grade 20 or above, or (ii) an individual who, as of April 1, 1999, is determined by the Senior Vice President, Human Resources and Communications to be in a position comparable to Salary Grade 20, and is or reports directly to a functional Senior Vice President of the Company.

(e) "Good Reason" means any one or more of the following:

(i) A material diminution in the Participant's authority, duties and/or responsibilities as they existed immediately preceding the Change in Control.

(ii) A material decrease in base compensation.

(iii) A material reduction in the aggregate benefits available to the Participant where such reduction does not apply to all similarly-situated employees.

(iv) Any geographic relocation of the Participant's position to a new location which is more than fifty (50) miles from the location of the Participant's position immediately prior to a Change in Control.

(v) Any action by a Honeywell Employer that under applicable law constitutes constructive discharge.

(d) “Existing Participant” for purposes of this Part II means (i) an individual who, on July 1, 1993, was an employee of an Employer in Salary Grade 20 or above or in a position comparable to Salary Grade 20 or above, or (ii) an individual who, as of April 1, 1999, is determined by the Senior Vice President, Human Resources and Communications to be in a position comparable to Salary Grade 20, and is or reports directly to a functional Senior Vice President of the Company.

(e) “Good Reason” means any one or more of the following:

(i) A material diminution in the Participant’s authority, duties and/or responsibilities as they existed immediately preceding the Change in Control.

(ii) A material decrease in base compensation.

(iii) A material reduction in the aggregate benefits available to the Participant where such reduction does not apply to all similarly-situated employees.

(iv) Any geographic relocation of the Participant’s position to a new location which is more than fifty (50) miles from the location of the Participant’s position immediately prior to a Change in Control.

(v) Any action by a Honeywell Employer that under applicable law constitutes constructive discharge.

(vi) The failure of any entity that is a successor to the Company or any of its affiliates (whether direct or indirect, by purchase, merger, consolidation or otherwise) to become a Honeywell Employer or otherwise expressly assume and agree to honor this Plan, if such action, assumption or agreement is legally required to make this Plan enforceable against the successor.

Notwithstanding the foregoing, Good Reason shall not be deemed to have occurred unless the Participant provides written notice to the Company or its successor, as applicable, identifying the event or omission constituting the reason for a Good Reason termination no more than ninety (90) days following the first occurrence of such event or omission. Within thirty (30) days after notice has been provided to the Company or its successor, as applicable, the Company or its successor, as applicable, shall have the opportunity, but not the obligation, to cure such event or conditions that give rise to a Good Reason termination. If the Company or its successor, as applicable, fails to cure the events or conditions giving rise to Participant’s Good Reason termination by the end of the thirty (30) day cure period, the Participant’s employment shall terminate at the end of the thirty (30) day cure period.

(f) “Gross Cause” means any of the following: (i) clear and convincing evidence of a significant violation of the Company’s Code of Business Conduct; (ii) the misappropriation, embezzlement or willful destruction of Company property of significant value; (iii)(A) the willful failure to perform, (B) gross negligence in the performance of, or (C) intentional misconduct in the performance of, significant duties that results in material harm to the business of the Company; (iv) the conviction (treating

a nolo contendere plea as a conviction) of a felony (whether or not any right to appeal has been or may be exercised); or (v) clear and convincing evidence of the willful falsification of any financial records of the Company that are used in compiling the Company’s financial statements or related disclosures, with the intent of violating Generally Accepted Accounting Principles or, if applicable, International Financial Reporting Standards. In the case of a determination under Part II of the Plan, Gross Cause shall be determined by the New Plan Administrator.

(g) “New Plan Administrator” shall mean such person or persons appointed pursuant to Section 22 to administer the Plan upon the occurrence of a Change in Control.

20. Enhancement Benefit.

(a) If, following a Change in Control, any payment to a Participant from a Honeywell Employer or from any benefit or compensation plan or program sponsored or funded by a Honeywell Employer is determined to be an “excess parachute payment” within the meaning of Section 280G of the Code or any successor or substitute provision of the Code, with the effect that either the Participant is liable for the payment of the tax described in Section 4999 or any successor or substitute provision of the Code (hereafter the “Section 4999 Tax”) or the Honeywell Employer has withheld the amount of the Section 4999 Tax, an additional benefit (hereafter the “Enhancement Benefit”) shall be paid from this Plan to such affected Participant.

(b) The Enhancement Benefit payable shall be an amount, which when added to all payments constituting “parachute payments” for purposes of Section 280G of the Code or any successor or substitute provision of the Code, is sufficient to cause the remainder of (i) the sum of the “parachute

a nolo contendere plea as a conviction) of a felony (whether or not any right to appeal has been or may be exercised); or (v) clear and convincing evidence of the willful falsification of any financial records of the Company that are used in compiling the Company's financial statements or related disclosures, with the intent of violating Generally Accepted Accounting Principles or, if applicable, International Financial Reporting Standards. In the case of a determination under Part II of the Plan, Gross Cause shall be determined by the New Plan Administrator.

(g) "New Plan Administrator" shall mean such person or persons appointed pursuant to Section 22 to administer the Plan upon the occurrence of a Change in Control.

20. Enhancement Benefit.

(a) If, following a Change in Control, any payment to a Participant from a Honeywell Employer or from any benefit or compensation plan or program sponsored or funded by a Honeywell Employer is determined to be an "excess parachute payment" within the meaning of Section 280G of the Code or any successor or substitute provision of the Code, with the effect that either the Participant is liable for the payment of the tax described in Section 4999 or any successor or substitute provision of the Code (hereafter the "Section 4999 Tax") or the Honeywell Employer has withheld the amount of the Section 4999 Tax, an additional benefit (hereafter the "Enhancement Benefit") shall be paid from this Plan to such affected Participant.

(b) The Enhancement Benefit payable shall be an amount, which when added to all payments constituting "parachute payments" for purposes of Section 280G of the Code or any successor or substitute provision of the Code, is sufficient to cause the remainder of (i) the sum of the "parachute payments", including any Enhancement Benefit, less (ii) the amount of all state, local and federal income taxes and the Section 4999 Tax attributable to such payments and penalties and interest on any amount of Section 4999 Tax, other than penalties and interest on any amount of Section 4999 Tax with respect to which an Enhancement Benefit was paid to the Participant on or before the due date of the Participant's federal income tax return on which such Section 4999 Tax should have been paid, to be equal to the remainder of (iii) sum of the "parachute payments", excluding any Enhancement Benefit, less (iv) the amount of all state, local and federal income taxes attributable to such payments determined as though the Section 4999 Tax and penalties and interest on any amount of Section 4999 Tax, other than penalties and interest on any amount of Section 4999 Tax with respect to which an Enhancement Benefit was paid to the Participant on or before the due date of the Participant's federal income tax return on which such Section 4999 Tax should have been paid, did not apply.

(c) In the event of a Change in Control, the provisions of this Section 20 shall be applicable to all Participants, as defined in Section 1(s).

21. Benefit Payments and Forfeiture of Benefits.

(a) Benefit Payments. Notwithstanding the provisions of Section 4, unless delay is required pursuant to Section 15(b)(ii), benefits that are determined to be payable to a Participant under Sections 3(a)(i) and 3(a)(ii) on or after a Change in Control shall be paid within 60 days following the later of the Change in Control or the Covered Termination, in a single lump sum payment equal to the sum of (i) the total amount of the benefit remaining payable under Section 3(a)(i), and (ii) the amount of the benefit remaining payable under Section 3(a)(ii) for all Determination Years which are coextensive, in whole or part, with the Severance Period; provided, however, that the single lump sum payable pursuant to this Section will only be paid if the Change in Control constitutes a "change in control event" under Section 409A of the Code, otherwise, the payment shall be paid (or continue to be paid, if in pay status) in the same form and at the same times as provided under Section 4(a). The requirements of Section 3(b) shall have no application to benefits payable after a Change in Control. Unless delay is required pursuant to Section 15(b)(ii), benefits which are determined to be payable to a Participant under Section 20(a) shall be paid within thirty days following the later of a Change in Control or the date the "parachute payments" referred to in Section 20 are made, in a single payment equal to the amount of the benefit determined under Section 20(b). If any benefit is paid later than the time provided in this Section 21(a), such late payment shall be credited with interest for the period from the date payment should have been made to the date actually made at a rate equal to the average quoted rate for three-month U.S. Treasury Bills for the week preceding the date of payment, as determined by the New Plan Administrator, plus six percentage points.

(b) Subsequent Benefit Payments. Notwithstanding the provisions of Section 4, in the event the Internal Revenue Service assesses a Section 4999 Tax due which is in excess of the amount determined by the Honeywell Employer under Section 20(b), a Participant shall be paid within 60 days following the date the Participant gives notice to the New Plan Administrator of proof of payment of the Section 4999 Tax in a single payment equal to the amount of the additional benefit determined under Section 20(b), based upon the amount of the Section 4999 Tax paid in excess of any Section 4999 Tax with respect to which any Enhancement Benefit was previously paid. If any benefit is paid later than the time provided in this Section 21(b), such late payment shall be credited with interest for the period from the date payment should have been made to the date actually made at a rate equal to the average quoted rate for three-month U.S. Treasury Bills for the week preceding the date of payment, as determined by the New Plan Administrator, plus six percentage points.

(c) Forfeiture of Benefits. Notwithstanding the provisions of Section 5, a Participant receiving benefits or entitled to receive benefits under the

21. Benefit Payments and Forfeiture of Benefits.

(a) Benefit Payments. Notwithstanding the provisions of Section 4, unless delay is required pursuant to Section 15(b)(ii), benefits that are determined to be payable to a Participant under Sections 3(a)(i) and 3(a)(ii) on or after a Change in Control shall be paid within 60 days following the later of the Change in Control or the Covered Termination, in a single lump sum payment equal to the sum of (i) the total amount of the benefit remaining payable under Section 3(a)(i), and (ii) the amount of the benefit remaining payable under Section 3(a)(ii) for all Determination Years which are coextensive, in whole or part, with the Severance Period; provided, however, that the single lump sum payable pursuant to this Section will only be paid if the Change in Control constitutes a “change in control event” under Section 409A of the Code, otherwise, the payment shall be paid (or continue to be paid, if in pay status) in the same form and at the same times as provided under Section 4(a). The requirements of Section 3(b) shall have no application to benefits payable after a Change in Control. Unless delay is required pursuant to Section 15(b)(ii), benefits which are determined to be payable to a Participant under Section 20(a) shall be paid within thirty days following the later of a Change in Control or the date the “parachute payments” referred to in Section 20 are made, in a single payment equal to the amount of the benefit determined under Section 20(b). If any benefit is paid later than the time provided in this Section 21(a), such late payment shall be credited with interest for the period from the date payment should have been made to the date actually made at a rate equal to the average quoted rate for three-month U.S. Treasury Bills for the week preceding the date of payment, as determined by the New Plan Administrator, plus six percentage points.

(b) Subsequent Benefit Payments. Notwithstanding the provisions of Section 4, in the event the Internal Revenue Service assesses a Section 4999 Tax due which is in excess of the amount determined by the Honeywell Employer under Section 20(b), a Participant shall be paid within 60 days following the date the Participant gives notice to the New Plan Administrator of proof of payment of the Section 4999 Tax in a single payment equal to the amount of the additional benefit determined under Section 20(b), based upon the amount of the Section 4999 Tax paid in excess of any Section 4999 Tax with respect to which any Enhancement Benefit was previously paid. If any benefit is paid later than the time provided in this Section 21(b), such late payment shall be credited with interest for the period from the date payment should have been made to the date actually made at a rate equal to the average quoted rate for three-month U.S. Treasury Bills for the week preceding the date of payment, as determined by the New Plan Administrator, plus six percentage points.

(c) Forfeiture of Benefits. Notwithstanding the provisions of Section 5, a Participant receiving benefits or entitled to receive benefits under the Plan shall cease to receive such benefits under the Plan and the right to receive any benefits in the future under the Plan shall be forfeited, in the event the Participant, as determined by the New Plan Administrator, (i) is convicted of a felony committed against an Honeywell Employer, its property or business, (ii) commits any fraud or misappropriates property, proprietary information, intellectual property or trade secrets of an Honeywell Employer for personal gain or for the benefit of another party, or (iii) actively recruits and offers employment to any management employee of an Honeywell Employer.

22. Administration.

(a) New Plan Administrator. On or before a Change in Control, the Company, its successors, or persons operating under its control or on its behalf (hereafter the “Corporation”) shall appoint a person independent of the Corporation to be the New Plan Administrator upon the occurrence of a Change in Control and the Plan Administrator shall immediately provide to the New Plan Administrator such information with respect to each Participant in the Plan as shall be necessary to enable the New Plan Administrator to determine the amount of any benefit which is then or may thereafter become payable to such Participants.

(b) Authority. Upon the occurrence of a Change in Control, the New Plan Administrator shall have exclusive authority to make initial determinations of eligibility for the benefits under the Plan, subject to the requirements of Section 22(f). The New Plan Administrator may, in reviewing any recommendation for benefit eligibility pursuant to this Section 22, rely on representations made by the Corporation or a Honeywell Employer pursuant to Section 22(c). However, in the event that none of the recommendations are agreed to by the Participant, the New Plan Administrator shall refer the disputed claim for benefits under this Plan for resolution as provided in Section 22(f). Any recommendation by the New Plan Administrator under this Section 22, any determination by the New Plan Administrator as to the eligibility for or the amount of benefits which are not in dispute and any judicial determination pursuant to Section 22(f) shall be final and binding on the Corporation and the Honeywell Employer. The Corporation and the responsible Honeywell Employer shall make payments to Participants as directed by the New Plan Administrator or pursuant to judicial determination pursuant to Section 22(f).

(c) Corporation or Honeywell Employer Recommendations. Upon the occurrence of a Change in Control, the Corporation and any Honeywell Employer may make recommendations to the New Plan Administrator with respect to benefit determinations for affected Participants under the Plan and the New Plan Administrator shall immediately forward any such recommendation to the affected Participant. If the recommendation is agreed to in writing by the Participant, the New Plan Administrator shall advise the Corporation and any responsible Honeywell Employer, and the Corporation or Honeywell Employer, whichever is responsible, shall make payment in accordance with the provisions of Section 21.

22. Administration.

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(d) Independent Recommendations. In the case of a recommendation which is not agreed to by the affected Participant, the New Plan Administrator shall immediately review the recommendation of the Corporation or responsible Honeywell Employer and within 15 days of notice of the dispute from the Participant, determine whether it is in accordance with the terms of the Plan and notify the Corporation or responsible Honeywell Employer and the Participant of its findings. If the New Plan Administrator determines that the recommendation is not in accordance with the terms of the Plan and that an adjustment is necessary and the Participant agrees in writing to such adjustment, the New Plan Administrator shall advise the Corporation or responsible Honeywell Employer, and the Corporation or responsible Honeywell Employer shall

make payment in accordance with the provisions of Section 21. Any such adjustment determined by the New Plan Administrator, whether agreed to by the Participant or not, shall be final and binding upon the Corporation or responsible Honeywell Employer and may not be challenged by either of them.

(e) Direct Application. Upon notice to the New Plan Administrator by an affected Participant, as to whom the Corporation or responsible Honeywell Employer has made no recommendation, that a Covered Termination has occurred, the Corporation or responsible Honeywell Employer shall be notified by the New Plan Administrator and given 15 days from the date the Participant gave notice to the new Plan Administrator within which to make a recommendation as to benefit determination. The New Plan Administrator shall also make its own independent determination as to the benefit payable under the terms of the Plan. Within 15 days of receipt of the notice from the affected Participant, the New Plan Administrator shall transmit to the Participant its own recommendation and that of the Corporation or responsible Honeywell Employer if such is available. If either recommendation is accepted in writing by the affected Participant, the New Plan Administrator shall advise the Corporation or responsible Honeywell Employer, and the Corporation or responsible Honeywell Employer shall make payment in accordance with the terms of Section 21. Any recommendation by the New Plan Administrator shall be final and binding upon the Corporation or responsible Honeywell Employer and may not be challenged by either of them.

(f) Disputed Recommendation. If an affected Participant does not agree in writing within 15 days of transmittal to accept any of the recommendations made pursuant to Sections 22(c), 22(d) or 22(e), the New Plan Administrator (1) shall consider the amount in excess of the highest recommendation to be a claim for benefits which is in dispute and shall, with respect to such amount, initiate an action in interpleader pursuant to Rule 22 of the Federal Rules of Civil Procedure or analogous rules, before a court of competent jurisdiction, and (2) cause the Corporation or responsible Honeywell Employer to pay the Participant the higher of (A) the amount recommended, if any, by the Corporation or the responsible Honeywell Employer, or (B) the amount recommended by the New Plan Administrator, in accordance with the terms of Section 21. The New Plan Administrator shall not assert any claim or take any position in the interpleader proceeding based on its interpretation of the terms of the Plan, other than the provisions of this Section 22.

(g) Attorneys Fees and Costs. If a Participant is paid or is determined to be entitled to receive benefits (i) in excess of any recommendation

make payment in accordance with the provisions of Section 21. Any such adjustment determined by the New Plan Administrator, whether agreed to by the Participant or not, shall be final and binding upon the Corporation or responsible Honeywell Employer and may not be challenged by either of them.

(e) Direct Application. Upon notice to the New Plan Administrator by an affected Participant, as to whom the Corporation or responsible Honeywell Employer has made no recommendation, that a Covered Termination has occurred, the Corporation or responsible Honeywell Employer shall be notified by the New Plan Administrator and given 15 days from the date the Participant gave notice to the new Plan Administrator within which to make a recommendation as to benefit determination. The New Plan Administrator shall also make its own independent determination as to the benefit payable under the terms of the Plan. Within 15 days of receipt of the notice from the affected Participant, the New Plan Administrator shall transmit to the Participant its own recommendation and that of the Corporation or responsible Honeywell Employer if such is available. If either recommendation is accepted in writing by the affected Participant, the New Plan Administrator shall advise the Corporation or responsible Honeywell Employer, and the Corporation or responsible Honeywell Employer shall make payment in accordance with the terms of Section 21. Any recommendation by the New Plan Administrator shall be final and binding upon the Corporation or responsible Honeywell Employer and may not be challenged by either of them.

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(g) Attorneys Fees and Costs. If a Participant is paid or is determined to be entitled to receive benefits (i) in excess of any recommendation made by the Corporation or responsible Honeywell Employer pursuant to Sections 22(c) or 22(e), or (ii) in a case where the Corporation or responsible Honeywell Employer have made no recommendation pursuant to Sections 22(c) or 22(e), the New Plan Administrator shall advise the Corporation or responsible Honeywell Employer, and the Corporation or responsible Honeywell Employer shall immediately pay or reimburse, in accordance with Section 15(b)(iii) above, the affected Participant for the full amount of any attorneys' fees and other expenses the affected Participant incurred in pursuing his or her claim for benefits. The payment or reimbursement shall include the standard hourly rates charged by each such attorney, any and all other expenses related to the action incurred by or on

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behalf of the affected Participant, the costs and expenses of any experts utilized to prepare the claim, and any court costs assessed against the affected Participant.

(h) Amendment or Termination. This Plan may not be amended or terminated after a Change in Control; provided, however, the Plan may be amended if the purpose of the amendment is to increase benefits hereunder or if the purpose of the amendment is to comply with Section 409A of the Code.

(i) No Waiver. No waiver by a Participant at any time of any breach by the Company of, or of any lack of compliance with, any condition or provision of this Plan to be performed by the Company shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. In no event shall the failure by a Participant to assert any right under the Plan (including, but not limited to, failure to assert the existence of Good Reason conditions which would enable a Participant to trigger his own termination under clause (i) of Section 19(c)) be deemed a waiver of such right or any other right provided under the Plan, it being intended that a Participant who has perfected a right under the Plan (including, but not limited to, a Participant's right to trigger his own termination under clause (i) of Section 18(b)) shall be entitled to assert that right in accordance with the terms of the Plan unless the Participant affirmatively elects, in writing, to waive such right.

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HONEYWELL INTERNATIONAL INC. SEVERANCE PLAN
FOR SENIOR EXECUTIVES

Exhibit A

ACTIVE PARTICIPANTS IN SENIOR SEVERANCE PROGRAM

HONEYWELL INTERNATIONAL INC. SEVERANCE PLAN
FOR SENIOR EXECUTIVES

Exhibit A

ACTIVE PARTICIPANTS IN SENIOR SEVERANCE PROGRAM

36 Months (base and target bonus)

Peter M. Kreindler

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Exhibit 10.8

**Salary and Incentive Award Deferral Plan
for**

**Selected Employees of Honeywell International Inc. and its
Affiliates**

Amended and Restated, effective January 1, 2009

1. History. Honeywell International Inc. (the "Corporation") previously established this supplemental non-qualified Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc. and its Affiliates (the "Plan") and has amended the Plan several times since its initial effective date, including an amendment and restatement effective January 1, 2005 to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and corresponding rules and regulations under Section 409A of the Code. In connection with the latest amendment and restatement, the Corporation reserved the right to take any action it deemed necessary or desirable to comply with Section 409A of the Code since the Plan is intended to be maintained and operated in accordance with the requirements of Section 409A of the Code with respect to amounts subject to such requirements. The Plan is now hereby further amended and restated effective January 1, 2009 to implement changes required pursuant to and consistent with Section 409A of the Code and the final regulations issued thereunder. This Plan document covers any Participant (as defined below) who was entitled to receive a benefit from the Plan as of December 31, 2008, but who did not receive full payment of such benefit under the Plan as of such date, as well as any individual who becomes a Participant in the Plan on or after January 1, 2009. Plan benefit payments commencing prior to January 1, 2009 are governed by the terms of the Plan as they existed prior to this amendment and restatement and are either grandfathered from the requirements of Section 409A of the Code or payable pursuant to a fixed schedule as required by, and in compliance with, Section 409A of the Code. Between January 1, 2005 and December 31, 2008, with respect to payments that are subject to the requirements of Section 409A of the Code, the Plan has been operated in accordance with transition relief established by the Treasury Department and Internal Revenue Service pursuant to Section 409A of the Code. This amendment and restatement is adopted in conformity with final regulations under Section 409A of the Code issued by the Treasury Department on April 10, 2007 and effective January 1, 2009.

2. Eligibility. Any employee of the Corporation and its participating affiliates who is in Career Band 5 or above during the designated election period (the "Open Enrollment Period") for the applicable Plan Year (as defined below) shall be eligible (an "Eligible Employee") to participate in the Plan and elect deferrals of compensation (as described in Paragraph 4 below) for such Plan Year effective as of the January 1 of the Plan Year that follows the Open Enrollment Period. The Management Development and Compensation Committee (or its designee) (the "Committee") shall designate the period prior to the applicable Plan Year that shall constitute the Open Enrollment Period, in its sole discretion; provided, however, in no

event shall such Open Enrollment Period end later than the December 31 that precedes the Plan Year for which the election to participate in the Plan applies. For purposes of this Plan, the “Plan Year” shall mean the calendar year.

3. Participation. Each Eligible Employee who wishes to participate in the Plan for a particular Plan Year (a “Participant”) must file a written deferral election (the “Election Form”) with the Committee during the Open Enrollment Period, which election shall designate the portion of the compensation elements (as described in Paragraph 4 below) to be deferred for such Plan Year and the form in which such deferral amounts, and interest thereon, shall be distributed (as described in Paragraph 8 below). The compensation elements deferred for a particular Plan Year shall be credited to an unfunded deferred compensation account maintained for the Participant under the Plan (the “Participant Account” or “Account”). Except as otherwise may be permitted by Section 409A of the Code and the Committee, a Participant may not modify his or her deferral election for a Plan Year at any time during the Plan Year.

4. Contributions to Participant Accounts.

(a) Incentive Awards. During the Open Enrollment Period, an Eligible Employee may elect on his Election Form to defer up to 100% of the cash bonus payable (with such deferral in a whole percentage and 10% increment) to such Eligible Employee under the Honeywell International Inc. Incentive Compensation Plan for Executive Employees (or any successor plan) or the Honeywell Capital Management LLC Incentive Compensation Plan (or any successor plan) (each an “Incentive Award”), for the performance period under the applicable incentive plan that begins in the Plan Year that commences after the Open Enrollment Period.

(b) Base Annual Salary. For Plan Years beginning before January 1, 2006, an Eligible Employee who was employed in Career Band 6 and above (or an Eligible Employee who occupied a position equivalent thereto) was permitted prior to the beginning of the applicable Plan Year (and with respect to a newly Eligible Employee, within 30 days after first becoming so eligible) to elect to defer an aggregate amount of base annual salary otherwise payable in such Plan Year (or with respect to a newly Eligible Employee, in the remainder of the Plan Year), exclusive of any bonus or any other compensation or allowance paid or payable by the Corporation or its affiliates (the “Base Annual Salary”). The amount deferred under this Paragraph 4(b) was not permitted to be greater than 50% of the Eligible Employee’s Base Annual Salary for any pay period. Effective July 29, 2005, no new deferral elections were permitted under this Paragraph 4(b) for the remainder of the Plan Year beginning January 1, 2005. For Plan Years beginning on and after January 1, 2006, no Eligible Employee may elect to defer any portion of his Base Annual Salary under the Plan.

(c) Deferral Amounts. All amounts determined under this Paragraph 4 which are the subject of an Election Form (the “Deferral Amounts”) shall, in accordance with the relevant Participant direction, be credited to the relevant Participant Account maintained under the Plan on the same day the Base Annual Salary or Incentive Award would otherwise have been payable.

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(d) A Participant’s Account shall consist of two sub-accounts, as applicable: (1) a sub-account which consists of Base Annual Salary and any earnings thereon that were earned and vested as of December 31, 2001, and Incentive Awards and any earnings thereon that were earned as of December 31, 2001 and vested as of December 31, 2004 (the “Grandfathered Account”), and (2) a sub-account which consists of Base Annual Salary and any earnings thereon that is earned and vested on or after January 1, 2002, and Incentive Awards that are earned on or after January 1, 2002 and vested on or after January 1, 2005 (the “Non-Grandfathered Account”). Base Annual Salary, Incentive Awards and any earnings thereon that were earned in the Plan Years beginning January 1, 2002, January 1, 2003 and January 1, 2004 and that are credited to a Participant’s Non-Grandfathered Account will be referred to herein as “2002-2004 Deferrals”.

5. Deferral Requirements.

(a) Plan Years Beginning On or After January 1, 2006. A Participant’s Deferral Amounts under the Plan for Plan Years beginning on or after January 1, 2006 will be paid in one lump-sum payment to such Participant in the January of the Plan Year that follows the Plan Year in which the Participant has a Separation from Service (as defined in Section

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5. Deferral Requirements.

(a) Plan Years Beginning On or After January 1, 2006. A Participant's Deferral Amounts under the Plan for Plan Years beginning on or after January 1, 2006 will be paid in one lump-sum payment to such Participant in the January of the Plan Year that follows the Plan Year in which the Participant has a Separation from Service (as defined in Section 409A(a)(2)(A)(i) of the Code and its corresponding regulations) with the Corporation and its affiliates, unless the Participant elects on his Election Form during the Open Enrollment Period that the Deferral Amounts for the Plan Year will instead be paid in substantially equal annual installments (not to exceed ten) if he has a Separation from Service with the Corporation and its affiliates on or after he attains age 55 and has completed ten Years of Service (as defined below), in which case the first installment shall commence in the January of the Plan Year that follows the Plan Year in which the Participant has a Separation from Service and each remaining installment will be paid to the Participant in each succeeding January.

Notwithstanding the foregoing, if at the time of the Participant's Separation from Service, the Participant is a Specified Employee (as defined below) the payments provided in the preceding paragraph shall be paid (or commence in the case of installments) in (i) the January of the Plan Year that follows the Plan Year in which the Participant's Separation from Service with the Corporation and its affiliates occurs, if the Participant's Separation from Service with the Corporation and its affiliates occurs prior to July 1 of such Plan Year, or (ii) the July of the Plan Year that follows the Plan Year in which the Participant's Separation from Service with the Corporation and its affiliates occurs, if the Participant's Separation from Service with the Corporation and its affiliates occurs after June 30 of such Plan Year. If the Participant elected to receive his distribution in the form of installment payments, after the first payment is made pursuant to the immediately preceding sentence, each subsequent installment will be paid to the Participant in the January of each Plan Year that follows until all installments are paid to the Participant.

Notwithstanding the foregoing, if the Participant dies after the Separation from Service but before the end of the Plan Year in which the Separation from Service occurs, or if a Specified Employee dies before the payment date described in the preceding paragraph, the Participant's beneficiary will receive the payment or payments in a lump sum within 60 days of the date of the Participant's death.

For purposes of this Plan, the term (i) "Years of Service" shall mean each consecutive 12 month period in which the Participant was employed by the Corporation or an affiliate as measured from the Participant's commencement of employment with the Corporation or an affiliate, and (ii) "Specified Employee" shall mean any Participant who, at any time during the 12 month period ending on the identification date (as determined by the Vice President – Compensation and Benefits (or his delegate)), is a specified employee under Section 409A of the Code (as determined by the Vice President – Compensation and Benefits (or his delegate), which determination of "specified employees," including the number and identity of persons considered "specified employees" and identification date, shall be made by the Vice President – Compensation and Benefits (or his delegate) in accordance with the provisions of Sections 416(i) and 409A of the Code and the regulations issued thereunder.

(b) 2005 Plan Year. For the 2005 Plan Year, a Participant's Deferral Amounts under the Plan for such Plan Year will be paid in one lump-sum payment to such Participant in the January of the Plan Year that follows the Plan Year in which the Participant has a Separation from Service with the Corporation and its affiliates, unless the Participant elected

For purposes of this Plan, the term (i) “Years of Service” shall mean each consecutive 12 month period in which the Participant was employed by the Corporation or an affiliate as measured from the Participant’s commencement of employment with the Corporation or an affiliate, and (ii) “Specified Employee” shall mean any Participant who, at any time during the 12 month period ending on the identification date (as determined by the Vice President – Compensation and Benefits (or his delegate)), is a specified employee under Section 409A of the Code (as determined by the Vice President – Compensation and Benefits (or his delegate), which determination of “specified employees,” including the number and identity of persons considered “specified employees” and identification date, shall be made by the Vice President – Compensation and Benefits (or his delegate) in accordance with the provisions of Sections 416(i) and 409A of the Code and the regulations issued thereunder.

(b) 2005 Plan Year. For the 2005 Plan Year, a Participant’s Deferral Amounts under the Plan for such Plan Year will be paid in one lump-sum payment to such Participant in the January of the Plan Year that follows the Plan Year in which the Participant has a Separation from Service with the Corporation and its affiliates, unless the Participant elected on his Election Form during the Open Enrollment Period that the Deferral Amounts for such Plan Year will instead be paid to such Participant at a Specified Time (as such term is defined in Section 409A(a)(2)(A)(iv) of the Code and its corresponding regulations), provided that the Specified Time is no sooner than January of the 2009 Plan Year (unless the Committee approved at the time of such election a shorter period of deferral) and in up to 15 annual installments. Notwithstanding the foregoing, if at the time of the Participant’s Separation from Service the Participant is entitled to payment of the amounts deferred for the 2005 Plan Year because of his Separation from Service (and not because of the Specified Time designated, if any) and the Participant is a Specified Employee, the payments provided in the immediately preceding sentence on account of Separation from Service shall be paid (or commence payment in the case of installments) in (i) the January of the Plan Year that follows the Plan Year in which the Participant’s Separation from Service with the Corporation and its affiliates occurs, if the Participant’s Separation from Service with the Corporation and its affiliates occurs prior to July 1 of such Plan Year, or (ii) the July of the Plan Year that follows the Plan Year in which the Participant’s Separation from Service with the Corporation and its affiliates occurs, if the Participant’s Separation from Service with the Corporation and its affiliates occurs after June 30 of such Plan Year. Payment on account of a Specified Time shall be paid (or commence payment in the case of installments) to the Participant in January of the Plan Year elected by the Participant. If the Participant elected to receive his distribution in the form of installment payments, after the first payment is made pursuant to the immediately preceding sentence, each subsequent installment will be paid to the Participant in the January of each Plan Year that follows until all installments are paid to the Participant. Notwithstanding anything to the contrary in this Paragraph 5(b), if the Participant dies after the Separation from Service, but before the end of the Plan Year in which the Separation from Service occurs or if a Specified Employee dies before the payment date described in the preceding paragraph, the Participant’s beneficiary will receive the payment or payments in a lump sum within 60 days of the date of the Participant’s death.

(c) Plan Years Beginning Before January 1, 2005.

(i) Grandfathered Accounts. A Participant’s Deferral Amounts credited to a Participant’s Grandfathered Account under the Plan for Plan Years beginning before January 1, 2005 shall be paid as soon as practicable during the month of January following the calendar year in which the Participant terminates employment; provided, however, amounts deferred under the Plan may be paid at such other date permitted to be designated by the Participant that provides for a minimum period of deferral of at least three years or such shorter period as may be approved by the Committee, which election was made at the time the Participant made the deferral election for such Plan Years. The Participant also elected at such time to receive such distribution in one lump-sum payment or in a number of substantially equal annual installments (provided the payment period may not include more than 30 such installments). The lump-sum or the first installment shall be paid as soon as practicable during the month of January of the calendar year following termination of employment or such other calendar year validly designated by the Participant. Except as otherwise provided in Paragraphs 9, 10, and 11, all installment payments following the initial installment payment shall be paid in cash as soon as practicable during the month of January of each succeeding calendar year until the entire amount in the Account shall have been paid. Notwithstanding the foregoing, in the event a Participant’s employment with the Corporation is terminated either voluntarily (other than on account of retirement as defined in the qualified pension

(c) Plan Years Beginning Before January 1, 2005.

(i) Grandfathered Accounts. A Participant's Deferral Amounts credited to a Participant's Grandfathered Account under the Plan for Plan Years beginning before January 1, 2005 shall be paid as soon as practicable during the month of January following the calendar year in which the Participant terminates employment; provided, however, amounts deferred under the Plan may be paid at such other date permitted to be designated by the Participant that provides for a minimum period of deferral of at least three years or such shorter period as may be approved by the Committee, which election was made at the time the Participant made the deferral election for such Plan Years. The Participant also elected at such time to receive such distribution in one lump-sum payment or in a number of substantially equal annual installments (provided the payment period may not include more than 30 such installments). The lump-sum or the first installment shall be paid as soon as practicable during the month of January of the calendar year following termination of employment or such other calendar year validly designated by the Participant. Except as otherwise provided in Paragraphs 9, 10, and 11, all installment payments following the initial installment payment shall be paid in cash as soon as practicable during the month of January of each succeeding calendar year until the entire amount in the Account shall have been paid. Notwithstanding the foregoing, in the event a Participant's employment with the Corporation is terminated either voluntarily (other than on account of retirement as defined in the qualified pension plan in which the Participant participates or for "good reason" under any applicable severance plan of the Corporation) or for "gross cause" (as defined in the AlliedSignal Inc. Severance Plan for Senior Executives), the Participant's Deferral Amounts for performance years beginning after 1997 for amounts deferred under Paragraph 4(a) hereof or after 1998 for amounts deferred under Paragraph 4(b) hereof (including any notional interest credited thereto) shall be distributed in a lump sum as soon as practicable in January of the calendar year following such termination of employment. Except as otherwise provided in Paragraph 5(d) or Paragraphs 9 or 10 or as approved by the Committee, no amount shall be withdrawn from a Participant's Account prior to the last day of the calendar year in which the Deferral Amounts were earned; the date the Participant reaches normal retirement age and is eligible to receive a benefit under a pension plan of the Corporation or one of its affiliates; the date of the Participant's death; or the date the Participant ceases to be employed by the Corporation or any of its affiliates.

(ii) Non-Grandfathered Accounts. A Participant's 2002-2004 Deferrals shall be paid during the month of January following the calendar year in which the Participant has a Separation from Service; provided, however, a Participant's 2002-2004 Deferrals may be paid at a Specified Time designated by the Participant that provides for a minimum period of deferral of at least three years or such shorter period as may have been approved by the Committee, which election was made prior to January 1 for the applicable Plan Year. The Participant also elected at such time to receive such distribution in one lump-sum payment or in a number of substantially equal annual installments (not exceeding 15). Notwithstanding the foregoing, if at the time of the Participant's Separation from Service the Participant is entitled to payment of the 2002-2004 Deferrals because of his Separation from Service (and not because of the Specified Time designated, if any) and the Participant is a Specified Employee, the payments

provided in the immediately preceding sentence on account of Separation from Service shall be paid (or commence payment in the case of installments) in (i) the January of the Plan Year that follows the Plan Year in which the Participant's Separation from Service with the Corporation and its affiliates occurs, if the Participant's Separation from Service with the Corporation and its affiliates occurs prior to July 1 of such Plan Year, or (ii) the July of the Plan Year that follows the Plan Year in which the Participant's Separation from Service with the Corporation and its affiliates occurs, if the Participant's Separation from Service with the Corporation and its affiliates occurs after June 30 of such Plan Year. Payment on account of a Specified Time shall be paid (or commence payment in the case of installments) to the Participant in January of the Plan Year elected by the Participant. If the Participant elected to receive his distribution in the form of installment payments, after the first payment is made pursuant to the immediately preceding sentence, each subsequent installment will be paid to the Participant in the January of each Plan Year that follows until all installments are paid to the Participant. Notwithstanding anything to the contrary in this subparagraph 5(c)(ii), if the Participant dies after the Separation from Service, but before the end of the Plan Year in which the Separation from Service occurs or if a Specified Employee dies before the payment date described in the preceding paragraph, the Participant's beneficiary will receive the payment or payments in a lump sum within

provided in the immediately preceding sentence on account of Separation from Service shall be paid (or commence payment in the case of installments) in (i) the January of the Plan Year that follows the Plan Year in which the Participant's Separation from Service with the Corporation and its affiliates occurs, if the Participant's Separation from Service with the Corporation and its affiliates occurs prior to July 1 of such Plan Year, or (ii) the July of the Plan Year that follows the Plan Year in which the Participant's Separation from Service with the Corporation and its affiliates occurs, if the Participant's Separation from Service with the Corporation and its affiliates occurs after June 30 of such Plan Year. Payment on account of a Specified Time shall be paid (or commence payment in the case of installments) to the Participant in January of the Plan Year elected by the Participant. If the Participant elected to receive his distribution in the form of installment payments, after the first payment is made pursuant to the immediately preceding sentence, each subsequent installment will be paid to the Participant in the January of each Plan Year that follows until all installments are paid to the Participant. Notwithstanding anything to the contrary in this subparagraph 5(c)(ii), if the Participant dies after the Separation from Service, but before the end of the Plan Year in which the Separation from Service occurs or if a Specified Employee dies before the payment date described in the preceding paragraph, the Participant's beneficiary will receive the payment or payments in a lump sum within 60 days of the date of the Participant's death.

(d) In-Service Withdrawal. A Participant may request an immediate withdrawal of all or a portion of the Deferral Amounts credited to a Participant's Grandfathered Account prior to the date described in subparagraph 5(c)(i) or prior to the date such portion of the Grandfathered Account has been completely withdrawn, provided that such a request and withdrawal shall be subject to the approval of the Corporation and such penalties, restrictions or conditions as may be established by the Corporation from time to time. The penalty shall be a percentage of the amount requested to be withdrawn, calculated as the difference between (a) 6%, and (b) 50% of the amount, if any, by which 10% exceeds the interest rate on 10-year U.S. Treasury Bonds on the first business day of the calendar quarter during which the withdrawal request is made.

6. Interest Equivalents. Deferral Amounts shall accrue additional amounts equivalent to interest ("Interest Equivalents"), compounded daily, from the date the Deferral Amount is credited to the Account to the date of distribution as set forth in this Paragraph 6.

(a) Non-Grandfathered Deferral Amounts.

(i) Deferral Amounts Credited for Plan Years On and After January 1, 2006. Deferral Amounts credited to a Participant's Non-Grandfathered Account for Plan Years beginning on or after January 1, 2006, and Deferral Amounts under Paragraph 4(a) credited to a Participant's Non-Grandfathered Account in 2006 for the Election Form filed by the Participant for the 2005 Plan Year, shall accrue Interest Equivalents at an annual rate based upon the cost to the Corporation of borrowing at a fixed rate for a 15-year term. Such rate is subject to change from Plan Year to Plan Year with respect to amounts credited to a Participant's Non-Grandfathered Account for a particular Plan Year and shall be determined annually by the Chief Financial Officer of the Corporation

in consultation with the Treasurer of the Corporation prior to January 1 of each Plan Year. Interest Equivalents described in this clause (i) shall be vested at the time such amounts are credited to the Participant's Non-Grandfathered Account. All Interest Equivalents credited to the Participant's Non-Grandfathered Account pursuant to this clause (i) shall be paid at the same time and in the same form as the corresponding Deferral Amounts for which the Interest Equivalents relate.

(ii) Deferral Amounts Credited for the 2005 Plan Year. Deferral Amounts under Paragraph 4(b) credited to a Participant's Non-Grandfathered Account in the 2005 Plan Year for the Election Form filed by the Participant for the 2005 Plan Year shall accrue Interest Equivalents at a single rate established by the Committee, in its sole discretion. Such rate is subject to change from Plan Year to Plan Year with respect to amounts credited to a Participant's Non-Grandfathered Account for the 2005 Plan Year and shall be determined annually by the Chief Financial Officer of the Corporation in consultation with the Treasurer of the Corporation prior to January 1 of each Plan Year. The rate

in consultation with the Treasurer of the Corporation prior to January 1 of each Plan Year. Interest Equivalents described in this clause (i) shall be vested at the time such amounts are credited to the Participant's Non-Grandfathered Account. All Interest Equivalents credited to the Participant's Non-Grandfathered Account pursuant to this clause (i) shall be paid at the same time and in the same form as the corresponding Deferral Amounts for which the Interest Equivalents relate.

(ii) Deferral Amounts Credited for the 2005 Plan Year. Deferral Amounts under Paragraph 4(b) credited to a Participant's Non-Grandfathered Account in the 2005 Plan Year for the Election Form filed by the Participant for the 2005 Plan Year shall accrue Interest Equivalents at a single rate established by the Committee, in its sole discretion. Such rate is subject to change from Plan Year to Plan Year with respect to amounts credited to a Participant's Non-Grandfathered Account for the 2005 Plan Year and shall be determined annually by the Chief Financial Officer of the Corporation in consultation with the Treasurer of the Corporation prior to January 1 of each Plan Year. The rate of notional interest established hereunder shall be set forth on Schedule A attached hereto and made a part hereof. Any portion of such rate designated as the "Contingent Rate" shall become nonforfeitable only if the Participant is still employed by the Corporation or any affiliate at the end of the third full calendar year in which the Deferral Amount relates; provided, however, in the event a Participant terminates employment with the Corporation or an affiliate prior to such date for reasons other than gross cause, the Committee shall treat such portion as nonforfeitable in the event the Participant's employment with the Corporation or an affiliate is involuntarily terminated (including a termination for "good reason" under any applicable severance plan of the Corporation or an affiliate) or is terminated for such reasons as the Committee may determine from time to time in its sole discretion. All Interest Equivalents credited to the Participant's Non-Grandfathered Account pursuant to this clause (ii) shall be paid at the same time and in the same form as the corresponding Deferral Amounts for which the Interest Equivalents relate.

2002-2004 Deferrals. 2002-2004 Deferrals shall accrue Interest Equivalents at a single rate established by the Committee, in its sole discretion. The rate established by the Committee shall not exceed the greater of (i) 10% or (ii) 200% of the 10-year U.S. Treasury Bond rate at the time of determination. Such Interest Equivalents, once established for a Plan Year, shall remain in effect with respect to Deferral Amounts credited to the Participant's Non-Grandfathered Account for each such Plan Year until the Deferral Amounts are distributed. The rate of notional interest established hereunder shall be set forth on Schedule A attached hereto and made a part hereof. Any portion of such rate designated as the "Contingent Rate" shall become nonforfeitable only if the Participant is still employed by the Corporation or any affiliate at the end of the third full calendar year in which the Deferral Amount relates, provided, however, in the event a Participant has a Separation from Service with the Corporation or an affiliate prior to such date for reasons other than gross cause, the Committee shall treat such portion as nonforfeitable in the event the Participant's employment with the Corporation or an affiliate is involuntarily terminated (including a termination for "good reason" under any applicable severance plan of the Corporation or an affiliate). Notwithstanding the

preceding sentence, in the event a Participant withdraws any portion of the Deferral Amount prior to the end of the third full calendar year following the calendar year to which the Deferral Amount relates, the amount of Contingent Rate interest credited with respect to such Deferral Amount at the time of withdrawal shall remain credited to such Account subject to the provisions of the preceding sentence but shall not be credited with any Interest Equivalents after such date ("Frozen Contingent Interest"). Notwithstanding anything in the Plan to the contrary, from and after the occurrence of a Change in Control (as defined below), the rate at which Deferral Amounts accrue Interest Equivalents may not be decreased.

(b) Grandfathered Deferral Amounts. Deferral Amounts credited to a Participant's Grandfathered Account shall accrue Interest Equivalents at a single rate established by the Committee, in its sole discretion, for all Deferral Amounts credited to such Grandfathered Account in each calendar year. The rate established by the Committee shall not exceed the greater of (i) 10% or (ii) 200% of the 10-year U.S. Treasury Bond rate at the time of determination. Such Interest Equivalents, once established for a Plan Year, shall remain in effect with respect to Deferral Amounts credited to the Participant's Grandfathered Account during such Plan Year until the Deferral Amounts are distributed. The rate of notional interest established hereunder shall be set forth on Schedule A attached hereto and made a part hereof. Any

preceding sentence, in the event a Participant withdraws any portion of the Deferral Amount prior to the end of the third full calendar year following the calendar year to which the Deferral Amount relates, the amount of Contingent Rate interest credited with respect to such Deferral Amount at the time of withdrawal shall remain credited to such Account subject to the provisions of the preceding sentence but shall not be credited with any Interest Equivalents after such date (“Frozen Contingent Interest”). Notwithstanding anything in the Plan to the contrary, from and after the occurrence of a Change in Control (as defined below), the rate at which Deferral Amounts accrue Interest Equivalents may not be decreased.

(b) Grandfathered Deferral Amounts. Deferral Amounts credited to a Participant’s Grandfathered Account shall accrue Interest Equivalents at a single rate established by the Committee, in its sole discretion, for all Deferral Amounts credited to such Grandfathered Account in each calendar year. The rate established by the Committee shall not exceed the greater of (i) 10% or (ii) 200% of the 10-year U.S. Treasury Bond rate at the time of determination. Such Interest Equivalents, once established for a Plan Year, shall remain in effect with respect to Deferral Amounts credited to the Participant’s Grandfathered Account during such Plan Year until the Deferral Amounts are distributed. The rate of notional interest established hereunder shall be set forth on Schedule A attached hereto and made a part hereof. Any portion of such rate designated as the “Contingent Rate” shall become nonforfeitable only if the Participant is still employed by the Corporation or any affiliate at the end of the third full calendar year in which the Deferral Amount relates, provided, however, in the event a Participant terminates employment with the Corporation or an affiliate prior to such date for reasons other than gross cause, the Committee shall treat such portion as nonforfeitable in the event the Participant’s employment with the Corporation or an affiliate is involuntarily terminated (including a termination for “good reason” under any applicable severance plan of the Corporation or an affiliate) or is terminated for such reasons as the Committee may determine from time to time in its sole discretion. Notwithstanding the preceding sentence, in the event a Participant withdraws any portion of the Deferral Amount prior to the end of the third full calendar year following the calendar year to which the Deferral Amount relates, the amount of Contingent Rate interest credited with respect to such Deferral Amount at the time of withdrawal shall become Frozen Contingent Interest. Notwithstanding anything in the Plan to the contrary, from and after the occurrence of a Change in Control, the rate at which Deferral Amounts accrue Interest Equivalents may not be decreased.

7. Participant Accounts. All amounts credited to a Participant’s Account pursuant to Paragraphs 4 and 6 shall be unfunded general obligations of the Corporation, and no Participant shall have any claim to or security interest in any asset of the Corporation on account thereof.

8. Distribution from Accounts.

(a) Plan Years Beginning On and After January 1, 2006. Deferral Amounts and corresponding Interest Equivalents for Plan Years beginning on and after January 1, 2006 shall be paid to the Participant at the time and in the form as elected by the Participant on his Election Form for such Plan Year in accordance with the requirements of Paragraph 5(a).

(b) 2005 Plan Year. Deferral Amounts and corresponding Interest Equivalents for the Plan Year beginning on January 1, 2005 shall be paid to the Participant at the time and in the form as elected by the Participant on his Election Form for such Plan Year in accordance with the requirements of Paragraph 5(b).

(c) Plan Years Beginning Prior to January 1, 2005.

(i) Grandfathered Accounts. Deferral Amounts and corresponding Interest Equivalents credited to a Participant’s Grandfathered Account shall be paid to a Participant at the time and in the form as elected by the Participant on his Election Form for such Plan Years in accordance with the requirements of subparagraph 5(c)(i).

(ii) Non-Grandfathered Accounts. 2002-2004 Deferrals shall be paid to a Participant at the time and in the form as elected by the Participant on his Election Form for such Plan Years in accordance with the requirements of

(b) 2005 Plan Year. Deferral Amounts and corresponding Interest Equivalents for the Plan Year beginning on January 1, 2005 shall be paid to the Participant at the time and in the form as elected by the Participant on his Election Form for such Plan Year in accordance with the requirements of Paragraph 5(b).

(c) Plan Years Beginning Prior to January 1, 2005.

(i) Grandfathered Accounts. Deferral Amounts and corresponding Interest Equivalents credited to a Participant's Grandfathered Account shall be paid to a Participant at the time and in the form as elected by the Participant on his Election Form for such Plan Years in accordance with the requirements of subparagraph 5(c)(i).

(ii) Non-Grandfathered Accounts. 2002-2004 Deferrals shall be paid to a Participant at the time and in the form as elected by the Participant on his Election Form for such Plan Years in accordance with the requirements of subparagraph 5(c)(ii).

(iii) Special Election Change Applicable to Grandfathered Accounts. The Corporation may from time to time allow Participants to request new elections with respect to the distribution of Deferral Amounts and Interest Equivalents credited to their Grandfathered Accounts (other than any such amounts currently payable to a Participant). The Corporation shall reserve the right to accept or reject any such request at any time and such election shall be subject to such restrictions and limitations as the Corporation shall determine in its sole discretion, provided that any new election shall generally be required to be made at least 12 months prior to any scheduled payment date.

(d) Type of Distribution. All distributions from this Plan shall be paid in cash.

9. Distribution on Death. If a Participant should die after payments under this Plan have commenced but before all amounts credited to the Participant's Account have been distributed, the balance in the Account shall be paid as soon as practical thereafter to the beneficiary designated in writing by the Participant, but not later than 60 days after the date of the Participant's death. Payment to a beneficiary pursuant to a designation by a Participant shall be made in one lump sum cash payment. Such beneficiary designations shall be effective when received by the Corporation, and shall remain in effect until rescinded or modified by the Participant by an appropriate written direction. If no beneficiary is properly designated by the Participant, or if the designated beneficiary shall have predeceased the Participant, such balance in the Account shall be paid to the estate of the Participant.

10. Payment in the Event of Hardship. For Deferral Amounts and Interest Equivalents credited to a Participant's Grandfathered Account, upon receipt of a request from a Participant, delivered in writing to the Corporation along with a hardship distribution form and supporting documentation of the hardship, the Senior Vice President – Human Resources and Communications (or his designee), may cause the Corporation to accelerate (or require the subsidiary of the Corporation which employs or employed the Participant to accelerate) payment of all or any part of the Deferral Amount and Interest Equivalents credited to the Participant's Account, if it finds in its sole discretion that payment of such amounts in accordance with the

Participant's prior election under Paragraph 4 hereof would result in severe financial hardship to the Participant and such hardship is the result of an unforeseeable emergency caused by circumstances beyond the control of the Participant. An "unforeseeable emergency" means a severe financial hardship to the Participant resulting from (1) an illness or accident that occurs to the Participant, the Participant's spouse or the Participant's dependent (as defined in section 152(a) of the Code), (2) loss of the Participant's property due to casualty, or (3) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the Participant's control. The amount withdrawn cannot exceed the amount necessary to satisfy the emergency and estimated taxes the Participant will incur as a result of such distribution. Acceleration of payment may not be made under this Paragraph 10 to the extent that such hardship is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, or (ii) by liquidation of the Participant's assets, to the extent the liquidation of assets would not itself cause severe financial hardship.

Participant's prior election under Paragraph 4 hereof would result in severe financial hardship to the Participant and such hardship is the result of an unforeseeable emergency caused by circumstances beyond the control of the Participant. An "unforeseeable emergency" means a severe financial hardship to the Participant resulting from (1) an illness or accident that occurs to the Participant, the Participant's spouse or the Participant's dependent (as defined in section 152(a) of the Code, (2) loss of the Participant's property due to casualty, or (3) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the Participant's control. The amount withdrawn cannot exceed the amount necessary to satisfy the emergency and estimated taxes the Participant will incur as a result of such distribution. Acceleration of payment may not be made under this Paragraph 10 to the extent that such hardship is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, or (ii) by liquidation of the Participant's assets, to the extent the liquidation of assets would not itself cause severe financial hardship.

11. Change in Control.

(a) Initial Lump Sum Election. Notwithstanding any election made pursuant to Paragraphs 4 and 5 hereof, a Participant (i) may file a written election with the Corporation to have the Deferral Amounts and Interest Equivalents credited to the Participant's Grandfathered Account paid in one lump-sum payment as soon as practicable following a Change in Control (as defined below), but in no event later than 90 days after such Change in Control, and (ii) may designate in his Election Form during the Open Enrollment Period for a particular Plan Year that Deferral Amounts and Interest Equivalents credited to the Participant's Non-Grandfathered Account for such Plan Year be paid in one lump-sum payment within 90 days after such Change in Control. The Interest Equivalents on any Deferral Amount payable pursuant to this Paragraph 11(a) shall include the "Contingent Rate" credited to such Deferral Amount without regard to whether such amount has become nonforfeitable as provided in Paragraph 6 at the time the applicable Change in Control occurs.

(b) Revocation of Lump-Sum Election. A Participant may revoke an election made pursuant to clause (i) of Paragraph 11(a) (including an election not to be paid in one lump sum upon a Change in Control), but only for amounts credited to a Participant's Grandfathered Account, by filing an appropriate written notice with the Corporation. A revocation notice filed pursuant to this Paragraph 11(b) shall be subject to such terms and conditions as the Corporation shall establish and shall be effective with respect to all of the Deferral Amounts and Interest Equivalents credited to a Participant's Grandfathered Account. Any such election shall be subject to such restrictions and limitations as the Corporation shall determine in its sole discretion.

(c) Limitations on Elections. For purposes of a Participant's election with respect to amounts covered by clause (i) of Paragraph 11(a) or a revocation of such election pursuant to Paragraph 11(b), such election shall not be effective unless filed with the Corporation at least 90 days prior to a Change in Control.

(d) Definition of Change in Control. For purposes of the Plan, a Change in Control is deemed to occur at the time (i) when an entity, person or group (other than the Corporation, any

subsidiary or savings, pension or other benefit plan for the benefit of employees of the Corporation or its subsidiaries) which theretofore beneficially owned less than 30% of the Corporation's common stock (the "Common Stock") then outstanding, acquires shares of Common Stock in a transaction or a series of transactions that results in such entity, person or group directly or indirectly owning beneficially 30% or more of the outstanding Common Stock, (ii) of the purchase of Common Stock pursuant to a tender offer or exchange offer (other than an offer by the Corporation) for all, or any part of, the Common Stock, (iii) of a merger in which the Corporation will not survive as an independent, publicly owned corporation, a consolidation, a sale, exchange or other disposition of all or substantially all of the Corporation's assets, (iv) of a substantial change in the composition of the Board during any period of two consecutive years such that individuals who at the beginning of such period were members of the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the shareowners of the Corporation, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period, or (v) of any transaction or other event which the Committee, in its sole

subsidiary or savings, pension or other benefit plan for the benefit of employees of the Corporation or its subsidiaries) which theretofore beneficially owned less than 30% of the Corporation's common stock (the "Common Stock") then outstanding, acquires shares of Common Stock in a transaction or a series of transactions that results in such entity, person or group directly or indirectly owning beneficially 30% or more of the outstanding Common Stock, (ii) of the purchase of Common Stock pursuant to a tender offer or exchange offer (other than an offer by the Corporation) for all, or any part of, the Common Stock, (iii) of a merger in which the Corporation will not survive as an independent, publicly owned corporation, a consolidation, a sale, exchange or other disposition of all or substantially all of the Corporation's assets, (iv) of a substantial change in the composition of the Board during any period of two consecutive years such that individuals who at the beginning of such period were members of the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the shareowners of the Corporation, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period, or (v) of any transaction or other event which the Committee, in its sole discretion, determines to be a Change in Control for purposes of the Plan. Notwithstanding the foregoing, for purposes of clause (ii) of Paragraph 11(a), a Change in Control shall be deemed to occur only if the Change in Control constitutes a change in the ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation within the meaning of Section 409A of the Code and its corresponding regulations.

12. Administration.

(a) Plan Administrator. The Plan Administrator and "named fiduciary" for purposes of the Employee Income Retirement Security Act of 1974, as amended ("ERISA") shall be the Senior Vice President-Human Resources and Communications of the Corporation (or the person acting in such capacity in the event such position is abolished, restructured or renamed). The Plan Administrator shall have the authority to appoint one or more other named fiduciaries of the Plan and to designate persons, other than named fiduciaries, to carry out fiduciary responsibilities under the Plan, pursuant to Section 405(c)(1)(B) of ERISA. Any person acting on behalf of the Plan Administrator shall serve without additional compensation. The Plan Administrator shall keep or cause to be kept such records and shall prepare or cause to be prepared such returns or reports as may be required by law or necessary for the proper administration of the Plan.

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

The Plan Administrator shall be entitled to rely on the records of the Corporation and its subsidiaries in determining any Participant's entitlement to and the amount of benefits payable under the Plan. Any determination of the Plan Administrator, including interpretations of the Plan and determinations of questions of fact, shall be final and binding on all parties.

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

13. Claims Procedures and Appeals.

(a) A written request for a Plan benefit is a claim and the person making such claim is a claimant. Any claim must be

The Plan Administrator shall be entitled to rely on the records of the Corporation and its subsidiaries in determining any Participant's entitlement to and the amount of benefits payable under the Plan. Any determination of the Plan Administrator, including interpretations of the Plan and determinations of questions of fact, shall be final and binding on all parties.

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

13. Claims Procedures and Appeals.

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

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

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

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

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

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

(v) advise the claimant of his right to bring a civil action under Section 502(a) of ERISA, following an adverse benefit determination on review.

(c) When a claimant receives notice of denial of a claim or does not receive notification of acceptance or denial within 90 days after submitting a claim, the claimant, either in person or by duly authorized representative, may:

(i) request, in writing, a review of the claim by the Plan Administrator;

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(ii) review pertinent documents relating to the denial;

(iii) submit issues and comments in writing; and

(iv) request, in writing, a hearing with the Plan Administrator; provided that the claimant takes appropriate action within 60 days after receiving notice of denial.

(d) The Plan Administrator shall make its decision with respect to a claim review promptly, but not later than 60 days after receipt of the request. Such 60-day period may be extended for another period of 60 days if the Plan Administrator reviewing the claim finds that special circumstances require an extension of time for processing.

(ii) review pertinent documents relating to the denial;

(iii) submit issues and comments in writing; and

(iv) request, in writing, a hearing with the Plan Administrator; provided that the claimant takes appropriate action within 60 days after receiving notice of denial.

(d) The Plan Administrator shall make its decision with respect to a claim review promptly, but not later than 60 days after receipt of the request. Such 60-day period may be extended for another period of 60 days if the Plan Administrator reviewing the claim finds that special circumstances require an extension of time for processing.

(e) The final decision of the Plan Administrator shall be in writing, (i) give specific reason(s) for the adverse decision, (ii) make specific references to the pertinent Plan provisions on which the decision is based, (iii) include a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits, and (iv) a statement describing any voluntary appeals procedures offered by the Plan and the claimant's right to obtain information about such procedures, and a statement of the claimant's right to bring an action under Section 502(a) of ERISA. All interpretations, determinations and decisions of the Plan Administrator in respect of any claim shall be made in its sole discretion based on the applicable Plan documents and shall be final, conclusive and binding on all parties.

14. Miscellaneous.

(a) No Alienation of Benefits. Except insofar as may otherwise be required by law, no amount payable at any time under the Plan shall be subject in any manner to alienation by anticipation, sale, transfer, assignment, bankruptcy, pledge, attachment, charge, or encumbrance of any kind nor in any manner be subject to the debts or liabilities of any person and any attempt to so alienate or subject any such amount, whether presently or thereafter payable, shall be void. If any person shall attempt to, or shall alienate, sell, transfer, assign, pledge, attach, charge, or otherwise encumber any amount payable under the Plan, or any part thereof, or if by reason of such person's bankruptcy or other event happening at any such time such amount would be made subject to the person's debts or liabilities or would otherwise not be enjoyed by that person, then the Corporation, to the extent permitted under Section 409A of the Code, if it so elects, may direct that such amount be withheld and that same or any part thereof be paid or applied to or for the benefit of such person, the person's spouse, children or other dependents, or any of them, in such manner and proportion as the Corporation may deem proper.

(b) No Right or Interest in Corporation's Assets. Neither the Corporation nor any of its affiliates shall be required to reserve or otherwise set aside funds for the payment of obligations arising under this Plan. The Corporation may, in its sole discretion, establish funds, segregate assets or take such other action as it shall determine necessary or appropriate to secure the payment of its obligations arising under this Plan. This Plan is intended to be unfunded for tax purposes and for purposes of Title I of the ERISA. Nothing contained herein, and no action taken pursuant to the provisions of this Plan shall create or be construed to create a trust of any

kind, or a fiduciary relationship between the Corporation and any Participant or any other person. To the extent that any person acquires a right to receive payments under this Plan, such right shall be no greater than the right of an unsecured creditor of the Corporation.

(c) Amendment. The Corporation may amend, modify or terminate the Plan at any time, or from time to time; provided, however, that no change to the Plan shall impair the right of any Participant with respect to amounts then credited to an Account; and further provided that during a Potential Change in Control Period (as defined in Paragraph 14(i) hereof) and from and after the occurrence of a Change in Control, the Plan may not, without the consent of the Participant, be amended in any manner which would adversely affect such Participant's rights and expectations with respect to Deferral Amounts credited to such Participant's Account immediately prior to such amendment, unless an

kind, or a fiduciary relationship between the Corporation and any Participant or any other person. To the extent that any person acquires a right to receive payments under this Plan, such right shall be no greater than the right of an unsecured creditor of the Corporation.

(c) Amendment. The Corporation may amend, modify or terminate the Plan at any time, or from time to time; provided, however, that no change to the Plan shall impair the right of any Participant with respect to amounts then credited to an Account; and further provided that during a Potential Change in Control Period (as defined in Paragraph 14(i) hereof) and from and after the occurrence of a Change in Control, the Plan may not, without the consent of the Participant, be amended in any manner which would adversely affect such Participant's rights and expectations with respect to Deferral Amounts credited to such Participant's Account immediately prior to such amendment, unless an amendment is required to comply with the requirements of Section 409A of the Code.

(d) Accounting. Each Participant shall receive periodic statements (not less frequently than annually) setting forth the cumulative Deferral Amounts and Interest Equivalents credited to, and any distributions from, the Participant's Account.

(e) Facility of Payments. If the Corporation shall find that any person to whom any amount is payable under the Plan is unable to care for his affairs because of illness or accident, or is a minor, or has died, then any payment due the person or the person's estate (unless a prior claim therefore has been made by a duly appointed legal representative), may, if the Corporation so elects in its sole discretion, be paid to the person's spouse, a child, a relative, an institution having custody of such person, or any other person deemed by the Corporation to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Corporation and the Plan therefore.

(f) Offset. To the maximum extent permitted under Section 409A of the Code and its corresponding regulations, if a Participant becomes entitled to a distribution of benefits under the Plan, and if at such time the Participant has outstanding any debt, obligation, or other liability representing an amount owing to the Corporation or any participating affiliate, then the Corporation may offset such amount owed to the Corporation or the participating affiliate against the amount of benefits otherwise distributable. Such determination shall be made by the Plan Administrator.

(g) Governing Law. The Plan is intended to constitute an unfunded deferred compensation arrangement for a select group of management or highly compensated personnel and all rights thereunder shall be governed by and construed in accordance with the laws of New York.

(h) Withholding Taxes. The Corporation may make such provisions and take such action as it may deem necessary or appropriate for the withholding of any taxes which the Corporation or one of its affiliates is required by any law or regulation of any governmental authority, whether Federal, state, local or foreign, to withhold in connection with any benefits under the Plan, including, but not limited to, the withholding of appropriate sums from any

amount otherwise payable to the Participant (or his beneficiary). Each Participant, however, shall be responsible for the payment of all individual tax liabilities relating to any such benefits.

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

amount otherwise payable to the Participant (or his beneficiary). Each Participant, however, shall be responsible for the payment of all individual tax liabilities relating to any such benefits.

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

(j) Section 409A. The Plan is intended to comply with the applicable requirements of Section 409A of the Code and its corresponding regulations and related guidance with respect to amounts credited to the Non-Grandfathered Accounts of Participants, and shall be administered in accordance with Section 409A of the Code with respect to such Accounts. Notwithstanding anything in the Plan to the contrary, elections to defer compensation into Non-Grandfathered Accounts under the Plan, and distributions of Non-Grandfathered Accounts, may only be made in a manner and upon an event permitted by Section 409A of the Code. To the extent that any provision of the Plan would cause a conflict with the requirements of Section 409A of the Code, or would cause the administration of the Plan to fail to satisfy the requirements of Section 409A of the Code, such provision shall be deemed null and void to the extent permitted by applicable law. Other than a valid Election Form, in no event shall a Participant, directly or indirectly, designate the calendar year of payment with respect to Non-Grandfathered Accounts. For avoidance of doubt, deferrals under the Plan are maintained on a Plan Year basis.

SCHEDULE A

Notional Interest Rate

Deferred Incentive Awards (Band 6 and Above)

<u>Year Award Earned</u>	<u>Vested Rate</u>	<u>Contingent Rate</u>	<u>Total Rate</u>
1975 – 1992	Treasury bills + 3%*	N/A	Treasury bills + 3%*
1993 – 1997	10%	N/A	10%
1998 – 2000	8%	3%	11%
2001- 2002	7%	3%	10%
2003	3%	5%	8%
2004**	3%	5%	8%
2005**	8%**	N/A	8%**
2006	5.8%**	N/A	5.8%**
2007	5.8%**	N/A	5.8%**
2008	6.3%**	N/A	6.3%**
2009	7.2%**	N/A	7.2%**

SCHEDULE A

Notional Interest Rate

Deferred Incentive Awards (Band 6 and Above)

<u>Year Award Earned</u>	<u>Vested Rate</u>	<u>Contingent Rate</u>	<u>Total Rate</u>
1975 – 1992	Treasury bills + 3%*	N/A	Treasury bills + 3%*
1993 – 1997	10%	N/A	10%
1998 – 2000	8%	3%	11%
2001- 2002	7%	3%	10%
2003	3%	5%	8%
2004**	3%	5%	8%
2005**	8%**	N/A	8%**
2006	5.8%**	N/A	5.8%**
2007	5.8%**	N/A	5.8%**
2008	6.3%**	N/A	6.3%**
2009	7.2%**	N/A	7.2%**

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

**/For periods on and after January 1, 2006, rate is based on the Corporation's 15-year borrowing rate and is subject to change annually.

Deferred Incentive Awards (Band 5 and Below)

<u>Year Award Earned</u>	<u>Vested Rate</u>	<u>Contingent Rate</u>	<u>Total Rate</u>
1975 – 1997	Treasury bills + 3%*	N/A	Treasury bills + 3%*
1998 - 2002	6%	3%	9%

2003	3%	5%	8%
2004**	3%	5%	8%**
2005**	8%**	N/A	8%**
2006	5.8%**	N/A	5.8%**
2007	5.8%**	N/A	5.8%**
2008	6.3%**	N/A	6.3%**
2009	7.2%**	N/A	7.2%**

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

2003	3%	5%	8%
2004**	3%	5%	8%**
2005**	8%**	N/A	8%**
2006	5.8%**	N/A	5.8%**
2007	5.8%**	N/A	5.8%**
2008	6.3%**	N/A	6.3%**
2009	7.2%**	N/A	7.2%**

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

**/For periods on and after January 1, 2006, rate is based on the Corporation's 15-year borrowing rate and is subject to change annually.

Deferred Salary (Band 6 and Above)

<u>Year Salary Earned</u>	<u>Vested Rate</u>	<u>Contingent Rate</u>	<u>Total Rate</u>
1994 – 1998	10%	N/A	10%
1999 – 2001	8%	3%	11%
2002 - 2002	7%	3%	10%
2003	3%	5%	8%
2004	3%	5%	8%
2005**	3%	5%	8%

**/For periods on and after January 1, 2006, rate is subject to change.

**Amendment to the
1993 Stock Plan
For Employees of
Honeywell International and its Affiliates**

The 1993 Stock Plan for Employees of Honeywell International Inc. and its Affiliates (the "Plan") is hereby amended effective January 1, 2009 as follows:

1. By adding the following language to the end of the definition of "Total Disability": "provided that, to the extent an Award subject to Section 409A of the Code shall become payable upon an employee's Disability, a Disability shall not be deemed to have occurred for such purposes unless the circumstances would also result in a "disability" within the meaning of Section 409A of the Code."

2. By adding the following sentence to the end of the definition of "Acquisition Price per Share": Notwithstanding the foregoing, with respect to Limited Rights that were not fully vested as of October 1, 2004, the Acquisition Price per Share shall (A) be equal to the Fair Market Value per Share on the date on which the Limited Right is converted into cash or (B) be otherwise reasonably determined by the Committee, in accordance with Section 409A of the Code and the regulations promulgated thereunder.

3. By adding the following sentence to the end of the definition of "Merger Price per Share": Notwithstanding the

foregoing, with respect to Limited Rights that were not fully vested as of October 1, 2004, the Merger Price per Share shall (A) be equal to the Fair Market Value per Share on the date on which the Limited Right is converted into cash or (B) be otherwise reasonably determined by the Committee, in accordance with Section 409A of the Code and the regulations promulgated thereunder.

4. By adding the following sentence to the end of the definition of “Offer Price per Share”: Notwithstanding the foregoing, with respect to Limited Rights that were not fully vested as of October 1, 2004, the Offer Price per Share shall (A) be equal to the Fair Market Value per Share on the date on which the Limited Right is converted into cash or (B) be otherwise reasonably determined by the Committee, in accordance with Section 409A of the Code and the regulations promulgated thereunder.

5. By adding the following sentence to the end of the definition of “Spread”: Notwithstanding the foregoing, with respect to Limited Rights that were not fully vested as of October 1, 2004, the Spread shall be an amount equal to the product computed by multiplying (i) the excess of (A) the Fair Market Value per Share on the date on which the Limited Right is converted into cash over (B) the option price per Share at which the related Stock Option is exercisable, by (ii) t (A) be equal to the Fair Market Value on the applicable Acceleration Date of one Share or (B) the number of Shares with respect to which the Limited Right is being converted into cash.

6. By adding the following language to the end of the last sentence of Section 5: “, provided that such Dividend Equivalents or notional interest is paid in accordance with the provisions of Section 409A of the Code.”

7. By adding the following sentence to the end of Section 10(d): “Notwithstanding anything herein to the contrary, in no event shall the delivery of Shares and/or payment of cash in connection with a restricted Unit occur later than the fifteenth day of the third month following the end of the year in which the restrictions lapsed.”

8. By adding the following sentence to the end of each of Section 10(e) and Section 12(e): “Notwithstanding the foregoing, no such deferral shall be permitted unless it complies with the requirements of Section 409A of the Code.”

9. By adding the following Section 23: “23. Section 409A of the Code. In no event shall a Stock Option or Right have an “additional deferral feature” as described in Section 409A of the Code, thereby subjecting the Stock Option or Right to the Requirements of Section 409A. With respect to Units and any other Awards subject to Section 409A of the Code, this Plan is intended to comply with the requirements of such Section, and the provisions hereof shall be interpreted in a manner that satisfies the requirements of such Section and the related regulations, and the Plan shall be operated accordingly. If any provision of this Plan or any term or condition of any Award would otherwise frustrate or conflict with this intent, the provision, term or condition will be interpreted and deemed amended so as to avoid this conflict. In addition, notwithstanding anything herein to the contrary, in the event an employee is a “specified employee” (within the meaning of Section 409A(2)(B) of the code) as of the date of such employee’s separation from service (as determined pursuant to Section 409A of the Code), any Awards subject to Section 409A of the Code payable to such Participant as a result of his or her separation from service, shall be paid on the first business day of the first calendar month that begins after the six-month anniversary of the date of the separation from service, or, if earlier, the date of the employee’s death.

10. The primary purpose of this amendment is to protect participants in the Plan against the substantial unanticipated tax liability that would result from the Plan’s failure to comply with Code section 409A. Accordingly, to the extent that an amendment to the Plan requires the consent of an individual participant, each participant shall be deemed to have consented to the amendment unless the participant provides written notice of his objection within a reasonable period after being notified of the amendment.

11. This amendment shall not affect any amounts that are deferred before January 1, 2005, within the meaning of Code section 409A and the AJCA, and no change shall be made in the administration of the Plans that would constitute a “material modification” of the Plans with respect to such amounts. Nothing in this amendment shall be construed to prevent Honeywell International Inc. (the “Corporation”) from amending any Plan at a later date to apply the restrictions set forth in Code section 409A to amounts deferred before January 1, 2005, or to prevent the Corporation from

6. By adding the following language to the end of the last sentence of Section 5: “, provided that such Dividend Equivalents or notional interest is paid in accordance with the provisions of Section 409A of the Code.”

7. By adding the following sentence to the end of Section 10(d): “Notwithstanding anything herein to the contrary, in no event shall the delivery of Shares and/or payment of cash in connection with a restricted Unit occur later than the fifteenth day of the third month following the end of the year in which the restrictions lapsed.”

8. By adding the following sentence to the end of each of Section 10(e) and Section 12(e): “Notwithstanding the foregoing, no such deferral shall be permitted unless it complies with the requirements of Section 409A of the Code.”

9. By adding the following Section 23: “23. Section 409A of the Code. In no event shall a Stock Option or Right have an “additional deferral feature” as described in Section 409A of the Code, thereby subjecting the Stock Option or Right to the Requirements of Section 409A. With respect to Units and any other Awards subject to Section 409A of the Code, this Plan is intended to comply with the requirements of such Section, and the provisions hereof shall be interpreted in a manner that satisfies the requirements of such Section and the related regulations, and the Plan shall be operated accordingly. If any provision of this Plan or any term or condition of any Award would otherwise frustrate or conflict with this intent, the provision, term or condition will be interpreted and deemed amended so as to avoid this conflict. In addition, notwithstanding anything herein to the contrary, in the event an employee is a “specified employee” (within the meaning of Section 409A(2)(B) of the code) as of the date of such employee’s separation from service (as determined pursuant to Section 409A of the Code), any Awards subject to Section 409A of the Code payable to such Participant as a result of his or her separation from service, shall be paid on the first business day of the first calendar month that begins after the six-month anniversary of the date of the separation from service, or, if earlier, the date of the employee’s death.

10. The primary purpose of this amendment is to protect participants in the Plan against the substantial unanticipated tax liability that would result from the Plan’s failure to comply with Code section 409A. Accordingly, to the extent that an amendment to the Plan requires the consent of an individual participant, each participant shall be deemed to have consented to the amendment unless the participant provides written notice of his objection within a reasonable period after being notified of the amendment.

11. This amendment shall not affect any amounts that are deferred before January 1, 2005, within the meaning of Code section 409A and the AJCA, and no change shall be made in the administration of the Plans that would constitute a “material modification” of the Plans with respect to such amounts. Nothing in this amendment shall be construed to prevent Honeywell International Inc. (the “Corporation”) from amending any Plan at a later date to apply the restrictions set forth in Code section 409A to amounts deferred before January 1, 2005, or to prevent the Corporation from amending any Plan in a manner that constitutes a “material modification” of the Plan with respect to such amounts.

Article I - Purpose

Effective November 20, 1975, Allied Corporation adopted the Allied Corporation Supplemental Retirement Plan for Executives and Key Employees. Such plan was amended and restated effective January 1, 2000 as the Honeywell International Inc. Supplemental Pension Plan (the "Plan"). Such plan is further amended and restated effective January 1, 2009 to comply with Section 409A of the Code.

The purpose of the Plan is to provide participants and their joint annuitants and beneficiaries under the Pension Plan with the amount of retirement income that is not provided under the Pension Plan because the participant deferred compensation under one or more nonqualified deferred compensation plans of Honeywell International Inc., including the Incentive Plan and the Supplemental

Savings Plans or, by reason of the limits imposed by Section 415 and 401(a)(17) of the Code. The Plan is also intended to cover any contractual obligation Honeywell has to pay pension benefits that cannot be provided under the provisions of the Pension Plan.

The Plan as amended and restated effective January 1, 2009 applies to a participant who (i) has any portion of a Supplemental Benefit that accrues on or after January 1, 2005, (ii) has any portion of a Supplemental Benefit that accrued prior to January 1, 2005 but was vested on or after December 31, 2004, or (iii) has an increase in the value of any subsidy with respect to Grandfathered Benefits payable upon retirement before the Pension Plan's normal retirement date that accrues or increases as a result of service after December 31, 2004. The Plan preceding this amendment and restatement applies to a participant not described in clause (iii) of the preceding sentence whose entire Supplemental Benefit accrued and vested before January 1, 2005 ("Grandfathered Benefit").

Except to the extent otherwise indicated, and to the extent otherwise inappropriate, the Pension Plan and the provisions thereof are hereby incorporated by reference.

Article II - Definitions

2.1 Accrued Pension Benefit - means the amount of retirement income payable under the Pension Plan to or with respect to a participant at the date required by this Plan.

2.2 Actuarial Equivalent or Actuarially Equivalent – means, except as otherwise provided in the Plan, a benefit having the same actuarial value as the benefit it replaces, determined using the same assumptions and methods as are used for determining actuarial equivalency benefit under the Pension Plan.

2.3 Board of Directors - means the Board of Directors of Honeywell.

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

2.5 Committee - means the Management Development and Compensation Committee of Honeywell.

2.6 Deferral Plan - means the Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc. and its Affiliates, as the same may be amended from time to time.

2.7 Earliest Retirement Date – means the earliest date as of which the participant would be eligible to commence the receipt of his Pension Plan benefit, whether or not he elects to commence receipt of such Pension Plan benefit as of such date.

2.8 Honeywell - means Honeywell International Inc., a Delaware corporation and its subsidiaries.

2.9 Incentive Plan - means the Honeywell International Inc. Incentive Compensation Plan for Executive Employees, and all predecessor and successor plans.

2.10 Pension Plan - means the AlliedSignal Inc. Retirement Program (or any successor defined benefit pension plan) and any other defined benefit pension plan covering salaried employees of Honeywell International Inc. other than (i) this Plan, (ii) the portion of any defined benefit pension plan providing benefits to employees under the Honeywell Retirement Benefit Plan formula, the UOP Pension Plan formula, the UOP International Pension Plan for US Employees, the Norcross pension plan formula and the Novar pension plan formula and provisions of such pension plans, and (iii) the AlliedSignal Pension Plan for Contractual Obligations. Notwithstanding the foregoing, any Plan participant who is a participant in a plan described in subclause (ii) above and who has waived his or her right to the change in control benefit to which he or she was previously entitled under the terms of a severance agreement or plan maintained by Honeywell Inc. and is a participant in the Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Band 6 and Above shall have this definition apply without regard to subclause (ii) above.

2.11 Plan - means the Honeywell International Inc. Supplemental Pension Plan.

2.12 Separation from Service Date – means the date on which the participant's separation from service with Honeywell and its subsidiaries and affiliates occurs within the meaning of Section 409A of the Code. A participant's Separation from Service Date occurs when the facts and circumstances indicate that Honeywell and the participant reasonably anticipate that no further services will be performed after a certain date or that the level of services the participant will perform after such date will permanently decrease to no more than 20% of the average level of services performed over the immediately preceding 36-month period (or, if shorter, the entire period of the participant's employment by Honeywell and its subsidiaries and affiliates).

2.13 Specified Employee – means any participant who, at any time during the twelve (12) month period ending on the identification date (as determined by the Vice President, Compensation and Benefits or his delegate), is a specified employee under Section 409A of the Code, as determined by the Vice President, Compensation and Benefits or his delegate, which determination of “specified employees” and identification date shall be made by the Vice President, Compensation and Benefits or his delegate in accordance with the provisions of Sections 416(i) and 409A of the Code and the regulations issued thereunder.

2.14 Supplemental Benefit - means the excess, if any, of (i) the retirement income payable to or with respect to a participant under the Pension Plan that would have been accrued by the participant (1) had the amount of deferred compensation awards under the Incentive Plan been compensation included for calculating benefits under the Pension Plan in the year the award would otherwise have been earned or payable as recognized by the Pension Plan, (2) had participant deferred contributions, as that term is defined in the Supplemental Savings Plan, been compensation included for calculating benefits under the Pension Plan in the year the compensation would otherwise have been earned or payable as recognized by the Pension Plan, (3) had the portion of base annual salary and incentive awards deferred by a participant under the terms of the Deferral Plan, been compensation included for calculating benefits under the Pension Plan in the year the compensation would otherwise have been earned or payable as recognized by the Pension Plan, (4) had the limits of Code Section 415 and 401(a)(17) not been incorporated in the Pension Plan, and (5) had the participant met all the requirements for a benefit from the Pension Plan with respect to all other pension benefits which Honeywell has become contractually obligated to pay to the participant, over (ii) the participant's Accrued Pension Benefit. A participant's Supplemental Benefit shall include an estimate of any compensation or service that is required to be taken into account under the Pension Plan after the participant receives payment of his Supplemental Benefit.

2.15 Supplemental Savings Plans - means the Supplemental Non-Qualified Savings Plans for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries, as the same may be amended from time to time.

Article III - Participation

Participation in the Plan shall be limited to:

(a) those participants in the Pension Plan (and their joint annuitants and beneficiaries) who as a result of having deferred an award under the Incentive Plan or having deferred compensation under the Supplemental Savings Plan or the Deferral Plan, receive or shall receive a lesser amount under the Pension Plan than would otherwise be paid or payable in the absence of such deferral;

(b) those participants in the Pension Plan (and their joint annuitants and beneficiaries) who as a result of the limitations contained in Code Sections 415 or 401(a)(17) receive or will receive a lesser amount under the Pension Plan than would otherwise be paid or payable in the absence of such limitations; and

(c) any employee who has entered into a contractual agreement with Honeywell under which Honeywell shall, after the termination of employment of the

employee, provide a benefit in the form of a life annuity for the employee (and the employee's joint annuitant or beneficiary) as provided under the terms of the contractual agreement.

Article IV - Supplemental Benefit

4.01 Payment of Supplemental Benefit

(a) Supplemental Benefits shall be payable directly to such participant, or such participant's joint annuitant or beneficiary, as applicable, from the general assets of Honeywell and Honeywell shall not be under any obligation to set aside any funds or other assets for the payment of the Supplemental Benefits under this Plan. Honeywell may, in its sole discretion, establish funds for payment of these Supplemental Benefits. However, any and all such funds shall remain assets of Honeywell and subject to the claims of creditors of the corporation. Such funds, if any, shall not be deemed to be assets of this Plan.

Notwithstanding the preceding paragraph, the Committee is authorized (but not required) to cause Honeywell (or any successor thereto) to fund all or a part of the Supplemental Benefits for such participant or participants as it may select in its sole discretion from time to time. The amount of such funded Supplemental Benefits shall not be assets of Honeywell and shall not be subject to the claims of creditors of Honeywell. Such participants, if any, and the amount of any funded Supplemental Benefits shall be designated in Appendix A and the Supplemental Benefits of any participant not designated in Appendix A or the portion of any Supplemental Benefit not funded as designated in Appendix A shall not be so funded and shall remain subject to the provisions of the preceding paragraph of this Section 4.01(a) . A participant designated on Appendix A who is married on the date any funded Supplemental Benefits

employee, provide a benefit in the form of a life annuity for the employee (and the employee's joint annuitant or beneficiary) as provided under the terms of the contractual agreement.

Article IV - Supplemental Benefit

4.01 Payment of Supplemental Benefit

(a) Supplemental Benefits shall be payable directly to such participant, or such participant's joint annuitant or beneficiary, as applicable, from the general assets of Honeywell and Honeywell shall not be under any obligation to set aside any funds or other assets for the payment of the Supplemental Benefits under this Plan. Honeywell may, in its sole discretion, establish funds for payment of these Supplemental Benefits. However, any and all such funds shall remain assets of Honeywell and subject to the claims of creditors of the corporation. Such funds, if any, shall not be deemed to be assets of this Plan.

Notwithstanding the preceding paragraph, the Committee is authorized (but not required) to cause Honeywell (or any successor thereto) to fund all or a part of the Supplemental Benefits for such participant or participants as it may select in its sole discretion from time to time. The amount of such funded Supplemental Benefits shall not be assets of Honeywell and shall not be subject to the claims of creditors of Honeywell. Such participants, if any, and the amount of any funded Supplemental Benefits shall be designated in Appendix A and the Supplemental Benefits of any participant not designated in Appendix A or the portion of any Supplemental Benefit not funded as designated in Appendix A shall not be so funded and shall remain subject to the provisions of the preceding paragraph of this Section 4.01(a). A participant designated on Appendix A who is married on the date any funded Supplemental Benefits commence under Section 4.01(b) must obtain the written consent of the participant's spouse in the form and manner prescribed by the Committee to the election of any form of payment of such funded Supplemental Benefits other than a 50% joint and survivor annuity with the participant's spouse designated as the joint annuitant. The Committee is authorized to select, appoint and remove trustees or other entities or individuals, to enter into, amend and terminate trust or other agreements, to create trust or other secured funds, to cause Honeywell to make contributions to such funds in such amounts as the Committee may determine from time to time and to take all other actions that it may determine to be necessary or helpful in implementing the funding, including providing for the payment of Supplemental Benefits in accordance with applicable law.

(b) The following rules shall be used in determining the time and form of payment for a participant's Supplemental Benefit:

(1) Except as otherwise provided in this paragraph (b), the Actuarial Equivalent value of a participant's Supplemental Benefit shall be paid in a single lump sum payment as of the first day of the month following 105 days after the later of the participant's Separation from Service Date or Earliest Retirement Date. For purposes of this clause (1), the Earliest Retirement Date of a participant who participates in the Retirement Earnings Plan formula of the Pension Plan shall be his Separation from Service Date.

(2) A participant who was provided a payment election for his Supplemental Benefit prior to January 1, 2009 other than a participant described in clause (3) and who elected an annuity as his payment form shall, prior to his benefit commencement date, be entitled to elect from among the Actuarially Equivalent annuity forms of payment available to the participant under the Pension Plan other than annuity forms with a level income option. Such payments will begin as of the first day of the month following 105 days after the later of the participant's Separation from Service Date or Earliest Retirement Date. If a participant fails to elect an annuity payment form by the required date, his Supplemental Benefit shall be paid in a single life annuity if he is unmarried on his benefit commencement date or in a joint and 50% survivor annuity, with his opposite sex spouse on his benefit commencement date as his contingent annuitant, if he is married on his benefit commencement date.

(3) A participant who is listed on Schedule B of the Plan shall have his Supplemental Benefits paid or begin to be paid as of the date indicated on Schedule B in the payment form elected by such participant; provided that a participant who elected an annuity as his payment form shall, prior to his benefit commencement date, be entitled to elect from among the Actuarially Equivalent annuity forms of payment available to the participant under the Pension Plan other than annuity forms with a level income option. If a participant fails to elect an annuity payment form, his Supplemental Benefit shall be paid in a single life annuity if he is unmarried on his benefit commencement date or in a joint and 50% survivor annuity, with his opposite sex spouse on his benefit commencement date as his contingent annuitant, if he is married on his benefit commencement date.

(4) A participant who is entitled to disability pension benefits under the Pension Plan that qualify as "ancillary benefits" shall continue to receive such benefits as required by the Pension Plan as long as the participant satisfies the conditions applicable to such benefits. The Actuarial Equivalent value of such participant's Supplemental Benefit at retirement shall be paid as of the first day of the month following 105 days after the latest date the ancillary disability pension benefits could be paid, whether or not the ancillary

(2) A participant who was provided a payment election for his Supplemental Benefit prior to January 1, 2009 other than a participant described in clause (3) and who elected an annuity as his payment form shall, prior to his benefit commencement date, be entitled to elect from among the Actuarially Equivalent annuity forms of payment available to the participant under the Pension Plan other than annuity forms with a level income option. Such payments will begin as of the first day of the month following 105 days after the later of the participant's Separation from Service Date or Earliest Retirement Date. If a participant fails to elect an annuity payment form by the required date, his Supplemental Benefit shall be paid in a single life annuity if he is unmarried on his benefit commencement date or in a joint and 50% survivor annuity, with his opposite sex spouse on his benefit commencement date as his contingent annuitant, if he is married on his benefit commencement date.

(3) A participant who is listed on Schedule B of the Plan shall have his Supplemental Benefits paid or begin to be paid as of the date indicated on Schedule B in the payment form elected by such participant; provided that a participant who elected an annuity as his payment form shall, prior to his benefit commencement date, be entitled to elect from among the Actuarially Equivalent annuity forms of payment available to the participant under the Pension Plan other than annuity forms with a level income option. If a participant fails to elect an annuity payment form, his Supplemental Benefit shall be paid in a single life annuity if he is unmarried on his benefit commencement date or in a joint and 50% survivor annuity, with his opposite sex spouse on his benefit commencement date as his contingent annuitant, if he is married on his benefit commencement date.

(4) A participant who is entitled to disability pension benefits under the Pension Plan that qualify as "ancillary benefits" shall continue to receive such benefits as required by the Pension Plan as long as the participant satisfies the conditions applicable to such benefits. The Actuarial Equivalent value of such participant's Supplemental Benefit at retirement shall be paid as of the first day of the month following 105 days after the latest date the ancillary disability pension benefits could be paid, whether or not the ancillary disability pension benefits continue to be paid to such date. The form of payment shall be determined in accordance with clause (1) or (2) as applicable.

(5) A participant who is entitled to a Supplemental Benefit and whose Separation from Service Date and Earliest Retirement Date both occurred before July 1, 2009 (other than a participant described in clause (3)) shall receive his Supplemental Benefits as of July 1, 2009, with the form of payment determined in accordance with clause (1) or (2) as applicable.

(c) A participant's Supplemental Benefit shall include an estimate of any service or compensation (such as during a severance period or bridge leave of absence) following the participant's benefit commencement date that is required to be taken into account in calculating a participant's Supplemental Benefit. In no event shall Honeywell be required to recalculate or otherwise true up the Supplemental Benefit actually paid.

(d) For the purpose of determining the Actuarial Equivalent present value of a participant's accrued Supplemental Benefit, the "Applicable Mortality Table" and the "Applicable Interest Rate" shall be used, as defined below.

(1) The "Applicable Mortality Table" means the mortality table prescribed by the Secretary of the Treasury pursuant to Code Section 417(e). Such table shall be based on the prevailing commissioners' standard table (described in Code Section 807(d)(5)(A)) used to determine reserves for group annuity contracts issued on the date as of which the present value is being determined (without regard to any other subparagraph of Code Section 807(d)(5)).

(2) The "Applicable Interest Rate" means the average annual rate of interest on 30-year Treasury securities determined as of the third calendar month preceding the month during which the benefit commencement occurs.

(e) In the event that a Supplemental Benefit becomes payable and the relevant Pension Plan or agreement is terminated in accordance with its terms, then the participant shall have a right to only the Supplemental Benefit accrued to the date of termination of the relevant Pension Plan or agreement. In such event, Honeywell shall remain liable for the payment of the Supplemental Benefit and payment shall be made at such times and in such manner as provided in this Section 4.01.

(d) For the purpose of determining the Actuarial Equivalent present value of a participant's accrued Supplemental Benefit, the "Applicable Mortality Table" and the "Applicable Interest Rate" shall be used, as defined below.

(1) The "Applicable Mortality Table" means the mortality table prescribed by the Secretary of the Treasury pursuant to Code Section 417(e). Such table shall be based on the prevailing commissioners' standard table (described in Code Section 807(d)(5)(A)) used to determine reserves for group annuity contracts issued on the date as of which the present value is being determined (without regard to any other subparagraph of Code Section 807(d)(5)).

(2) The "Applicable Interest Rate" means the average annual rate of interest on 30-year Treasury securities determined as of the third calendar month preceding the month during which the benefit commencement occurs.

(e) In the event that a Supplemental Benefit becomes payable and the relevant Pension Plan or agreement is terminated in accordance with its terms, then the participant shall have a right to only the Supplemental Benefit accrued to the date of termination of the relevant Pension Plan or agreement. In such event, Honeywell shall remain liable for the payment of the Supplemental Benefit and payment shall be made at such times and in such manner as provided in this Section 4.01.

(f) Except to the extent that a participant's Supplemental Benefit is funded as described in Section 4.01(a), the rights and interest of any participant, joint annuitant, or beneficiary to a Supplemental Benefit under this Plan shall be the same as any other unsecured creditor of Honeywell (or any successor thereto). In the event of any bankruptcy proceeding by or against Honeywell, a participant, joint annuitant or beneficiary shall be entitled to prove a claim for any unpaid portion of the benefit provided by the Plan.

(g) No person shall have a right to acceleration of any payment under the Plan. No person shall be entitled to anticipate such benefit by assignment, pledge or transfer in any form or manner prior to actual or constructive receipt of payment.

(h) Notwithstanding any provision of this Section 4.01 to the contrary, if a participant is a Specified Employee at his Separation from Service Date and payment under this Section 4.01 is required to be made or commence within the 6-month period following his Separation from Service Date, such payment shall be delayed if it is to be made in a single lump sum payment or accumulated if it is to be made in an annuity until the earlier of the first day of the seventh month following the Separation from Service Date or the first day of the month following the participant's death, with no interest or earnings accruing on the delayed payments.

4.02 Death Benefits

(a) If a participant receives his Supplemental Benefit in a single lump sum payment, no Supplemental Benefit shall be paid to his surviving spouse or beneficiary following his death.

(b) If a participant elects to receive his Supplemental Benefit in an annuity that provides a survivor annuity or death benefit, the participant's surviving spouse or beneficiary, as applicable, shall receive the applicable survivor benefit or death benefit following the participant's death.

(c) If a participant dies before he receives his Supplemental Benefit, his surviving spouse or beneficiary shall receive the Actuarial Equivalent value of any pre-retirement surviving spouse benefits or death benefits provided by the Pension Plan (1) in the form of the annuity required by the Pension Plan if the participant elected to receive his Supplemental Benefits in an annuity, or (2) in all other cases, in the form of a single lump sum payment. Such payment will be paid or begin to be paid as of the first day of the month following 105 days after the later of the participant's death or the date that would have been the participant's Earliest Retirement Date.

Article V - Administration

5.01 Plan Administrator - The Board of Directors shall name a Plan Administrator. Such Plan Administrator shall serve at the convenience of the Board of Directors and shall serve without compensation. The Plan Administrator shall keep such records as

4.02 Death Benefits

(a) If a participant receives his Supplemental Benefit in a single lump sum payment, no Supplemental Benefit shall be paid to his surviving spouse or beneficiary following his death.

(b) If a participant elects to receive his Supplemental Benefit in an annuity that provides a survivor annuity or death benefit, the participant's surviving spouse or beneficiary, as applicable, shall receive the applicable survivor benefit or death benefit following the participant's death.

(c) If a participant dies before he receives his Supplemental Benefit, his surviving spouse or beneficiary shall receive the Actuarial Equivalent value of any pre-retirement surviving spouse benefits or death benefits provided by the Pension Plan (1) in the form of the annuity required by the Pension Plan if the participant elected to receive his Supplemental Benefits in an annuity, or (2) in all other cases, in the form of a single lump sum payment. Such payment will be paid or begin to be paid as of the first day of the month following 105 days after the later of the participant's death or the date that would have been the participant's Earliest Retirement Date.

Article V - Administration

5.01 Plan Administrator - The Board of Directors shall name a Plan Administrator. Such Plan Administrator shall serve at the convenience of the Board of Directors and shall serve without compensation. The Plan Administrator shall keep such records as necessary for the proper administration of the Plan and shall report to the Board of Directors at such time or times as the Board of Directors shall designate.

5.02 Benefit Determination - The Plan Administrator shall determine the amount and timing of any benefit paid under the Plan. The Plan Administrator shall rely on the records of Honeywell in determining any participant's eligibility for and amount of benefit under the Plan. In the event that the Plan Administrator's reliance on the records of Honeywell causes a benefit to be over or under paid, the Plan Administrator shall adjust future payments to be increased or decreased as required. If such future payments are insufficient to recover any overpayment to a participant, the Plan Administrator shall withhold any payments then due a participant and take any action deemed appropriate to recover the balance of the overpayment.

5.03 Benefit Appeals - The Plan Administrator shall establish an appeals procedure as defined by U.S. Department of Labor regulations. Such procedures will provide that the participant has sixty (60) days upon receipt of any benefits or denial of benefits to file an appeal with the Plan Administrator. The Plan Administrator must respond within sixty (60) days of receiving the appeal, in writing, specifically identifying those Plan provisions on which the benefit denial was based and indicating what information the participant must supply in order to perfect a claim for benefits.

5.04 Nonduplication of Benefits - To avoid the duplication of benefits, the amount of any similar benefits under this Plan shall be offset and reduced by the amount of any similar benefit provided the participant under other supplemental pension plans sponsored by Honeywell International Inc. or its subsidiaries or affiliates (other than the Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Band 6 and Above) for which the participant may be eligible, provided however

that payment under all plans shall begin at the same time and in the same form of payment.

5.05 Compliance with Section 409A of the Code – The Plan is intended to comply with the applicable requirements of Section 409A of the Code, and will be administered in accordance with Section 409A of the Code to the extent that Section 409A of the Code applies to the Plan. Notwithstanding any provision of the Plan to the contrary, distributions from the Plan may only be made in a manner, and upon an event, permitted by Section 409A of the Code. If any payment or benefit cannot be provided or made at the time specified herein without incurring penalties under Code section 409A, then such benefit or payment will be provided in full at the earliest time thereafter when such penalties will not be imposed. To the extent that any provision of the Plan would cause a conflict with the applicable requirements of Section 409A of the Code, or would cause the administration of the Plan to fail to satisfy the applicable requirements of Section 409A of the Code, such provision shall be deemed null and void to the extent permitted by applicable law.

Article VI - Amendment and Termination

6.01 Plan Amendments - Honeywell reserves the right to amend the plan from time to time. The Plan may be amended by the Committee; provided however, that no amendment shall reduce any benefit being paid or then payable to a participant. Further, no amendment shall reduce the benefits provided by the Plan to participants or alter in any manner the rights of the participants to benefits provided under this Plan.

6.02 Plan Termination - Honeywell reserves the right to terminate the Plan. However, such termination shall not adversely affect the

that payment under all plans shall begin at the same time and in the same form of payment.

5.05 Compliance with Section 409A of the Code – The Plan is intended to comply with the applicable requirements of Section 409A of the Code, and will be administered in accordance with Section 409A of the Code to the extent that Section 409A of the Code applies to the Plan. Notwithstanding any provision of the Plan to the contrary, distributions from the Plan may only be made in a manner, and upon an event, permitted by Section 409A of the Code. If any payment or benefit cannot be provided or made at the time specified herein without incurring penalties under Code section 409A, then such benefit or payment will be provided in full at the earliest time thereafter when such penalties will not be imposed. To the extent that any provision of the Plan would cause a conflict with the applicable requirements of Section 409A of the Code, or would cause the administration of the Plan to fail to satisfy the applicable requirements of Section 409A of the Code, such provision shall be deemed null and void to the extent permitted by applicable law.

Article VI - Amendment and Termination

6.01 Plan Amendments - Honeywell reserves the right to amend the plan from time to time. The Plan may be amended by the Committee; provided however, that no amendment shall reduce any benefit being paid or then payable to a participant. Further, no amendment shall reduce the benefits provided by the Plan to participants or alter in any manner the rights of the participants to benefits provided under this Plan.

6.02 Plan Termination - Honeywell reserves the right to terminate the Plan. However, such termination shall not adversely affect the rights of participants.

APPENDIX A FUNDED BENEFITS FOR DESIGNATED PARTICIPANTS

The following participants shall have the designated portion of their Plan benefits funded as permitted in Section 4.01(a):

Name	Lump Sum Value of Funded Benefit	Date Benefit Funded
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Richard F. Wallman	\$2,100,000	December 28, 2000
Barry C. Johnson	\$1,400,000	December 28, 2000

The Committee (or its delegate) may determine that the portion of the Plan providing funded Supplemental Benefits to participants designated on this Appendix shall be separated from the remaining portion of this Plan as of December 20, 2000 (or such later date as may be established by the Committee) and shall thereafter constitute a separate plan, program or arrangement with terms and provisions identical to this Plan. Supplemental Benefits under such separate plan, program or arrangement and this Plan shall be calculated to avoid duplication or omission of benefits.

APPENDIX B

NAME	PAYMENT DATE
D. FLATT	11/1/09
T. WEIDENKOPF	1/1/11
N. DICCIANI	11/1/09

Exhibit 10.12

**HONEYWELL INTERNATIONAL INC. SUPPLEMENTAL
EXECUTIVE RETIREMENT PLAN FOR EXECUTIVES IN
CAREER BAND 6 AND ABOVE**

APPENDIX B

NAME	PAYMENT DATE
D. FLATT	11/1/09
T. WEIDENKOPF	1/1/11
N. DICCIANI	11/1/09

Exhibit 10.12

**HONEYWELL INTERNATIONAL INC. SUPPLEMENTAL
EXECUTIVE RETIREMENT PLAN FOR EXECUTIVES IN
CAREER BAND 6 AND ABOVE
(Amended and Restated Effective January 1, 2009)**

ARTICLE I
PURPOSE

The purpose of the Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Band 6 and Above is to provide certain Executives and their Beneficiaries with monthly retirement income benefits under all defined benefit deferred compensation plans maintained by the Company that are at least equal to the benefits that would have been payable had such Executives been covered by the Retirement Program and the Supplemental Pension Plan (as defined herein) throughout their Credited Service (as defined herein) with the Company.

To the extent required to determine benefits under this Plan, the terms and provisions of the Pension Plans and the Supplemental Pension Plan shall be deemed to be incorporated by reference.

The Plan as amended and restated effective January 1, 2009 applies to a participant who (i) has any portion of a Supplemental Benefit that accrues on or after January 1, 2005, (ii) has any portion of a Supplemental Benefit that accrued prior to January 1, 2005 but was vested on or after December 31, 2004, or (iii) has an increase in the value of any subsidy with respect to Grandfathered Benefits payable upon retirement before the Pension Plan's normal retirement date that accrues or increases as a result of service after December 31, 2004. The Plan preceding this amendment and restatement applies to a participant not described in clause (iii) of the preceding sentence whose entire Supplemental Benefit accrued and vested before January 1, 2005 ("Grandfathered Benefit").

ARTICLE II
DEFINITIONS

2.1 "Beneficiary" or "Beneficiaries" means the person or persons designated as a Participant's joint or contingent annuitant and/or beneficiary, if any, under the applicable Pension Plan(s).

2.2 "Board" means the Board of Directors of Honeywell International Inc.

2.3 "Code" means the Internal Revenue Code of 1986, as amended from time to time.

2.4 "Committee" means the Management Development and Compensation Committee of the Company's Board of Directors.

2.5 "Common Stock" means the common stock of Honeywell International Inc. or such other stock for which such common stock may be exchanged as a result of a split-up, recapitalization, reclassification or other corporate restructuring.

2.6 "Company" means Honeywell International Inc. and its subsidiaries and successors.

2.4 "Committee" means the Management Development and Compensation Committee of the Company's Board of Directors.

2.5 "Common Stock" means the common stock of Honeywell International Inc. or such other stock for which such common stock may be exchanged as a result of a split-up, recapitalization, reclassification or other corporate restructuring.

2.6 "Company" means Honeywell International Inc. and its subsidiaries and successors.

2.7 "Credited Service" means years of service with the Company for which credit would be given under the terms of Pension Plans for benefit accrual purposes.

2.8 "Earliest Retirement Date" means the earliest date as of which the participant would be eligible to commence the receipt of his Retirement Program benefit, whether or not he elects to commence receipt of such Pension Plan benefit as of such date.

2.9 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.10 "Executive" means an individual employed by the Company in Career Band 6 or above as of the individual's termination of employment or retirement date, as applicable.

2.11 "Participant" means an individual eligible for benefits under this Plan in accordance with Article III.

2.12 "Plan" means the Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Band 6 and Above.

2.13 "Pension Plan" means any defined benefit plan (within the meaning of Code Section 414(j)), other than the Pittway Retirement Plan or such other defined benefit plan that may be designated by the Committee from time to time, that is subject to the provisions of Code Section 401(a) and that covers salaried employees of the Company, including, without limitation, the Retirement Program.

2.14 "Retirement Program" means the portion of the Honeywell International Inc. Retirement Earnings Plan applicable to participants in Allied Signal Inc. Retirement Program (Provisions Relating to Allied Salaried Employees), as the same may be amended or referred to from time to time, and any successor provisions of such plan.

2.15 "Separation from Service Date" means the date on which the Participant's separation from service with Honeywell and its subsidiaries and affiliates occurs within the meaning of Section 409A of the Code. A Participant's Separation from Service Date occurs when the facts and circumstances indicate that Honeywell and the Participant reasonably anticipate that no further services will be performed after a certain date or that the level of services the Participant will perform after such date will permanently decrease to no more than 20% of the average level

of services performed over the immediately preceding 36-month period (or, if shorter, the entire period of the Participant's employment by Honeywell and its subsidiaries and affiliates).

2.16 "Specified Employee" means any Participant who, at any time during the twelve (12) month period ending on the identification date (as determined by the Vice President, Compensation and Benefits or his delegate), is a specified employee under Section 409A of the Code, as determined by the Vice President, Compensation and Benefits or his delegate, which determination of "specified employees" and identification date shall be made by the Vice President, Compensation and Benefits or his delegate in accordance with the provisions of Sections 416(i) and 409A of the Code and the regulations issued thereunder.

2.17 "Supplemental Benefit" means the benefit described in Section 4.1 of the Plan.

2.18 "Supplemental Pension Plan" means the Honeywell International Inc. Supplemental Pension Plan, as the same may

of services performed over the immediately preceding 36-month period (or, if shorter, the entire period of the Participant's employment by Honeywell and its subsidiaries and affiliates).

2.16 "Specified Employee" means any Participant who, at any time during the twelve (12) month period ending on the identification date (as determined by the Vice President, Compensation and Benefits or his delegate), is a specified employee under Section 409A of the Code, as determined by the Vice President, Compensation and Benefits or his delegate, which determination of "specified employees" and identification date shall be made by the Vice President, Compensation and Benefits or his delegate in accordance with the provisions of Sections 416(i) and 409A of the Code and the regulations issued thereunder.

2.17 "Supplemental Benefit" means the benefit described in Section 4.1 of the Plan.

2.18 "Supplemental Pension Plan" means the Honeywell International Inc. Supplemental Pension Plan, as the same may be amended from time to time, and any successor plan.

ARTICLE III PARTICIPATION

3.1 Eligibility - In General. Participation in the Plan shall be limited to those Executives who have earned Credited Service under a Pension Plan other than the Retirement Program. Notwithstanding the previous sentence, no Executive who has entered into any individual agreement or arrangement with the Company concerning retirement benefits shall be entitled to any benefit under Article IV except to the extent otherwise expressly provided in such agreement or arrangement.

3.2 Status at Termination/Retirement Date. No benefits shall be payable under the Plan if on the date of such individual's termination of employment or retirement date, as applicable, the Executive (a) is not employed by the Company in a Career Band 6 or above position, (b) is entitled to any severance benefits payable under the Honeywell Key Employee Severance Plan or under any other contract, agreement or arrangement between the Executive and Honeywell Inc. (or its successors or affiliates) that are attributable to any "change in control" of Honeywell Inc. in 1999 as defined in such Plan or other contracts, agreements or arrangements, or (c) is a participant in the Retirement Earnings Plan portion of the Honeywell Retirement Earnings Plan.

ARTICLE IV BENEFITS

4.1 Amount of Benefit. Subject to the terms of this Article IV, a Participant shall receive a monthly Supplemental Benefit. The monthly Supplemental Benefit shall be determined by comparing (a) the sum of the monthly retirement benefits (normal or early) actually payable to the Participant under the Pension Plan(s) and the Supplemental Pension Plan (as applied to the applicable Pension Plan(s)) in accordance with the form of payment applicable to the Participant, and (b) the sum of the monthly retirement benefits (normal or early) that would be payable to the

Participant under the Retirement Program and the Supplemental Pension Plan (as applied to the Retirement Program) if all of the Participant's Credited Service had been earned solely under the Retirement Program in accordance with the form of payment applicable to the Participant. The monthly Supplemental Benefit shall equal the amount, if any, by which (b) exceeds (a) for the applicable monthly period.

4.2 Payment and Form of Benefit. The following rules shall be used in determining the time and form of payment for a Participant's Supplemental Benefit:

(a) Except as otherwise provided in this Section 4.2, the Actuarial Equivalent value of a Participant's Supplemental Benefit shall be paid in a single lump sum payment as of the first day of the month following 105 days after the later of the Participant's Separation from Service Date or Earliest Retirement Date.

(b) A Participant who was provided a payment election for his Supplemental Benefit prior to January 1, 2009 other

Participant under the Retirement Program and the Supplemental Pension Plan (as applied to the Retirement Program) if all of the Participant's Credited Service had been earned solely under the Retirement Program in accordance with the form of payment applicable to the Participant. The monthly Supplemental Benefit shall equal the amount, if any, by which (b) exceeds (a) for the applicable monthly period.

4.2 Payment and Form of Benefit. The following rules shall be used in determining the time and form of payment for a Participant's Supplemental Benefit:

(a) Except as otherwise provided in this Section 4.2, the Actuarial Equivalent value of a Participant's Supplemental Benefit shall be paid in a single lump sum payment as of the first day of the month following 105 days after the later of the Participant's Separation from Service Date or Earliest Retirement Date.

(b) A Participant who was provided a payment election for his Supplemental Benefit prior to January 1, 2009 other than a Participant described in clause (c) and who elected an annuity as his payment form shall, prior to his benefit commencement date, be entitled to elect from among the Actuarially Equivalent annuity forms of payment available to the Participant under the Retirement Program other than annuity forms with a level income option. Such payments will begin as of the first day of the month following 105 days after the later of the Participant's Separation from Service Date or Earliest Retirement Date. If a Participant fails to elect an annuity payment form by the required date, his Supplemental Benefit shall be paid in a single life annuity if he is unmarried on his benefit commencement date or in a joint and 50% survivor annuity, with his opposite sex spouse on his benefit commencement date as his contingent annuitant, if he is married on his benefit commencement date.

(c) A Participant who is listed on Schedule A of the Plan shall have his Supplemental Benefit paid or begin to be paid as of the date indicated on Schedule A in the payment form elected by such Participant; provided that a Participant who elected an annuity as his payment form shall, prior to his benefit commencement date, be entitled to elect from among the Actuarially Equivalent annuity forms of payment available to the Participant under the Retirement Program other than annuity forms with a level income option. If a Participant fails to elect an annuity payment form, his Supplemental Benefit shall be paid in a single life annuity if he is unmarried on his benefit commencement date or in a joint and 50% survivor annuity, with his opposite sex spouse on his benefit commencement date as his contingent annuitant, if he is married on his benefit commencement date.

(d) A Participant who is entitled to a Supplemental Benefit and whose Separation from Service Date and Earliest Retirement Date both occurred before July 1, 2009 (other than a Participant described in clause (c)) shall receive his Supplemental Benefit as of July 1, 2009, with the form of payment determined in accordance with clause (1) or (2) as applicable.

(e) A Participant's Supplemental Benefit shall include an estimate of any Credited Service or compensation (such as during a severance period or bridge leave of absence) following the Participant's benefit commencement date that is required to be taken into account

in calculating a Participant's Supplemental Benefit. In no event shall Honeywell be required to recalculate or otherwise true up the Supplemental Benefit actually paid.

(f) Notwithstanding any provision of this Section 4.2 to the contrary, payment to a Participant under all supplemental defined benefit pension plans shall begin at the same time and in the same form of payment to the extent such payments relate to the same period of Credited Service.

(g) Notwithstanding any provision of this Section 4.2 to the contrary, if a Participant is a Specified Employee at his Separation from Service Date and payment under this Section 4.2 is required to be made or commence within the 6-month period following his Separation from Service Date, such payment shall be delayed if it is to be made in a single lump sum payment or accumulated if it is to be made in an annuity until the earlier of the first day of the seventh month following the Separation from Service Date or the first day of the month following the Participant's death, with no interest or earnings accruing on the delayed payments.

in calculating a Participant's Supplemental Benefit. In no event shall Honeywell be required to recalculate or otherwise true up the Supplemental Benefit actually paid.

(f) Notwithstanding any provision of this Section 4.2 to the contrary, payment to a Participant under all supplemental defined benefit pension plans shall begin at the same time and in the same form of payment to the extent such payments relate to the same period of Credited Service.

(g) Notwithstanding any provision of this Section 4.2 to the contrary, if a Participant is a Specified Employee at his Separation from Service Date and payment under this Section 4.2 is required to be made or commence within the 6-month period following his Separation from Service Date, such payment shall be delayed if it is to be made in a single lump sum payment or accumulated if it is to be made in an annuity until the earlier of the first day of the seventh month following the Separation from Service Date or the first day of the month following the Participant's death, with no interest or earnings accruing on the delayed payments.

4.4 Death and Disability Benefits. As more fully described in Section 4.1, this Plan provides benefits only for Executives who are receiving early or normal retirement benefits under a Pension Plan. The Plan does not provide pre-retirement death benefits, disability benefits or any other type of ancillary benefits that may be available under the Retirement Program or the applicable Pension Plan.

ARTICLE V ADMINISTRATION

5.1 Plan Administrator. The Plan Administrator and "named fiduciary" for purposes of ERISA shall be the Senior Vice President-Human Resources and Communications of the Company (or any senior officer of the Company succeeding to the principal responsibilities of such officer). The Plan Administrator shall have the authority to appoint one or more other named fiduciaries of the Plan and to designate persons, other than named fiduciaries, to carry out fiduciary responsibilities under the Plan, pursuant to Section 405(c)(1)(B) of ERISA.

5.2 Powers and Duties of Plan Administrator. The Plan Administrator shall have the full discretionary power and authority to construe and interpret the Plan (including, without limitation, supplying omissions from, correcting deficiencies in, or resolving inconsistencies or ambiguities in, the language of the Plan); to determine all questions of fact arising under the Plan, including questions as to eligibility for and the amount of benefits; to establish such rules and regulations (consistent with the terms of the Plan) as it deems necessary or appropriate for administration of the Plan; to delegate responsibilities to others to assist it in administering the Plan; to retain attorneys, consultants, accountants, actuaries or other persons (who may be employees of the Company) to render advice and assistance as it shall determine to be necessary to effect the proper discharge of any duty for which it is responsible; to prepare and distribute to Participants information explaining the Plan; to prescribe procedures to be followed by Participants and Beneficiaries filing applications for benefits; and to perform all other acts it believes reasonable and proper in connection with the administration of the Plan. The Plan

Administrator shall be entitled to rely on the records of the Company in determining any Participant's entitlement to and the amount of benefits payable under the Plan. Any determination of the Plan Administrator, including interpretations of the Plan and determinations of questions of fact, shall be final and binding on all parties.

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

5.4 Records. The Plan Administrator shall keep or cause to be kept such records and shall prepare or cause to be prepared such returns or reports as may be required by law or necessary for the proper administration of the Plan. All resolutions, proceedings, acts and determinations of the Plan Administrator shall be recorded by the Plan Administrator and such records, together with any documents and instruments as may be necessary for the administration of the Plan, shall be preserved in the custody of the Plan Administrator.

Administrator shall be entitled to rely on the records of the Company in determining any Participant's entitlement to and the amount of benefits payable under the Plan. Any determination of the Plan Administrator, including interpretations of the Plan and determinations of questions of fact, shall be final and binding on all parties.

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5.5 Information from Participants. Each Participant shall be required to furnish to the Plan Administrator, in the form prescribed by it, such personal data, affidavits, authorizations to obtain information, and other information as the Plan Administrator may deem appropriate for the proper administration of the Plan.

5.6 Reliance. The Plan Administrator and its delegates shall be entitled to rely upon all valuations, certificates and reports furnished by any actuary or accountant selected by the Plan Administrator or any delegate and upon all opinions given by any legal counsel selected by the Plan Administrator or any delegate. The Plan Administrator and its delegates shall be fully protected with respect to any action taken or suffered by their having relied in good faith upon such actuary, accountant or counsel and all action so taken or suffered shall be conclusive upon each of them and upon all Participants and their Beneficiaries.

5.7 Compensation and Expenses. Unless authorized by the Board, neither the Plan Administrator nor its delegates shall be compensated for service in such capacity, but shall be reimbursed for reasonable expenses incident to the performance of such duties.

5.8 Claims Procedures and Appeals. Any claim or appeal under this Plan shall be subject to the following rules:

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

(b) The Plan Administrator shall provide notice in writing to any Participant when a claim for benefits under the Plan has been denied in whole or in part. Such notice shall be provided within 90 days of the receipt by the Plan Administrator of the Participant's claim or, if

special circumstances require, and the Participant is so notified in writing, within 180 days of the receipt by the Plan Administrator of the Participant's claim. The notice shall be written in a manner calculated to be understood by the claimant and shall:

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

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

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

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

special circumstances require, and the Participant is so notified in writing, within 180 days of the receipt by the Plan Administrator of the Participant's claim. The notice shall be written in a manner calculated to be understood by the claimant and shall:

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

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

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

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

(c) If the Participant fails to appeal the Plan Administrator's denial of benefits in writing and within 60 days after receipt by the claimant of written notification of denial of the claim (or within 60 days after a deemed denial of the claim), the Plan Administrator's determination shall become final and conclusive.

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

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

ARTICLE VI PLAN AMENDMENT OR TERMINATION

6.1 Right to Amend. The Company shall have the right at any time to amend the Plan. No such amendment shall have the effect specified in Section 6.3.

6.2 Right of the Company to Terminate Plan. The Company intends and expects that from year to year it will be able to and will deem it advisable to continue this Plan in effect. Subject to the provisions of Section 6.3, the Company reserves the right to terminate the Plan at any time.

6.3 Restrictions on Amendment or Termination. No amendment or termination of the Plan shall be made which would adversely affect any Participant's benefit under this Plan (determined

in accordance with the terms of the applicable Pension Plans and Supplemental Pension Plans in effect on the day immediately preceding such amendment or termination) or that would adversely affect the benefit that is being paid to any person at the time of such amendment or termination. The prohibitions of this Section 6.3 shall apply notwithstanding any legal right or ability of the Company to amend or terminate this Plan.

ARTICLE VII MISCELLANEOUS PROVISIONS

7.1 No Assignment of Benefit. No benefit under the Plan, nor any other interest hereunder of any Participant or Beneficiary shall be assignable, transferable or subject to sale, mortgage, pledge, hypothecation, commutation, anticipation, garnishment, attachment, execution, or levy of any kind, and the Plan Administrator shall not recognize

in accordance with the terms of the applicable Pension Plans and Supplemental Pension Plans in effect on the day immediately preceding such amendment or termination) or that would adversely affect the benefit that is being paid to any person at the time of such amendment or termination. The prohibitions of this Section 6.3 shall apply notwithstanding any legal right or ability of the Company to amend or terminate this Plan.

ARTICLE VII MISCELLANEOUS PROVISIONS

7.1 No Assignment of Benefit. No benefit under the Plan, nor any other interest hereunder of any Participant or Beneficiary shall be assignable, transferable or subject to sale, mortgage, pledge, hypothecation, commutation, anticipation, garnishment, attachment, execution, or levy of any kind, and the Plan Administrator shall not recognize any attempt to assign, transfer, sell, mortgage, pledge, hypothecate, commute or anticipate the same, except to the extent required by law and except that no amount shall be payable hereunder until and unless any and all amounts representing debts or other obligations owed to the Company by the Participant with respect to whom such amount would otherwise be payable shall have been fully paid and satisfied.

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

7.3 Unsecured General Creditor. Benefits payable under this Plan shall be general, unsecured obligations of the Company. The Company shall not be required to set aside funds for the payment of its obligations hereunder. However, the Company may, in its sole discretion, establish funds for the payment of its obligations hereunder. In such case, however, no Participant or Beneficiary shall have any title to or beneficial ownership in any assets which the Company may earmark to pay benefits hereunder. Any such funds shall remain assets of the Company and subject to the claims of its general creditors. The Plan is intended to be unfunded for tax purposes and for purposes of Title I of ERISA.

7.4 Employment with More than One Company. If any Participant shall be entitled to benefits under a Pension Plan on account of service with more than one business of the Company, the obligations under this Plan shall be apportioned among such Company businesses on the basis of service with each.

7.5 Effect of Adverse Determination. Notwithstanding any provision set forth herein, if the Internal Revenue Service determines, for any reason, that all or any portion of the amounts credited under this Plan is currently includible in the taxable income of any Participant, then the amounts so determined to be includible in income shall be distributed in a lump sum to such Participant as soon as practicable.

7.6 Payment of Benefits. If the Plan Administrator determines that a person entitled to receive any benefit payment is under a legal disability or is incapacitated in any way so as to be unable to manage his financial affairs, the Plan Administrator may direct the Company to make payments to the Participant's legal representative or to a relative or other person for the Participant's benefit, or to apply the payment for the benefit of such person in such manner as the Plan Administrator considers advisable. Any payment of a benefit in accordance with the provisions of this Section 7.6 shall be complete discharge of any liability to make such payment.

7.7 Effectuation of Intent. In the event it should become impossible for the Company or the Plan Administrator to perform any act required by the Plan, the Company or Plan Administrator may perform such other act as it in good faith determines will most nearly carry out the intent and purposes of the Plan.

7.8 Headings. The headings of Articles and Sections of this Plan are for convenience of reference only, and in case of conflict between any such headings and the text of this Plan, the text shall govern.

7.9 Copy of Plan. An executed copy of the Plan shall be available for inspection by any Executive or other person entitled to benefits under the Plan at reasonable times at the offices of the Company.

7.6 Payment of Benefits. If the Plan Administrator determines that a person entitled to receive any benefit payment is under a legal disability or is incapacitated in any way so as to be unable to manage his financial affairs, the Plan Administrator may direct the Company to make payments to the Participant's legal representative or to a relative or other person for the Participant's benefit, or to apply the payment for the benefit of such person in such manner as the Plan Administrator considers advisable. Any payment of a benefit in accordance with the provisions of this Section 7.6 shall be complete discharge of any liability to make such payment.

7.7 Effectuation of Intent. In the event it should become impossible for the Company or the Plan Administrator to perform any act required by the Plan, the Company or Plan Administrator may perform such other act as it in good faith determines will most nearly carry out the intent and purposes of the Plan.

7.8 Headings. The headings of Articles and Sections of this Plan are for convenience of reference only, and in case of conflict between any such headings and the text of this Plan, the text shall govern.

7.9 Copy of Plan. An executed copy of the Plan shall be available for inspection by any Executive or other person entitled to benefits under the Plan at reasonable times at the offices of the Company.

7.10 Rules of Construction. Masculine pronouns used herein shall refer to men or women or both and nouns and pronouns when stated in the singular shall include the plural and when stated in the plural shall include the singular, wherever appropriate.

7.11 Governing Law. This Plan and its provisions shall be construed in accordance with the laws of the State of Delaware to the extent such Delaware law is not inconsistent with the provisions of ERISA.

7.12 Severability. If any provision of this Plan is held invalid, the invalidity shall not affect other provisions of the Plan which can be given effect without the invalid provision, and to this end the provisions of this Plan shall be severable.

7.13 Expense of Administration. The reasonable expenses incident to the operation of the Plan shall be paid by the Company.

7.14 Successors. This Plan shall be binding upon and inure to the benefit of the Company, its successors and assigns and each Participant and his heirs, executors, administrators and legal representatives.

7.15 Compliance with Section 409A of the Code. The Plan is intended to comply with the applicable requirements of Section 409A of the Code, and will be administered in accordance with Section 409A of the Code to the extent that Section 409A of the Code applies to the Plan. Notwithstanding any provision of the Plan to the contrary, distributions from the Plan may only be made in a manner, and upon an event, permitted by Section 409A of the Code. If any payment or benefit cannot be provided or made at the time specified herein without incurring

penalties under Code section 409A, then such benefit or payment will be provided in full at the earliest time thereafter when such penalties will not be imposed. To the extent that any provision of the Plan would cause a conflict with the applicable requirements of Section 409A of the Code, or would cause the administration of the Plan to fail to satisfy the applicable requirements of Section 409A of the Code, such provision shall be deemed null and void to the extent permitted by applicable law.

SCHEDULE A

NAME	PAYMENT DATE
D. FLATT	11/1/09
T. WEIDENKOPF	1/1/11

penalties under Code section 409A, then such benefit or payment will be provided in full at the earliest time thereafter when such penalties will not be imposed. To the extent that any provision of the Plan would cause a conflict with the applicable requirements of Section 409A of the Code, or would cause the administration of the Plan to fail to satisfy the applicable requirements of Section 409A of the Code, such provision shall be deemed null and void to the extent permitted by applicable law.

SCHEDULE A

NAME	PAYMENT DATE
D. FLATT	11/1/09
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Exhibit 10.13

HONEYWELL SUPPLEMENTAL DEFINED BENEFIT RETIREMENT PLAN

(Amended and Restated Effective January 1, 2009)

SECTION 1 INTRODUCTION

1.1. Preambles. Honeywell International Inc. ("Honeywell"), a Delaware corporation, maintains a tax qualified defined benefit plan known as the Honeywell Retirement Earnings Plan (the "Retirement Earnings Plan"), a successor to the Honeywell Retirement Benefit Plan. Benefits in the Retirement Earnings Plan are restricted by sections 415 and 401(a) (17) of the Internal Revenue Code, as amended (the "Code"), and by the non-recognition of certain types of compensation.

Section 3(36) and section 4(b)(5) of the Employee Retirement Income Security Act of 1974, as amended, ("ERISA") recognize and authorize the establishment of an unfunded, nonqualified plan of deferred compensation maintained by an employer solely for the purpose of providing benefits for employees in excess of the limitations on benefits imposed under section 415 of the Code. Sections 201, 301 and 401 of ERISA also recognize the creation of an unfunded, nonqualified plan maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees.

On April 20, 1976, Honeywell Inc. ("Honeywell Inc.") established the Honeywell Supplementary Retirement Plan for the Purpose of providing the full benefits promised to employees under the Honeywell Retirement Benefit Plan without regard to the limitation on benefits imposed by section 415 of the Code. On July 1, 1989, Honeywell Inc. established the Honeywell Supplementary Executive Retirement Plan For Compensation In Excess Of \$200,000 for the purpose of providing the full benefits promised to employees under the Honeywell Retirement Benefit Plan without regard to the limitation on compensation imposed by section 401(a)(17) of the Code. On January 1, 1985, Honeywell Inc. established the Honeywell Supplementary Retirement Plan For CECP Participants for the purpose of providing the full benefits promised to employees under the Honeywell Retirement Benefit Plan without regard to the exclusion from earnings of deferred incentive awards paid under the Honeywell Corporate Executive Compensation Plan (collectively, "the SERPs").

Each of the SERPs was amended and restated effective September 20, 1994. The SERPs were amended, completely

restated and consolidated into one plan and completely superseded each Prior Plan Statement effective for persons retiring on or after January 1, 1998. The consolidated plan was designated as the

Honeywell Supplemental Defined Benefit Retirement Plan (the "Plan"). Honeywell Inc. became a wholly owned subsidiary of Honeywell International Inc. on December 2, 1999 and the Plan was subsequently amended and restated December 30, 2000. The Plan is intended to be, in part, an unfunded excess benefit plan within the meaning of section 3(36) ERISA and, in part, an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees as provided in sections 201(2), 301(3) and 401(a) (1) of ERISA.

The Plan as amended and restated effective January 1, 2009 applies to a Participant who (i) has any portion of a benefit that accrues on or after January 1, 2005, (ii) has any portion of a benefit that accrued prior to January 1, 2005 but was vested on or after December 31, 2004, or (iii) has an increase in the value of any subsidy with respect to Grandfathered Benefits payable upon retirement before the Base Plan's normal retirement date that accrues or increases as a result of service after December 31, 2004. The Plan preceding this amendment and restatement applies to a Participant not described in clause (iii) of the preceding sentence whose entire benefit accrued and vested before January 1, 2005 ("Grandfathered Benefit").

1.2. Definitions. When used herein with initial capital letters, the following words have the following meanings:

1.2.1 Base Plan - the portion of the tax-qualified Honeywell Retirement Earnings Plan providing pension benefits to employees under the Honeywell Retirement Benefit Plan formula and provisions as set forth in the applicable Supplement to the Honeywell Retirement Earnings Plan as the same exists and is amended from time to time.

1.2.2. Committee - the Management Development and Compensation Committee of the Board of Directors of Honeywell International Inc. If no such committee exists at any relevant time, the duties allocated to such committee under this Plan shall be discharged by the Board of Directors of Honeywell or a person or committee to whom such duties may be delegated by the Board of Directors.

1.2.3. Earliest Retirement Date –the earliest date as of which the participant would be eligible to commence the receipt of his Base Plan benefit, whether or not he elects to commence receipt of such Base Plan benefit as of such date.

1.2.4. Effective Date - April 5, 2004.

1.2.5. Employer - Honeywell International Inc. and any business entity that, with the approval of Honeywell adopts the Plan.

1.2.6. Participant - an employee of the Employer who becomes a Participant in the Plan in accordance with the provisions of Section 2 (or any comparable provision of the Prior Plan Statements).

1.2.7. Plan - this excess benefit and nonqualified deferred compensation plan of the Employer established for the benefit of employees eligible to participate therein, as first set forth in the Prior Plan Statements and as amended and restated in this Plan Statement. (As used herein, "Plan" refers to the legal entity established by the Employer and not to the documents pursuant to which the Plan is maintained. Those documents are referred to herein as the "Prior Plan Statement" and the "Plan Statement.") The Plan shall be referred to as the Honeywell Supplemental Defined Benefit Retirement Plan.

1.2.8. Plan Statement - this document entitled "Honeywell Supplemental Defined Benefit Retirement Plan (Amended and Restated Effective January 1, 2009)," as adopted by Honeywell effective as of January 1, 2009, as the same may be amended from time to time thereafter.

1.2.9. Plan Year - the twelve-(12) month period ending on December 31.

1.2.7. Plan - this excess benefit and nonqualified deferred compensation plan of the Employer established for the benefit of employees eligible to participate therein, as first set forth in the Prior Plan Statements and as amended and restated in this Plan Statement. (As used herein, "Plan" refers to the legal entity established by the Employer and not to the documents pursuant to which the Plan is maintained. Those documents are referred to herein as the "Prior Plan Statement" and the "Plan Statement.") The Plan shall be referred to as the Honeywell Supplemental Defined Benefit Retirement Plan.

1.2.8. Plan Statement - this document entitled "Honeywell Supplemental Defined Benefit Retirement Plan (Amended and Restated Effective January 1, 2009)," as adopted by Honeywell effective as of January 1, 2009, as the same may be amended from time to time thereafter.

1.2.9. Plan Year - the twelve-(12) month period ending on December 31.

1.2.10. Prior Plan Statements - the series of documents pursuant to which components of this Plan were established and operated thereafter until April 5, 2004.

1.2.11. Separation from Service Date – the date on which the Participant’s separation from service with Honeywell and its subsidiaries and affiliates occurs within the meaning of Section 409A of the Code. A Participant’s Separation from Service Date occurs when the facts and circumstances indicate that Honeywell and the Participant reasonably anticipate that no further services will be performed after a certain date or that the level of services the Participant will perform after such date will permanently decrease to no more than 20% of the average level of services performed over the immediately preceding 36-month period (or, if shorter, the entire period of the Participant’s employment by Honeywell and its subsidiaries and affiliates).

1.2.12. Specified Employee –any Participant who, at any time during the twelve (12) month period ending on the identification date (as determined by the Vice President, Compensation and Benefits or his delegate), is a specified employee under Section 409A of the Code, as determined by the Vice President, Compensation and Benefits or his delegate, which determination of “specified employees” and identification date shall be made by the Vice President, Compensation and Benefits or his delegate in accordance with the provisions of Sections 416(i) and 409A of the Code and the regulations issued thereunder.

1.2.13. Supplemental Savings Plan - the Supplemental Non-Qualified Savings Plans for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries.

1.3. Rules of Interpretation. Whenever appropriate, words used herein in the singular may be read in the plural, or words used herein in the plural may be read in the singular; the masculine may include the feminine; and the words "hereof," "herein" or "hereunder" or other similar compounds of the word "here" shall mean and refer to the

entire Plan Statement and not to any particular paragraph or Section of this Plan Statement unless the context clearly indicates to the contrary. The titles given to the various Sections of this Plan Statement are inserted for convenience of reference only and are not part of this Plan Statement, and they shall not be considered in determining the purpose, meaning or intent of any provision hereof. Any reference in this Plan Statement to a statute or regulation shall be considered also to mean and refer to any subsequent amendment or replacement of that statute or regulation. This instrument has been executed and delivered in the State of New Jersey and has been drawn in conformity to the laws of that State and shall, except to the extent that federal law is controlling and except for its law respecting choice of law, be construed and enforced in accordance with the laws of the State of New Jersey.

SECTION 2 ELIGIBILITY AND PARTICIPATION

2.1. Participation. An employee is eligible to participate in and receive benefits under this Plan if the employee satisfies the requirements of either Section 2.1.1 or Section 2.1.2:

2.1.1. General Participation Requirements. The employee (a) (i) is eligible to commence a normal or early

entire Plan Statement and not to any particular paragraph or Section of this Plan Statement unless the context clearly indicates to the contrary. The titles given to the various Sections of this Plan Statement are inserted for convenience of reference only and are not part of this Plan Statement, and they shall not be considered in determining the purpose, meaning or intent of any provision hereof. Any reference in this Plan Statement to a statute or regulation shall be considered also to mean and refer to any subsequent amendment or replacement of that statute or regulation. This instrument has been executed and delivered in the State of New Jersey and has been drawn in conformity to the laws of that State and shall, except to the extent that federal law is controlling and except for its law respecting choice of law, be construed and enforced in accordance with the laws of the State of New Jersey.

SECTION 2 ELIGIBILITY AND PARTICIPATION

2.1. Participation. An employee is eligible to participate in and receive benefits under this Plan if the employee satisfies the requirements of either Section 2.1.1 or Section 2.1.2:

2.1.1. General Participation Requirements. The employee (a) (i) is eligible to commence a normal or early retirement benefit under the Base Plan when employment terminates, (ii) dies while still actively employed by Honeywell with a vested benefit in the Base Plan, (iii) has been granted a vested benefit in this Plan, or (iv) has been specifically selected by the Committee to participate in this Plan; and (b) has a benefit in the Base Plan that is reduced on account of (i) the benefit limitation under section 415 of the Code or (ii) the compensation limitation under section 401(a)(17) of the Code, or (iii) the provision in the Base Plan excluding from earnings (A) any deferred incentive awards paid under the Honeywell Corporate Executive Compensation Plan, the AlliedSignal Inc. Incentive Compensation Plan for Executive Employees, or the Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc. and its Affiliates (or any successor plans), or (B) any deferrals by the employee under the Supplemental Savings Plan.

2.1.2. Minimum Benefit Participation Requirements. The employee fails to satisfy the general participation requirements of Section 2.1.1 and has a benefit in the Base Plan that, after excluding from earnings any deferred incentive awards paid under the Honeywell Corporate Executive Compensation Plan, the AlliedSignal Inc. Incentive Compensation Plan for Executive Employees, or the Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc. and its Affiliates (or any successor plans) and application of the benefit limitation under section 415 of the Code and the compensation limitation of section 401(a)(17) of the Code, is reduced solely on account of the exclusion under the Base Plan of any deferrals by the employee under the Supplemental Savings Plan.

2.2. Exclusions. The following employees shall be excluded from participation in the Plan:

2.2.1 Non-Members of a Select Group of Management or Highly Compensated Employees. Notwithstanding anything to the contrary in this Plan or in any written communication, summary, resolution or document or oral communication, unless an individual is a member of a select group of management or highly compensated employees (as that expression is used in ERISA), the individual shall not be a Participant in this Plan, develop benefits under this Plan or be entitled to receive benefits under this Plan (either for the Participant or the Participant's survivors) except to the extent that the individual's benefits in Base Plan are reduced on account of Code section 415 limits. If a court of competent jurisdiction, any representative of the U.S. Department of Labor or any other governmental, regulatory or similar body makes any direct or indirect, formal or informal, determination that an individual is not a member of a select group of management or highly compensated employees (as that expression is used in ERISA), such individual shall not be (and shall not have ever been) a Participant in this Plan at any time except to the extent that the individual's benefits in Base Plan are reduced on account of Code section 415 limits. If any person not so defined has been erroneously treated as a Participant in this Plan, upon discovery of such error such person's erroneous participation shall immediately terminate ab initio and upon demand such person shall be obligated to reimburse Honeywell for all amounts erroneously paid to him or her.

2.2.2 Participants in the Honeywell International Inc. Supplemental Pension Plan or Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Band 6 and Above. An employee entitled to a

2.2. Exclusions. The following employees shall be excluded from participation in the Plan:

2.2.1 Non-Members of a Select Group of Management or Highly Compensated Employees. Notwithstanding anything to the contrary in this Plan or in any written communication, summary, resolution or document or oral communication, unless an individual is a member of a select group of management or highly compensated employees (as that expression is used in ERISA), the individual shall not be a Participant in this Plan, develop benefits under this Plan or be entitled to receive benefits under this Plan (either for the Participant or the Participant's survivors) except to the extent that the individual's benefits in Base Plan are reduced on account of Code section 415 limits. If a court of competent jurisdiction, any representative of the U.S. Department of Labor or any other governmental, regulatory or similar body makes any direct or indirect, formal or informal, determination that an individual is not a member of a select group of management or highly compensated employees (as that expression is used in ERISA), such individual shall not be (and shall not have ever been) a Participant in this Plan at any time except to the extent that the individual's benefits in Base Plan are reduced on account of Code section 415 limits. If any person not so defined has been erroneously treated as a Participant in this Plan, upon discovery of such error such person's erroneous participation shall immediately terminate ab initio and upon demand such person shall be obligated to reimburse Honeywell for all amounts erroneously paid to him or her.

2.2.2 Participants in the Honeywell International Inc. Supplemental Pension Plan or Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Band 6 and Above. An employee entitled to a supplemental benefit under the Honeywell International Inc. Supplemental Pension Plan or the Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Band 6 and Above shall not be a Participant in this Plan and shall not be entitled to any benefit under this Plan.

2.3. Duration. Any employee who has become a Participant in this Plan shall continue as a Participant until all benefits due under this Plan have been paid (or forfeited) without regard to whether he or she continues as a participant in the Base Plan.

SECTION 3 BENEFITS

3.1. Participant Benefits.

3.1.1 Basic Benefit. Commencing as of the payment date required under Section 4 below, a Participant satisfying the participation requirements of Section 2.1.1 shall receive a benefit in this Plan which shall be the excess, if any, of:

(a) the amount that would be payable under the formula and rules of the Base Plan (as the Base Plan exists on the date as of which such amount is determined) if determined:

(i) without regard to the benefit limitation under section 415 of the Code, and

(ii) without regard to the compensation limitation under section 401(a)(17) of the Code, and

(iii) without regard to the exclusion from the definition of Earnings under the Base Plan of deferred incentive payments under Honeywell Corporate Executive Compensation Plan, the AlliedSignal Inc. Incentive Compensation Plan For Executive Employees, or the Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc. and its Affiliates (or any successor plans) or employee deferrals under the Supplemental Savings Plan, over

(b) the amount actually paid or payable from the Base Plan.

3.1.2 Minimum Benefit. A Participant who only satisfies the participation requirements of Section 2.1.2 shall receive a benefit in this Plan commencing as of the payment date required under Section 4 below which shall be the excess, if any, of:

(a) the amount that would be payable under the formula and rules of the Base Plan (as the Base Plan exists on the date as of which such amount is determined) if determined:

(i) without regard to the benefit limitation under section 415 of the Code, and

(ii) without regard to the compensation limitation under section 401(a)(17) of the Code, and

(iii) without regard to the exclusion from the definition of Earnings under the Base Plan of deferred incentive payments under Honeywell Corporate Executive Compensation Plan, the AlliedSignal Inc. Incentive Compensation Plan For Executive Employees, or the Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc. and its Affiliates (or any successor plans) or employee deferrals under the Supplemental Savings Plan, over

(b) the amount actually paid or payable from the Base Plan.

3.1.2 Minimum Benefit. A Participant who only satisfies the participation requirements of Section 2.1.2 shall receive a benefit in this Plan commencing as of the payment date required under Section 4 below which shall be the excess, if any, of:

(a) the amount that would be payable under the formula and rules of the Base Plan (as the Base Plan exists on the date as of which such amount is determined, including, without limitation, the provisions excluding from earnings any deferred incentive awards paid under the Honeywell Corporate Executive Compensation Plan, the AlliedSignal Inc. Incentive Compensation Plan for Executive Employees, the Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc. and its Affiliates (or any successor plans), and the application of the benefit limitation under section 415 of the Code and the compensation limitation of section 401(a)(17) of the Code) if determined without regard to the exclusion from the definition of Earnings under the Base Plan of any deferrals by the Participant under the Supplemental Savings Plan, over

(b) the amount actually paid or payable from the Base Plan.

3.1.3 Limitation on Benefits. A Participant's benefit in this Plan may be limited in the manner and to the extent to which the Participant has agreed in writing. A Participant satisfying the eligibility requirements of the Honeywell International Inc. Supplemental Pension Plan or the Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Band 6 and Above shall not be eligible for any benefits under this Plan.

3.2. Survivor Benefit

3.2.1. Death Before Benefits Commence. If a Participant dies before the commencement of benefit payments from this Plan, satisfies the eligibility requirements of Section 2.1.1 or 2.1.2 on the date of death, and is eligible for a pre-retirement survivor benefit in the Base Plan, a benefit shall be payable to the Participant's survivor commencing as of the first day of the month following 105 days after the later of the Participant's death or the date that would have been the participant's Earliest Retirement Date. The survivor shall be the individual, if any, who is entitled to the preretirement survivor benefit in the Base Plan. The benefit shall be the Actuarial Equivalent of the amount the survivor would have received under this Plan if the Participant had terminated employment on the day before death, had commenced benefit payments on the date described in the preceding sentence, and had died immediately thereafter, and shall be paid (1) in the form of the annuity required by the Base Plan if the participant elected to receive his benefit in an annuity, or (2) in all other cases, in the form of a single lump sum payment.

3.2.2. Death After Benefits Commence. If a Participant dies after the commencement of benefit payments from this Plan, the benefit payable shall be unpaid installments of annuity, if any, which are to be continued for a joint annuitant or beneficiary under the form of payment elected by the Participant under Section 4. If a participant receives his Supplemental Benefit in a single lump sum payment, no Supplemental Benefit shall be paid to his surviving spouse or beneficiary following his death.

3.2.1. Death Before Benefits Commence. If a Participant dies before the commencement of benefit payments from this Plan, satisfies the eligibility requirements of Section 2.1.1 or 2.1.2 on the date of death, and is eligible for a pre-retirement survivor benefit in the Base Plan, a benefit shall be payable to the Participant's survivor commencing as of the first day of the month following 105 days after the later of the Participant's death or the date that would have been the participant's Earliest Retirement Date. The survivor shall be the individual, if any, who is entitled to the preretirement survivor benefit in the Base Plan. The benefit shall be the Actuarial Equivalent of the amount the survivor would have received under this Plan if the Participant had terminated employment on the day before death, had commenced benefit payments on the date described in the preceding sentence, and had died immediately thereafter, and shall be paid (1) in the form of the annuity required by the Base Plan if the participant elected to receive his benefit in an annuity, or (2) in all other cases, in the form of a single lump sum payment.

3.2.2. Death After Benefits Commence. If a Participant dies after the commencement of benefit payments from this Plan, the benefit payable shall be unpaid installments of annuity, if any, which are to be continued for a joint annuitant or beneficiary under the form of payment elected by the Participant under Section 4. If a participant receives his Supplemental Benefit in a single lump sum payment, no Supplemental Benefit shall be paid to his surviving spouse or beneficiary following his death.

3.3. Special 1993 Vesting. As specified in the Prior Plan Statement, accrued benefits were determined and vested for certain employees as of specified dates in 1993 and, to the extent a vested benefit was attributable to service after December 31, 1983, but before January 1, 1994, the present value of that benefit was treated as "wages" for such employee for purposes of the Federal Insurance Contribution Act (FICA) and the Federal Unemployment Act (FUTA). The amount of the vested benefit of individuals who were named in the Prior Plan Statement and have not commenced benefits in the Plan as of the Effective Date are specified on Table II.

SECTION 4 DISTRIBUTIONS

4.1. Forms of Payment. The following rules shall be used in determining the time and form of payment for a Participant's benefit:

(a) Except as otherwise provided in this Section 4.1, the Actuarial Equivalent value of a Participant's benefit shall be paid in a single lump sum payment as of the first day of the month following 105 days after the later of the participant's Separation from Service Date or Earliest Retirement Date.

(b) A Participant who was provided a payment election for his benefit prior to January 1, 2009 other than a Participant described in clause (c) and who elected an annuity as his payment form shall, prior to his benefit commencement date, be entitled to elect from among a 100% Joint and Survivor Annuity, a 50% Joint and Survivor Annuity, a Single Life Annuity, and a 10 Year Period Certain and Life Annuity, with such payments to begin as of the first day of the month following 105 days after the later of the Participant's Separation from Service Date or Earliest Retirement Date. If a Participant fails to elect an annuity payment form by the required date, his benefit shall be paid in a single life annuity if he is unmarried on his benefit commencement date or in a joint and 100% survivor annuity, with his opposite sex spouse on his benefit commencement date as his contingent annuitant, if he is married on his benefit commencement date.

(c) A Participant who is listed on Schedule A of the Plan shall have his benefits paid or begin to be paid as of the date indicated on Schedule A in the payment form elected by such Participant; provided that a Participant who elected an annuity as his payment form shall, prior to his benefit commencement date, be entitled to elect from among a 100% Joint and Survivor Annuity, a 50% Joint and Survivor Annuity, a Single Life Annuity, and a 10 Year Period Certain and Life Annuity. If a Participant fails to elect an annuity payment form, his benefit shall be paid in a single life annuity if he is unmarried on his benefit commencement date or in a joint and 100% survivor annuity, with his opposite sex spouse on his benefit commencement date as his contingent annuitant, if he is married on his benefit commencement date.

(d) A Participant who is entitled to disability pension benefits under the Base Plan that qualify as "ancillary

(b) A Participant who was provided a payment election for his benefit prior to January 1, 2009 other than a Participant described in clause (c) and who elected an annuity as his payment form shall, prior to his benefit commencement date, be entitled to elect from among a 100% Joint and Survivor Annuity, a 50% Joint and Survivor Annuity, a Single Life Annuity, and a 10 Year Period Certain and Life Annuity, with such payments to begin as of the first day of the month following 105 days after the later of the Participant's Separation from Service Date or Earliest Retirement Date. If a Participant fails to elect an annuity payment form by the required date, his benefit shall be paid in a single life annuity if he is unmarried on his benefit commencement date or in a joint and 100% survivor annuity, with his opposite sex spouse on his benefit commencement date as his contingent annuitant, if he is married on his benefit commencement date.

(c) A Participant who is listed on Schedule A of the Plan shall have his benefits paid or begin to be paid as of the date indicated on Schedule A in the payment form elected by such Participant; provided that a Participant who elected an annuity as his payment form shall, prior to his benefit commencement date, be entitled to elect from among a 100% Joint and Survivor Annuity, a 50% Joint and Survivor Annuity, a Single Life Annuity, and a 10 Year Period Certain and Life Annuity. If a Participant fails to elect an annuity payment form, his benefit shall be paid in a single life annuity if he is unmarried on his benefit commencement date or in a joint and 100% survivor annuity, with his opposite sex spouse on his benefit commencement date as his contingent annuitant, if he is married on his benefit commencement date.

(d) A Participant who is entitled to disability pension benefits under the Base Plan that qualify as "ancillary benefits" shall continue to receive such benefits as required by the Base Plan as long as the Participant satisfies the conditions applicable to such benefits. The Actuarial Equivalent value of such Participant's benefit at retirement shall be paid as of the first day of the month following 105 days after the latest date the ancillary disability pension benefits could be paid, whether or not the ancillary disability pension benefits continue to be paid to such date. The form of payment shall be determined in accordance with clause (1) or (2) as applicable.

(e) A Participant who is entitled to a benefit and whose Separation from Service Date and Earliest Retirement Date (other than a Participant described in clause (3)) both occurred before July 1, 2009 shall receive his benefit as of July 1, 2009, with the form of payment determined in accordance with clause (1) or (2) as applicable.

(f) A Participant's benefit shall include an estimate of any service or compensation (such as during a severance period or bridge leave of absence) following the Participant's benefit commencement date that is required to be taken into account in

calculating a Participant's benefit. In no event shall Honeywell be required to recalculate or otherwise true up the benefit actually paid.

(g) Notwithstanding any provision of this Section 4.1 to the contrary, if a Participant is a Specified Employee at his Separation from Service Date and payment under this Section 4.1 is required to be made or commence within the 6-month period following his Separation from Service Date, such payment shall be delayed if it is to be made in a single lump sum payment or accumulated if it is to be made in an annuity until the earlier of the first day of the seventh month following the Separation from Service Date or the first day of the month following the Participant's death, with no interest or earnings accruing on the delayed payments.

4.2. Change in Control.

4.2.1. Immediate Vesting. In the event of a Change in Control as defined in this Section, each employee who satisfies the eligibility requirements of Section 2.1.1 on the day before the Change in Control shall be immediately and fully vested in the benefit that would have been payable if the employee had terminated employment on the day before the Change in Control and in any additional benefit the employee accrues in this Plan following the Change in Control.

4.2.2. Definition. For all purposes of this Plan, a "Change in Control" shall have occurred if:

(a) any "person" as such term is used in section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than Honeywell, any subsidiary of Honeywell, any "person" (as herein defined)

calculating a Participant's benefit. In no event shall Honeywell be required to recalculate or otherwise true up the benefit actually paid.

(g) Notwithstanding any provision of this Section 4.1 to the contrary, if a Participant is a Specified Employee at his Separation from Service Date and payment under this Section 4.1 is required to be made or commence within the 6-month period following his Separation from Service Date, such payment shall be delayed if it is to be made in a single lump sum payment or accumulated if it is to be made in an annuity until the earlier of the first day of the seventh month following the Separation from Service Date or the first day of the month following the Participant's death, with no interest or earnings accruing on the delayed payments.

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4.2.2. Definition. For all purposes of this Plan, a "Change in Control" shall have occurred if:

(a) any "person" as such term is used in section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than Honeywell, any subsidiary of Honeywell, any "person" (as herein defined) acting on behalf of Honeywell as underwriter pursuant to an offering who is temporarily holding securities in connection with such offering, any trustee or other fiduciary holding securities under an employee benefit plan of Honeywell or any corporation owned, directly or indirectly, by the stockholders of Honeywell in substantially the same proportions as their ownership of stock of Honeywell), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, or securities of Honeywell Inc. representing thirty percent (30%) or more of the combined voting power of Honeywell's then outstanding securities;

(b) during any period of not more than two consecutive years (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board of Directors of Honeywell, and any new director (other than a director designated by a "person" who has entered into an agreement with Honeywell to effect a transaction described in Section 4.2.2 (a), (c) or (d)) whose election by the Board of Directors of Honeywell or nomination for election by Honeywell Inc.'s stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;

(c) the stockholders of Honeywell approve a merger or consolidation of Honeywell with any other corporation, other than (i) a merger or consolidate which would result in the voting securities of Honeywell outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of Honeywell or such surviving entity outstanding immediately after such merger or consolidation; or (ii) a merger or consolidation effected to implement a capitalization of Honeywell (or similar transaction) in which no "person" (as hereinabove defined) acquires more than thirty percent (30%) of the combined voting power of Honeywell's then outstanding securities; or

(d) the stockholders of Honeywell approve a plan of complete liquidation of Honeywell or an agreement for the sale or disposition of all or substantially all of Honeywell's assets (or any transaction having a similar effect).

4.3. Taxes. All taxes which may be due with respect to any payments or benefits under this Plan are the obligation of the Participant and not the obligation of the Employer. Notwithstanding any provision in this Plan to the contrary, if all or a portion of a benefit in this Plan is determined to be includable in an individual's gross income and subject to income tax at any time prior to the time such benefit would otherwise be paid, that benefit or that portion of a benefit shall be distributed to the individual if such distribution is permitted by Code section 409A. For this purpose, an amount is determined to be includable in an individual's gross income upon the earliest of: (a) a final determination by the Internal

(c) the stockholders of Honeywell approve a merger or consolidation of Honeywell with any other corporation, other than (i) a merger or consolidate which would result in the voting securities of Honeywell outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of Honeywell or such surviving entity outstanding immediately after such merger or consolidation; or (ii) a merger or consolidation effected to implement a capitalization of Honeywell (or similar transaction) in which no "person" (as hereinabove defined) acquires more than thirty percent (30%) of the combined voting power of Honeywell's then outstanding securities; or

(d) the stockholders of Honeywell approve a plan of complete liquidation of Honeywell or an agreement for the sale or disposition of all or substantially all of Honeywell's assets (or any transaction having a similar effect).

4.3. Taxes. All taxes which may be due with respect to any payments or benefits under this Plan are the obligation of the Participant and not the obligation of the Employer. Notwithstanding any provision in this Plan to the contrary, if all or a portion of a benefit in this Plan is determined to be includable in an individual's gross income and subject to income tax at any time prior to the time such benefit would otherwise be paid, that benefit or that portion of a benefit shall be distributed to the individual if such distribution is permitted by Code section 409A. For this purpose, an amount is determined to be includable in an individual's gross income upon the earliest of: (a) a final determination by the Internal Revenue Service addressed to the individual which is not appealed, (b) a final determination of by the United States Tax Court or any other federal court affirming an IRS determination, or (c) an opinion addressed to Honeywell by the tax counsel for Honeywell that, by reason of the Code, Treasury Regulations, published IRS rulings, court decisions or other substantial precedent, the amount is subject to federal income tax prior to payment.

4.4. Incompetency. When the Committee determines that an individual to whom benefits are payable is unable to manage his or her financial affairs, the Committee may pay such individual's benefits to a duly appointed conservator or other legal representative of such individual or, if no prior claim has been made by such a conservator or legal representative, to a person or institution entrusted with the care or maintenance of the incompetent or disabled individual if the Committee is satisfied that the payments will be used for the best interest of such individual. Any payment made in accordance with this Section shall constitute a complete discharge of any liability or obligation of the Employer and Plan.

SECTION 5 GENERAL MATTERS

5.1. Funding. All benefits under this Plan shall be paid exclusively from the general assets of Honeywell. No fund or trust shall be established apart from the general assets of Honeywell for the purpose of this Plan and no assets or property shall be segregated, pledged or set apart from the general assets of Honeywell for the purposes of funding this Plan. Any person entitled to benefits under this Plan shall be a general, unsecured creditor of Honeywell. The foregoing shall not preclude the establishment by Honeywell of a "rabbi trust".

Notwithstanding the preceding paragraph, the Committee is authorized (but not required) to cause Honeywell to fund all or a part of the benefits for such Participant or Participants as it may select in its sole discretion from time to time. The Committee is authorized to select, appoint and remove trustees, to enter into, amend and terminate trust agreements, to create trust funds, to cause Honeywell to make contributions to such trust funds in such amounts as the Committee may determine from time to time and to take all other actions that it may determine to be necessary or helpful in implementing the funding.

5.2. Status of Participant. A Participant shall have no right, title, or interest in or to any investments which Honeywell may make to aid it in meeting the obligations of this Plan. Nothing contained in this Plan, and no action taken pursuant to its provisions shall create or be construed to create a trust of any kind, or a fiduciary relationship between Honeywell and a Participant or any beneficiary. To the extent that any person acquires a right to receive payments from Honeywell, such right shall be no greater than the right of an unsecured creditor.

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GENERAL MATTERS

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5.3. Spendthrift Provision. No Participant, surviving spouse, joint annuitant or beneficiary shall have the power to transmit, assign, alienate, dispose of, pledge or encumber any benefit payable under this Plan before its actual payment to such person. Honeywell shall not recognize any such effort to convey any interest under this Plan. No benefit payable under this Plan shall be subject to attachment, garnishment, execution following judgment or other legal process before actual payment to such person.

5.4. No Employment Contract. This Plan shall not give any employee the right to be retained in the employment of the Employer, shall not enlarge or diminish any person's employment rights or rights or obligations under the Base Plan, and shall not affect the right of the Employer to deal with any employees or participants in employment respects, including, without limitation, their hiring, discharge, compensation, and conditions of employment.

SECTION 6
AMENDMENT AND TERMINATION

6.1. Amendment. The Committee (or its delegate) shall have the right to amend or terminate the Plan at any time, for any reason and without notice to any affected person;

provided, however, that, except with respect to automatic lump sum payments and interest rate assumptions or as otherwise agreed to by the Participant, the Plan may not be amended in any manner that would adversely affect the benefit which would have been payable to an employee if the employee had terminated employment on the day before the amendment or that would reduce the benefit that is being paid to any person at the time of the amendment. If this Plan is terminated, each employee who satisfies the eligibility requirements of Section 2 on the date the Plan is terminated and each Participant, joint annuitant or beneficiary who is receiving benefits under this Plan shall receive a lump sum payment of the accrued benefit or remaining benefit, as applicable, in this Plan as soon as administratively feasible after such Plan termination. The lump sum shall be the present value of the person's accrued benefit or remaining benefit as of the date the Plan is terminated using the interest rate and mortality assumptions set forth in Table I.

6.2. Change in Control. Notwithstanding Section 6.1, for a period that begins on the date of a Change in Control (as defined in Section 4) and ends on the last day of the thirty-sixth month that begins after the month in which the Change in Control occurs, the Plan may not be terminated or amended in any manner whatsoever that would adversely affect the amount and form of benefits payable under this Plan to an employee without the employee's consent.

provided, however, that, except with respect to automatic lump sum payments and interest rate assumptions or as otherwise agreed to by the Participant, the Plan may not be amended in any manner that would adversely affect the benefit which would have been payable to an employee if the employee had terminated employment on the day before the amendment or that would reduce the benefit that is being paid to any person at the time of the amendment. If this Plan is terminated, each employee who satisfies the eligibility requirements of Section 2 on the date the Plan is terminated and each Participant, joint annuitant or beneficiary who is receiving benefits under this Plan shall receive a lump sum payment of the accrued benefit or remaining benefit, as applicable, in this Plan as soon as administratively feasible after such Plan termination. The lump sum shall be the present value of the person's accrued benefit or remaining benefit as of the date the Plan is terminated using the interest rate and mortality assumptions set forth in Table I.

6.2. Change in Control. Notwithstanding Section 6.1, for a period that begins on the date of a Change in Control (as defined in Section 4) and ends on the last day of the thirty-sixth month that begins after the month in which the Change in Control occurs, the Plan may not be terminated or amended in any manner whatsoever that would adversely affect the amount and form of benefits payable under this Plan to an employee without the employee's consent.

6.3. Amendments to Base Plan. It is specifically contemplated that the Base Plan will, from time to time, be amended and possibly terminated. All such amendments and termination shall be given effect under this Plan as it is expressly intended that this Plan shall not be restricted by the provisions of the Base Plan as they exist on the Effective Date but shall be controlled by the provisions of the Base Plan as of the date a benefit is determined under this Plan.

SECTION 7 DETERMINATIONS AND CLAIMS

7.1. Determinations. The Committee or any person to whom such authority has been delegated pursuant to Section 8 shall interpret and administer the terms and conditions of the Plan, decide all questions concerning the eligibility of any persons to participate in the Plan, grant or deny benefits under the Plan, construe any ambiguous provision of the Plan, correct any defect, supply any omission, or reconcile any inconsistency as the Committee or its delegatee, in its sole discretion, may determine. The determinations of the Committee or any authorized person shall, subject only to the Plan's claims procedures, be final and binding on all persons.

7.2. Claims Procedure.

7.2.1. Original Claim. Any employee, former employee, joint or contingent annuitant or beneficiary of the Participant may file with the Committee a written claim

for benefits under this Plan. Within sixty (60) days after the filing of such a claim, the Committee shall notify the claimant in writing whether his claim is upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than one hundred twenty days from the date the claim was filed) to reach a decision on the claim. If the claim is denied in whole or in part, the Committee shall state in writing:

- (a) the specific reasons for the denial;
- (b) the specific references to the pertinent provisions of this Plan on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the claims review procedure set forth in this section.

7.2.2. Claims Review Procedure. Within sixty (60) days after receipt of notice that his or her claim has been denied in whole or in part, the claimant may file with the Committee a written request for a review and may, in conjunction therewith, submit written issues and comments. Within sixty (60) days after the filing of such a request for review, the

for benefits under this Plan. Within sixty (60) days after the filing of such a claim, the Committee shall notify the claimant in writing whether his claim is upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than one hundred twenty days from the date the claim was filed) to reach a decision on the claim. If the claim is denied in whole or in part, the Committee shall state in writing:

- (a) the specific reasons for the denial;
- (b) the specific references to the pertinent provisions of this Plan on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the claims review procedure set forth in this section.

7.2.2. Claims Review Procedure. Within sixty (60) days after receipt of notice that his or her claim has been denied in whole or in part, the claimant may file with the Committee a written request for a review and may, in conjunction therewith, submit written issues and comments. Within sixty (60) days after the filing of such a request for review, the Committee shall notify the claimant in writing whether, upon review, the claim was upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than one hundred twenty days from the date the request for review was filed) to reach a decision on the request for review.

7.2.3. General Rules.

(a) No inquiry or question shall be deemed to be a claim or a request for a review of a denied claim unless made in accordance with the claims procedure. The Committee may require that any claim for benefits and any request for a review of a denied claim be filed on forms to be furnished by the Committee upon request.

(b) All decision on claims and on requests for a review of denied claims shall be made by the Committee.

(c) The Committee may, in its discretion, hold one or more hearings on a claim or a request for a review of a denied claim.

(d) Claimants may be represented by a lawyer or other representative (at their own expense), but the Committee reserves the right to require the claimant to furnish written authorization. A claimant's representative shall be entitled to receive copies of notices sent to the claimant.

(e) The decision of the Committee on a claim and on a request for a review of a denied claim shall be served on the claimant in writing.

(f) Prior to filing a claim or a request for a review of a denied claim, the claimant or his representative shall have a reasonable opportunity to review a copy of this Plan statement and all other pertinent documents in the possession of Honeywell and the Committee.

SECTION 8 PLAN ADMINISTRATION

8.1. Employer. Functions generally assigned to the Employer shall be discharged by the officers of Honeywell or delegated and allocated as provided herein. Honeywell may by action of the Committee, delegate or re-delegate and allocate and reallocate to one or more persons or to a committee of persons jointly or severally, and whether or not such persons are directors, officers or employees, such functions assigned to the Employer hereunder as it may from time to time deem advisable.

(e) The decision of the Committee on a claim and on a request for a review of a denied claim shall be served on the claimant in writing.

(f) Prior to filing a claim or a request for a review of a denied claim, the claimant or his representative shall have a reasonable opportunity to review a copy of this Plan statement and all other pertinent documents in the possession of Honeywell and the Committee.

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8.2. Committee. The general administration and operation of this Plan shall be by the Committee, which shall consist of such members as may be determined and appointed from time to time by the Honeywell's Board of Directors, and who shall serve at the pleasure of the Board of Directors. The Committee may delegate or re-delegate to one or more persons, jointly or severally, and whether or not such persons are members of the Committee or employees of Honeywell, such functions assigned to the Committee hereunder as it may from time to time deem advisable.

8.3. Method of Executing Instruments. Information to be supplied or written notices to be made or consents to be given by the Employer or the Committee, as applicable, pursuant to any provision of this Plan may be signed in the name of the Employer or the Committee by any officer or by any employee or any member of any committee who has been authorized to make such certification and to give such notices or consents.

8.4. Conflict of Interest. If any officer or employee of Honeywell, any member of the Board of Directors of Honeywell or any member of the Committee to whom authority has been delegated or re-delegated hereunder shall also be a Participant in this Plan, he or she shall have no authority as such officer, employee or member with respect to any matter specially affecting his or her individual interest hereunder (as distinguished from the interests of all Participants and or a broad class of Participants), all such authority being reserved exclusively to the other officers, employees or members, as the case may be, to the exclusion of such Participant, and such Participant shall act only in his or her individual capacity in connection with any such matter.

8.5. Plan Administrator. The Committee shall be the administrator for purposes of section 3(16)(A) of ERISA.

8.6. Construction. This Plan is intended to be a nonqualified deferred compensation arrangement. The rules of section 401(a) et. seq. of the Code shall not apply to this Plan. This plan is adopted with the understanding that it is in part an unfunded excess benefit plan within the meaning of section 3(36) ERISA and is in part an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees as provided in sections 201(2), 301(3) and 401(a)(1) of ERISA. Each provision hereof shall be interpreted and administered accordingly. This Plan shall not provide any benefits with respect to any defined contribution plan. This Plan shall be construed to prevent the duplication of benefits provided under any other plan or arrangement, whether qualified or nonqualified, funded or unfunded, to the extent that such other benefits are provided directly or indirectly by Honeywell.

8.7 Compliance with Section 409A of the Code. The Plan is intended to comply with the applicable requirements of Section 409A of the Code, and will be administered in accordance with Section 409A of the Code to the extent that Section 409A of the Code applies to the Plan. Notwithstanding any provision of the Plan to the contrary, distributions from the Plan may only be made in a manner, and upon an event, permitted by Section 409A of the Code. If any payment or benefit cannot be provided or made at the time specified herein without incurring penalties under Code section 409A, then such benefit or payment will be provided in full at the earliest time thereafter when such penalties will not be imposed. To the extent that any provision of the Plan would cause a conflict with the applicable requirements

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TABLE I

ACTUARIAL ASSUMPTIONS FOR LUMP SUM PAYMENTS

Interest: 8 1/2% per annum discount rate

Mortality: 1983 Group Annuity Mortality Table for Healthy Males

TABLE II

VESTED ACCRUED BENEFITS

For purposes of Section 3.3, the accrued benefits of the following individuals are vested to the extent shown below:

NAME	LIFE ANNUITY
----	-----
Bonsignore, Michael R.	\$12,338.72 per month payable at age 66
Rosso, Jean Pierre P.	\$ 2,771.88 per month payable at age 66

SCHEDULE A

NAME	PAYMENT DATE
J. GEORGE	11/1/11
S. STARRETT	7/1/09
G. PINCUS	7/1/09

TABLE II
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NAME	PAYMENT DATE
J. GEORGE	11/1/11
S. STARRETT	7/1/09
G. PINCUS	7/1/09
G. MARCINKOWSKI	12/1/08

Exhibit 10.14

**AMENDMENT TO THE LETTER AGREEMENT BETWEEN HONEYWELL
INTERNATIONAL INC. AND DAVID J. ANDERSON, DATED JUNE 12, 2003**

WHEREAS, Honeywell International Inc. (the "Company") and Mr. David J. Anderson (the "Executive") entered into a letter agreement dated June 12, 2003 (the "Letter Agreement") which was intended to set forth certain terms and conditions relating to the compensation and benefits for which Executive would be eligible during his employment with the Company; and

WHEREAS, the Company and the Executive wish to amend the Letter Agreement to the extent necessary to comply with Section 409A of the Internal Revenue Code of 1986, as amended and the regulations promulgated thereunder.

NOW, THEREFORE, the Letter Agreement is hereby amended effective December 31, 2008 in the following manner:

1. Under Section I "Compensation," the subsection entitled "Annual Incentive Bonus" shall be replaced in its entirety with the following language:

"Annual Incentive Bonus: You shall be eligible for annual awards under the Honeywell International Inc. Incentive Compensation Plan for Executive Employees, with a short-term incentive compensation target opportunity of at least 100% of your annual cash base salary earnings during the year."

2. Under Section II "Benefits," the subsection entitled "Pension" shall be replaced in its entirety with the following language:

"Pension: You will be eligible for an enhanced retirement benefit through a combination of Honeywell's qualified retirement plan and a special non-qualified pension enhancement that will provide:

A monthly benefit equal to the benefit provided under the Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Band 6 and Above (the "SERP"). Honeywell will credit your years of service with both ITT and Honeywell as Service under the SERP for all plan purposes. Such benefit will be paid as an annuity as of the first of the month following 105 days following the later of your Separation from Service (as such term is defined in Section 409A of the Internal Revenue Code of 1986, as amended (the "Code")) or your earliest retirement date as provided under the SERP.

Plus,

If you retire on or after age 60, a benefit for your lifetime in the amount of \$125,000 annually, commencing as of the first of the month following your Separation from Service. In the event that you are terminated by the Company, other than for Gross Cause (as defined in the Honeywell International inc. Senior Severance Plan, as amended from time to time (the "Senior Severance Plan")), payment will commence as of the later of the first of the month following your Separation from Service or January 1, 2010. In

the event of change of control that also qualifies as a "Change in the Ownership or Effective Control of a Corporation or in the Ownership of a Substantial Portion of the Assets of a Corporation" under Treasury Department Final Regulation 1.409A-3(i)(5), or any successor thereto, payment will commence on the later of (i) the date on which such change in control is consummated and (ii) January 1, 2010. If you retire on or after age 62, this lifetime benefit will be in the amount of \$175,000 annually.

Notwithstanding the foregoing, if you are a "Specified Employee" within the meaning of Section 409A of the Code at the time of your Separation from Service (including, without limitation, your retirement), the payments of your enhanced retirement benefit to which you would otherwise be entitled during the first six months following your Separation from Service shall be deferred and accumulated for a period of six months and paid in a lump sum on the first day of the seventh month following such Separation from Service (or, if earlier, the date of your death), with no interest or earnings accruing on such payments during the deferral period.

3. Under Section II "Benefits," the subsection entitled "Senior Executive Severance" shall be replaced in its entirety with the following language:

"Senior Executive Severance: The Company will provide 36 months of continued base salary, annual incentive bonus at the target bonus opportunity then in effect, and certain benefits in the event of your involuntary termination for other than Gross Cause (as defined in the Senior Severance Plan). Such severance shall be payable in accordance with the terms and conditions of the Senior Severance Plan."

4. Under Section II "Benefits," a new paragraph shall be inserted at the end of such section, which such paragraph shall read as follows:

"The Company and you intend that the terms of this offer shall comply with Section 409A of the Code and shall be interpreted, operated and administered accordingly."

HONEYWELL INTERNATIONAL INC.

/s/ Mark James

Mark James

Senior Vice President – Human Resources and

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Notwithstanding the foregoing, if you are a “Specified Employee” within the meaning of Section 409A of the Code at the time of your Separation from Service (including, without limitation, your retirement), the payments of your enhanced retirement benefit to which you would otherwise be entitled during the first six months following your Separation from Service shall be deferred and accumulated for a period of six months and paid in a lump sum on the first day of the seventh month following such Separation from Service (or, if earlier, the date of your death), with no interest or earnings accruing on such payments during the deferral period.

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“**Senior Executive Severance:** The Company will provide 36 months of continued base salary, annual incentive bonus at the target bonus opportunity then in effect, and certain benefits in the event of your involuntary termination for other than Gross Cause (as defined in the Senior Severance Plan). Such severance shall be payable in accordance with the terms and conditions of the Senior Severance Plan.”

4. Under Section II “Benefits,” a new paragraph shall be inserted at the end of such section, which such paragraph shall read as follows:

“The Company and you intend that the terms of this offer shall comply with Section 409A of the Code and shall be interpreted, operated and administered accordingly.”

HONEYWELL INTERNATIONAL INC.

/s/ Mark James

Mark James

Senior Vice President – Human Resources and
Communications

DAVID J. ANDERSON

/s/ David J. Anderson

Dated: December 17, 2008

Amended and restated, effective as of January 1, 2009

ARTICLE I

PURPOSE

The purpose of this Plan is to provide severance benefits to Plan Participants in the event of the Involuntary Termination of their employment following a Change in Control. The Plan was established by Honeywell International Inc. (formerly AlliedSignal Inc.) and was originally effective as of February 6, 1988. The Plan was amended and restated effective October 21, 1988, April 1, 1999, October 24, 2000 and December 20, 2001 and amended effective January 1, 2008. The Plan is now hereby amended and restated effective as of January 1, 2009 to implement changes required pursuant to and consistent with Section 409A of the Code. Capitalized terms used but not defined in this Article I shall have the meanings ascribed to them in Article II below.

ARTICLE II

DEFINITIONS

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

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

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

2.4 Board of Directors - means the Board of Directors of Honeywell.

2.5 Change in Control - is deemed to occur at the time (a) when any entity, person or group (other than Honeywell, any subsidiary or any savings, pension or other benefit plan for the

benefit of employees of Honeywell) which theretofore beneficially owned less than 30% of the Common Stock then outstanding acquires shares of Common Stock in a transaction or series of transactions that results in such entity, person or group directly or indirectly owning beneficially 30% or more of the outstanding Common Stock, (b) of the purchase of shares of Common Stock pursuant to a tender offer or exchange offer (other than any offer by Honeywell) for all, or any part of, the Common Stock, (c) of a merger in which Honeywell will not survive as an independent, publicly owned corporation, a consolidation, or a sale, exchange or other disposition of all or substantially all of Honeywell's assets, (d) of a substantial change in the composition of the Board of Directors during any period of two consecutive years such that individuals who at the beginning of such period were members of the Board of Directors cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the stockholders of Honeywell, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period, or (e) of any transaction or other event which the Management Development and Compensation Committee of the Board of Directors, in its discretion, determines to be a change in control for purposes of this Plan.

benefit of employees of Honeywell) which theretofore beneficially owned less than 30% of the Common Stock then outstanding acquires shares of Common Stock in a transaction or series of transactions that results in such entity, person or group directly or indirectly owning beneficially 30% or more of the outstanding Common Stock, (b) of the purchase of shares of Common Stock pursuant to a tender offer or exchange offer (other than any offer by Honeywell) for all, or any part of, the Common Stock, (c) of a merger in which Honeywell will not survive as an independent, publicly owned corporation, a consolidation, or a sale, exchange or other disposition of all or substantially all of Honeywell's assets, (d) of a substantial change in the composition of the Board of Directors during any period of two consecutive years such that individuals who at the beginning of such period were members of the Board of Directors cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the stockholders of Honeywell, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period, or (e) of any transaction or other event which the Management Development and Compensation Committee of the Board of Directors, in its discretion, determines to be a change in control for purposes of this Plan.

2.6 Code - means the Internal Revenue Code of 1986, as amended from time to time, together with the applicable final regulations issued thereunder.

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

2.8 Corporate Staff Employee - means a salaried or non-union hourly employee of Honeywell employed in Career Bands 1 through 7 who, during a Potential Change In Control Period (as defined in Section 4.5 below) and/or at the time of a Change in Control, (a) is not associated with (i) an operating business of Honeywell or (ii) Business Services or any successor organization, and (b) (i) has a reporting relationship, prior to a Change in Control, either direct or through one or more other employees, to one of the then Senior Vice Presidents of Honeywell, (ii) prior to a Change in Control, held a position similar to a position which on April 1, 1999 had a reporting relationship, either direct or indirect or through one or more other employees, to one of the then Senior Vice Presidents of Honeywell, or (iii) reported prior or subsequent to a Change in Control directly to the Chairman and Chief Executive Officer of Honeywell. For purposes of subsection (a) above, an employee (x) whose work is not primarily associated with business operations or supportive of one or more particular businesses, (y) who is a functional leader, and (z) who has corporate-wide strategic responsibilities or whose role is to coordinate cross-business unit functions (whether or not located in the United States), as well as such employee's direct reports, shall be considered a Corporate Staff Employee. The Plan Administrator's final determination as to whether an employee satisfies the definition of Corporate Staff Employee shall be deemed to be conclusive and binding. Corporate Staff Employee shall not include any 1988 Plan Employee.

2.9 ERISA - means the Employee Retirement Income Security Act of 1974, as amended from time to time, together with the applicable final regulations issued thereunder.

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2.10 Good Reason – means, without the Participant's consent (a) a material reduction in the Participant's Pay in effect immediately prior to the Change in Control other than a reduction that is generally applicable to all salaried and non-union hourly employees of Honeywell, (b) permanent elimination of the Participant's position, not including transfer pursuant to the sale of a facility or line of business in which the Participant is offered substantially comparable employment with the new employer, (c) in the case of a Band 5 or above Participant or a Participant who met the definition of Corporate Staff Employee immediately prior to the December 20, 2001 amendment and restatement of the Plan, a material reduction in one or more of the following factors: the Participant's position, function, responsibilities or reporting level or in the standard of performance required of the Participant, as determined immediately prior to a Change in Control, (d) a material change in the geographic location at which the Participant must perform the services from the location the Participant was required to perform services immediately prior to a Change in Control, or (e) an action by Honeywell that under applicable law constitutes constructive discharge. Notwithstanding the foregoing, Good Reason shall not be deemed to have occurred unless, the Participant provides written notice to Honeywell identifying the event or omission constituting the reason for a Good Reason termination no more than ninety (90) days following

2.10 Good Reason – means, without the Participant’s consent (a) a material reduction in the Participant’s Pay in effect immediately prior to the Change in Control other than a reduction that is generally applicable to all salaried and non-union hourly employees of Honeywell, (b) permanent elimination of the Participant’s position, not including transfer pursuant to the sale of a facility or line of business in which the Participant is offered substantially comparable employment with the new employer, (c) in the case of a Band 5 or above Participant or a Participant who met the definition of Corporate Staff Employee immediately prior to the December 20, 2001 amendment and restatement of the Plan, a material reduction in one or more of the following factors: the Participant’s position, function, responsibilities or reporting level or in the standard of performance required of the Participant, as determined immediately prior to a Change in Control, (d) a material change in the geographic location at which the Participant must perform the services from the location the Participant was required to perform services immediately prior to a Change in Control, or (e) an action by Honeywell that under applicable law constitutes constructive discharge. Notwithstanding the foregoing, Good Reason shall not be deemed to have occurred unless, the Participant provides written notice to Honeywell identifying the event or omission constituting the reason for a Good Reason termination no more than ninety (90) days following the first occurrence of such event or omission. Within thirty (30) days after notice has been provided to Honeywell, Honeywell shall have to opportunity, but shall have no obligation, to cure such event or conditions that give rise to a Good Reason termination. If Honeywell fails to cure the events or conditions giving rise to Participant’s Good Reason termination by the end of the thirty (30) day cure period, the Participant’s employment shall terminate at the end of the thirty (30) day cure period.

2.11 Gross Cause - means fraud, misappropriation of Honeywell property or intentional misconduct damaging to such property or business of Honeywell, or the commission of a crime.

2.12 Honeywell - means Honeywell International Inc., a Delaware corporation, and any successors thereto.

2.13 Hour of Service - means each hour for which a Participant is directly or indirectly paid by Honeywell, a predecessor of Honeywell or an Affiliated Company for performance of duties and for reasons other than performance of duties and includes regular time, overtime, vacations, holidays, sickness, disability, paid layoff, and similar paid periods. Hours of Service shall be computed and credited in accordance with Department of Labor Regulation Section 2530.200b -2(b) and (c), as amended from time to time.

2.14 Involuntary Termination - means (a) termination by Honeywell of the Participant’s employment during the Protected Period, other than upon mandatory retirement in compliance with applicable law, death or for Gross Cause, or (b) termination of employment by a Participant during the Protected Period for Good Reason. In evaluating whether a Participant has incurred an Involuntary Termination pursuant to subsection (b) above, the Plan Administrator shall consider the specific facts and circumstances of the Participant’s claim.

2.15 1988 Plan Employee - means an individual who (a) met the definition of Corporate Staff Employee under the Plan immediately prior to its amendment and restatement on April 1, 1999 (the “1988 Plan Definition”), (b) who ceased to meet the Plan’s definition of

Corporate Staff Employee solely by reason of the April 1, 1999 amendment of such definition, and (c) satisfies the 1988 Plan Definition as of the Change in Control. 1988 Plan Employees shall have their benefits, if any, determined solely with reference to the Plan as amended and restated effective October 21, 1988, a copy of which is attached hereto as Exhibit A.

2.16 Participant – means a Corporate Staff Employee and such other key management personnel, and their direct reports, who (a) have corporate-wide responsibilities; (b) hold positions likely to be eliminated upon a Change in Control and (c) are designated as Plan Participants by the Senior Vice President-Human Resources and Communications, in his sole discretion, based on the relevant facts and circumstances; provided, however, that in no event shall the number of such Participants designated by the Senior Vice President-Human Resources and Communications increase the total number of Participants by more than five percent (5%).

Corporate Staff Employee solely by reason of the April 1, 1999 amendment of such definition, and (c) satisfies the 1988 Plan Definition as of the Change in Control. 1988 Plan Employees shall have their benefits, if any, determined solely with reference to the Plan as amended and restated effective October 21, 1988, a copy of which is attached hereto as Exhibit A.

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2.17 Pay - means Base Salary and, as to a Participant employed in Band 5 or above, Annual Incentive Compensation.

2.18 Plan - means the Honeywell International Inc. Severance Plan for Corporate Staff Employees (Involuntary Termination Following a Change in Control).

2.19 Plan Administrator - means the person or entity identified in Section 5.1 to administer the terms and conditions of the Plan.

2.20 Plan Sponsor - means Honeywell. Any successor to Honeywell (or a principal subsidiary) shall be deemed a Plan Sponsor.

2.21 Protected Period - means, with respect to each Participant, the period beginning on the date of a Change in Control that occurs after he or she becomes a Participant and ending at the expiration of twenty-four (24) months following such Change in Control.

2.22 Senior Severance Plan – means the Honeywell International Inc. Severance Plan for Senior Executives in effect from time to time.

2.23 Severance Pay Period - means the applicable severance period specified in Schedule A attached hereto.

2.24 Specified Employee - means any Participant who, at any time during the twelve (12) month period ending on the identification date (as determined by the Vice President, Compensation and Benefits or its delegate), is a “specified employee” under Section 409A of the Code, as determined by the Vice President – Compensation and Benefits (or his delegate), which determination of “specified employees,” including the number and identity of persons considered “specified employees” and identification date, shall be made by the Vice President – Compensation and Benefits (or his delegate) in accordance with the provisions of Sections 416(i) and 409A of the Code.

2.25 Year of Service - means any consecutive 12-month period commencing on a Participant’s date of hire or rehire with Honeywell, any predecessor of Honeywell or an Affiliated Company, and anniversaries thereof during which the Participant has completed at least 1,000 Hours of Service.

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ARTICLE III

PARTICIPATION

The benefits provided under the Plan are limited solely to Participants. Notwithstanding any other provision of the Plan to the contrary, no individual who first satisfies the definition of “Corporate Staff Employee” after December 31, 2007 shall participate in the Plan.

ARTICLE IV

ARTICLE III

PARTICIPATION

The benefits provided under the Plan are limited solely to Participants. Notwithstanding any other provision of the Plan to the contrary, no individual who first satisfies the definition of "Corporate Staff Employee" after December 31, 2007 shall participate in the Plan.

ARTICLE IV

ELIGIBILITY FOR AND CONTINUATION OF PAY, BENEFITS AND PENSION SERVICE

4.1 Eligibility for Pay, Benefit and Pension Service Continuation

In the event of the Involuntary Termination of a Participant's employment during the Protected Period, Pay, benefit and pension service continuation shall be provided to the Participant by Honeywell (or any successor to Honeywell) in accordance with this Article IV.

4.2 Pay, and Benefit and Pension Service Continuation

(a) Pay Continuation - A Participant shall receive Base Salary paid in installments in accordance with Honeywell's normal payroll periods during the Severance Pay Period, with the first installment to be paid within sixty (60) days following the date of the Participant's Involuntary Termination. In addition to continuation of Base Salary, Participants employed in Career Band 5 or above shall receive Annual Incentive Compensation, paid during the Severance Pay Period in equal installments in accordance with the Participant's normal pay period, with the first installment to be paid within sixty (60) days following the date of the Participant's Involuntary Termination, unless delayed pursuant to Section 12.2(b) below.

(b) Benefit Continuation - For the Severance Pay Period, the Participant shall be entitled to the continuation of the following employee benefits:

(i) Vacation accruals at the rate in effect on the date of the Participant's Involuntary Termination with the dollar value of accruals paid in a single lump sum within sixty (60) days of the date accrued;

(ii) Basic and contributory medical insurance (including for qualified dependents) ("Health Plan Coverage"), at the active employee coverage level and prevailing active employee contribution rate, if any; provided, however, (1) that such level of Health Plan Coverage shall not exceed the level of Health Plan Coverage in effect on the date of the Participant's Involuntary Termination, (2) that such continuation of Health Plan Coverage will cease on the earlier of (I) the first month that similar benefits are provided to the Participant by a subsequent employer, (II) the first month in which the Participant fails to pay to Honeywell the prevailing active employee contribution rate, or (III) the end of the Severance Pay Period,

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and (3) the Employer-paid portion of the monthly premium for the Health Plan Coverage shall be imputed as income to the Participant as may be required under Section 105(h) of the Code, subject to applicable withholding from amounts otherwise payable to the Participant.

(iii) Basic and contributory life insurance (including for qualified dependents) ("Life Insurance Coverage"), at the active employee coverage level and prevailing active employee contribution rate, if any; provided, however, (1) that such level of Life Insurance Coverage shall not exceed the level of Life Insurance Coverage in effect on the date of the Participant's Involuntary Termination, (2) that such continuation of Life Insurance Coverage will cease on the earlier of (I) the date similar benefits are provided the Participant by a subsequent employer, (II) the first month in

and (3) the Employer-paid portion of the monthly premium for the Health Plan Coverage shall be imputed as income to the Participant as may be required under Section 105(h) of the Code, subject to applicable withholding from amounts otherwise payable to the Participant.

(iii) Basic and contributory life insurance (including for qualified dependents) (“Life Insurance Coverage”), at the active employee coverage level and prevailing active employee contribution rate, if any; provided, however, (1) that such level of Life Insurance Coverage shall not exceed the level of Life Insurance Coverage in effect on the date of the Participant’s Involuntary Termination, (2) that such continuation of Life Insurance Coverage will cease on the earlier of (I) the date similar benefits are provided the Participant by a subsequent employer, (II) the first month in which the Participant fails to pay to Honeywell the prevailing active employee contribution rate, or (III) the end of the Severance Pay Period, and (3) the Employer-paid contributions required to maintain the Life Insurance Coverage will be imputed as income to the Participant as may be required by applicable law.

(iv) To the extent that a Participant was provided with a flex-perk allowance, executive liability insurance or an executive life insurance plan or policy immediately prior to an Involuntary Termination, such benefit or benefits shall be continued for the duration of the Severance Pay Period.

(c) Pension Service Continuation - Participants entitled to benefits under the Plan shall become 100% vested in their defined benefit pension plan benefits (all defined benefit plans, whether qualified or non-qualified, in which a Participant has accrued a benefit are collectively referred to as the “DB Plans”). During their Severance Pay Period, Participants shall continue to be credited with additional age and service credit for purposes of benefit accrual (up to a maximum of 12 months of a Participant’s Severance Pay Period), vesting and eligibility under the DB Plans in which they participate. At the end of a Participant’s Severance Pay Period, Participants shall immediately be credited with 3 years of age and service, respectively, for purposes of benefit accruals, vesting and eligibility under the DB Plans; provided, however, that such 3 years of additional age shall be credited only if such additional age credits would (either alone or in conjunction with a bridge leave of absence) enable a Participant to be eligible for immediate payment of an early or normal retirement benefit under the applicable defined benefit pension plan in which the Participant participates. The normal policy for qualifying bridge leaves of absence, as reflected in the applicable defined benefit pension plan in which the Participant participates, shall remain applicable thereafter.

(d) 280G Gross-Up –

(i) If any payment to a Participant made pursuant to the terms of this Plan (including payments from any benefit or compensation plan or program sponsored or funded by Honeywell but excluding payments and benefits provided upon a change in control under the Senior Severance Plan and any similar plan or arrangement under which participants have their benefits increased because of taxes under Section 4999 of

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the Code) is determined to be an “excess parachute payment” within the meaning of Section 280G of the Code or any successor or substitute provision of the Code, with the effect that either the Participant is liable for the payment of the tax described in Section 4999 or any successor or substitute provision of the Code (hereafter the “Section 4999 Tax”) or Honeywell has withheld the amount of the Section 4999 Tax, an additional benefit (hereinafter the “Enhancement Benefit”) shall be paid from this Plan to such affected Participant.

(ii) The Enhancement Benefit payable shall be an amount, which when added to all payments constituting “parachute payments” for purposes of Section 280G of the Code or any successor or substitute provision of the Code, is sufficient to cause the remainder of (1) the sum of the “parachute payments”, including any Enhancement Benefit, less (2) the amount of all state, local and federal income taxes and the Section 4999 Tax attributable to such payments and penalties and interest on any amount of Section 4999 Tax, other than penalties and interest on any amount of Section 4999 Tax with respect to which an Enhancement Benefit was paid to the Participant on or before the due date of the Participant’s federal income tax return on which such Section 4999 Tax should have been paid, to be equal to the remainder of (3) sum of the “parachute payments”, excluding any Enhancement Benefit, less (4) the

the Code) is determined to be an “excess parachute payment” within the meaning of Section 280G of the Code or any successor or substitute provision of the Code, with the effect that either the Participant is liable for the payment of the tax described in Section 4999 or any successor or substitute provision of the Code (hereafter the “Section 4999 Tax”) or Honeywell has withheld the amount of the Section 4999 Tax, an additional benefit (hereinafter the “Enhancement Benefit”) shall be paid from this Plan to such affected Participant.

(ii) The Enhancement Benefit payable shall be an amount, which when added to all payments constituting “parachute payments” for purposes of Section 280G of the Code or any successor or substitute provision of the Code, is sufficient to cause the remainder of (1) the sum of the “parachute payments”, including any Enhancement Benefit, less (2) the amount of all state, local and federal income taxes and the Section 4999 Tax attributable to such payments and penalties and interest on any amount of Section 4999 Tax, other than penalties and interest on any amount of Section 4999 Tax with respect to which an Enhancement Benefit was paid to the Participant on or before the due date of the Participant’s federal income tax return on which such Section 4999 Tax should have been paid, to be equal to the remainder of (3) sum of the “parachute payments”, excluding any Enhancement Benefit, less (4) the amount of all state, local and federal income taxes attributable to such payments determined as though the Section 4999 Tax and penalties and interest on any amount of Section 4999 Tax, other than penalties and interest on any amount of Section 4999 Tax with respect to which an Enhancement Benefit was paid to the Participant on or before the due date of the Participant’s federal income tax return on which such Section 4999 Tax should have been paid, did not apply. Unless a delay is required pursuant to Section 12.2(b), benefits which are determined to be payable to a Participant under this Section 4.2(d) shall be paid within thirty (30) days following the later of a Change in Control or the date the “parachute payments” are made, in a single payment equal to the amount of the benefit determined under this Section 4.2(d)(ii) .

4.3 Benefit Limitations

Subject to Section 14.3, to avoid duplication of benefits, the amount of any similar benefits under this Plan shall be offset and reduced by the amount of any similar benefit provided the Participant under other severance plans sponsored by Honeywell for which the Participant may be eligible Notwithstanding any provision of the Plan to the contrary, for a Participant who is a U.S. taxpayer subject to the requirements of Section 409A of the Code, the time and form of payment of any payment that is provided by this Plan and also by the terms of the Senior Severance Plan, the Severance Pay Plan for Designated Career Band 5 Employees of Honeywell International Inc., the Severance Pay Plan for Designated Employees of Honeywell International Inc. (Career Bands 1-4i) or any other severance pay plan that applies to such Participant shall be determined in accordance with the terms of the other plan (and not this Plan). In addition, notwithstanding any plan provisions to the contrary, to the extent a Participant who was a former employee of Honeywell Inc. would be eligible for benefits under both this Plan and another severance plan sponsored by Honeywell Inc., such Participant shall only be entitled to benefits under this Plan to the extent such Participant waives his or her rights to benefits under such other severance plan.

4.4 Incentive Compensation During Notice and Vacation

In the event of the Involuntary Termination of a Participant’s employment during the Protected Period, the Participant shall be paid an additional amount, with respect to any notice period (whether provided under this Plan or pursuant to applicable law and whether working or non-working) (“Notice Period”), if any, and any periods of accrued and unused vacation time (not including any “grandfathered” transitional vacation credited to a Participant, but including any vacation deemed to be accrued by the Participant with respect to the Participants Severance Pay Period) (“Vacation Period”), equal to the product of (a) such Participant’s Annual Incentive Compensation, and (b) a fraction, the numerator of which is the sum of the number of days in the Participant’s Notice Period and Vacation Period, and the denominator of which is three hundred sixty-five (365). Any amounts paid pursuant to this Section 4.4 shall be paid to the Participant in installments in accordance with his or her normal payroll periods during the Severance Pay Period, with the first installment being paid within sixty (60) days of the Involuntary Termination, unless delay is required pursuant to Section 12.2(b).

4.5 Potential Change in Control Period

In the event a Potential Participant (as defined below) is involuntarily terminated by Honeywell (i) during a Potential Change in Control Period, and (ii) under circumstances described in clause (a) of Section 2.14 that are related to the potential Change in Control, the Plan Administrator may, in his sole discretion, provide that following the consummation of the Change in Control to which the potential Change in Control relates, severance benefits payable to such Potential Participants under the severance pay plan then in effect with respect to such individual (the “Base Severance Amount”) shall be supplemented by an amount equal to the difference between such Base Severance Amount and the benefits including, without limitation, the special vesting and pension enhancement provisions of Section 4.2(c) that would have been provided under this Plan had a Change in Control occurred immediately prior to such involuntary termination. The supplemental cash severance benefits provided by this Section 4.5 shall commence to be paid in accordance with Honeywell’s normal payroll periods, with the first installment to be paid within sixty (60) days following the date of the Change in Control.

For purposes of this Section 4.5, “Potential Participant” means an employee who would satisfy the definition of Participant if a Change in Control had occurred at the beginning of the Potential Change in Control Period.

For purposes of this Section 4.5, a “Potential Change in Control Period” shall commence when (a) Honeywell enters into an agreement, the consummation of which would result in the occurrence of a Change in Control, (b) Honeywell or any person or group publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control, (c) any person or group (other than Honeywell, any Affiliated Company (or any savings, pension or other benefit plan for the benefit of employees of Honeywell or its Affiliated Companies)) becomes the beneficial owner, directly or indirectly, of securities of Honeywell representing fifteen percent (15%) or more of either the then outstanding shares of common stock of Honeywell or the combined voting power of Honeywell’s then outstanding securities (not including in the securities beneficially owned by such person or group any securities acquired directly from Honeywell or its Affiliated Companies), or (d) the Board of Directors of Honeywell adopts a resolution to the effect that, for purposes of the Plan, a Potential Change in Control Period has commenced. The Potential Change in Control Period shall continue until the

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earlier of (i) the occurrence of a Change in Control, or (ii) the adoption by the Board of Directors of a resolution stating that, for purposes of the Plan, the Potential Change in Control Period has expired.

ARTICLE V

ADMINISTRATION

5.1 Plan Administrator

Prior to the occurrence of a Change in Control, the Senior Vice President-Human Resources and Communications of Honeywell shall be the Plan Administrator within the meaning of Section 3(16)(A) of ERISA, and the named fiduciary within the meaning of Section 402 of ERISA. During a Potential Change in Control Period, Honeywell’s Senior Vice President-Human Resources and Communications shall appoint a person independent of Honeywell or persons operating under its control or on its behalf (hereafter, the “Corporation”) to be the new Plan Administrator effective upon the occurrence of a Change in Control and the Senior Vice President-Human Resources and Communications shall immediately provide to the new Plan Administrator such information with respect to each Participant as shall be necessary to enable the new Plan Administrator to determine the amount of any benefit which is then or may thereafter become payable to such Participant. Honeywell shall pay the new Plan Administrator reasonable compensation for services rendered and shall reimburse such new Plan Administrator for all reasonable expenses incurred in discharging his duties hereunder.

5.2 Powers and Duties of Plan Administrator

earlier of (i) the occurrence of a Change in Control, or (ii) the adoption by the Board of Directors of a resolution stating that, for purposes of the Plan, the Potential Change in Control Period has expired.

ARTICLE V

ADMINISTRATION

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Prior to the occurrence of a Change in Control, the Senior Vice President-Human Resources and Communications of Honeywell shall be the Plan Administrator within the meaning of Section 3(16)(A) of ERISA, and the named fiduciary within the meaning of Section 402 of ERISA. During a Potential Change in Control Period, Honeywell's Senior Vice President-Human Resources and Communications shall appoint a person independent of Honeywell or persons operating under its control or on its behalf (hereafter, the "Corporation") to be the new Plan Administrator effective upon the occurrence of a Change in Control and the Senior Vice President-Human Resources and Communications shall immediately provide to the new Plan Administrator such information with respect to each Participant as shall be necessary to enable the new Plan Administrator to determine the amount of any benefit which is then or may thereafter become payable to such Participant. Honeywell shall pay the new Plan Administrator reasonable compensation for services rendered and shall reimburse such new Plan Administrator for all reasonable expenses incurred in discharging his duties hereunder.

5.2 Powers and Duties of Plan Administrator

Except as otherwise provided in this Section, the Plan Administrator shall have the full discretionary power and authority to (a) determine the amount and timing of any benefit payable under the Plan, in accordance with the requirements of Section 409A of the Code, (b) construe and interpret the Plan (including, without limitation, supplying omissions from, correcting deficiencies in, or resolving inconsistencies or ambiguities in, the language of the Plan), (c) determine all questions of fact arising under the Plan, including questions as to eligibility for and the amount of benefits, (d) establish such rules and regulations (consistent with the terms of the Plan) as it deems necessary or appropriate for administration of the Plan, (e) delegate responsibilities to others to assist it in administering the Plan, and (f) perform all other acts it believes reasonable and proper in connection with the administration of the Plan. The Plan Administrator shall be entitled to rely on the records of the Corporation in determining any Participant's entitlement to and the amount of benefits payable under the Plan.

5.3 Benefit Claims and Appeals

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

(b) Claim Denial – The Plan Administrator shall provide notice in writing to any Participant when a claim for benefits under the Plan has been denied in whole or in part.

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Such notice shall be provided within ninety (90) days of the receipt by the Plan Administrator of the Participant's claim or, if special circumstances require, and the Participant is so notified in writing, within one hundred eighty (180) days of the receipt by the Plan Administrator of the Participant's claim. The notice shall be written in a manner calculated to be understood by the claimant and shall:

- (i) set forth the specific reasons for the denial of benefits;
- (ii) contain specific references to Plan provisions relative to the denial;

Such notice shall be provided within ninety (90) days of the receipt by the Plan Administrator of the Participant's claim or, if special circumstances require, and the Participant is so notified in writing, within one hundred eighty (180) days of the receipt by the Plan Administrator of the Participant's claim. The notice shall be written in a manner calculated to be understood by the claimant and shall:

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

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

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

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

(v) advise the Participant of the Participant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review.

(c) Claimant's Review – When a claimant receives notice of denial of a claim or does not receive notification of acceptance or denial within ninety (90) days after submitting a claim, the claimant, either in person or by duly authorized representative, may:

(i) request, in writing, a review of the claim by the Plan Administrator;

(ii) review pertinent documents relating to the denial;

(iii) submit issues and comments in writing; and

(iv) request, in writing, a hearing with the Plan Administrator; provided that the claimant takes appropriate action within sixty (60) days after receiving notice of denial.

(d) Claim Review Decision – The Plan Administrator shall make its decision with respect to a claim review promptly, but not later than sixty (60) days after receipt of the request. Such sixty (60) day period may be extended for another period of sixty (60) days if the Plan Administrator reviewing the claim finds that special circumstances require an extension of time for processing.

(e) Final Decision – The final decision of the Plan Administrator shall be in writing, (i) give specific reason(s) for the adverse decision, (ii) make specific references to the pertinent Plan provisions on which the decision is based, (iii) include a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies

of, all documents, records, and other information relevant to the claimant's claim for benefits, and (iv) a statement describing any voluntary appeals procedures offered by the Plan and the claimant's right to obtain information about such procedures, and a statement of the claimant's right to bring an action under Section 502(a) of ERISA. All interpretations, determinations and decisions of the Plan Administrator in respect of any claim shall be made in its sole discretion based on the applicable Plan documents and shall be final, conclusive and binding on all parties.

5.4 Indemnification

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

of, all documents, records, and other information relevant to the claimant's claim for benefits, and (iv) a statement describing any voluntary appeals procedures offered by the Plan and the claimant's right to obtain information about such procedures, and a statement of the claimant's right to bring an action under Section 502(a) of ERISA. All interpretations, determinations and decisions of the Plan Administrator in respect of any claim shall be made in its sole discretion based on the applicable Plan documents and shall be final, conclusive and binding on all parties.

5.4 Indemnification

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

ARTICLE VI

UNFUNDED OBLIGATION

All benefits payable under this Plan shall constitute an unfunded obligation of the Corporation. Payments shall be made, as due, from the general funds of Corporation. This Plan shall constitute solely an unsecured promise by the Corporation to pay severance benefits to participants to the extent provided herein.

ARTICLE VII

INALIENABILITY OF BENEFITS

No Participant shall have the power to transfer, assign, anticipate, mortgage or otherwise encumber any rights or any amounts payable under this Plan; nor shall any such rights or amounts payable under this Plan be subject to seizure, attachment, execution, garnishment or other legal or equitable process, or for the payment of any debts, judgments, alimony, or separate maintenance, or be transferable by operation of law in the event of bankruptcy, insolvency, or otherwise. In the event a person who is receiving or is entitled to receive benefits under the Plan attempts to assign, transfer or dispose of such right, or if an attempt is made to subject such right to such process, such assignment, transfer or disposition shall be null and void.

ARTICLE VIII

WITHHOLDING

The Corporation shall have the right to withhold any taxes required to be withheld with respect to any payments due under this Plan. Each Participant, however, shall be responsible for the payment of all individual tax liabilities relating to any such benefits.

ARTICLE IX

AMENDMENT OR TERMINATION

9.1 Plan Amendments

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The Board of Directors reserves the right to amend the Plan from time to time prior to a Change in Control. However, no amendment shall reduce any benefit being paid or then payable to a Participant. Further, no amendment shall reduce the benefits provided by the Plan to persons who were Participants as of the date of such amendment or adversely affect in any manner the rights of persons who were Participants as of the date of such amendment to benefits provided under this Plan. This Plan may not be amended or terminated after a Change in Control; provided, however, the Plan may be amended if the purpose of the amendment is to increase benefits hereunder or to comply with Section

The Board of Directors reserves the right to amend the Plan from time to time prior to a Change in Control. However, no amendment shall reduce any benefit being paid or then payable to a Participant. Further, no amendment shall reduce the benefits provided by the Plan to persons who were Participants as of the date of such amendment or adversely affect in any manner the rights of persons who were Participants as of the date of such amendment to benefits provided under this Plan. This Plan may not be amended or terminated after a Change in Control; provided, however, the Plan may be amended if the purpose of the amendment is to increase benefits hereunder or to comply with Section 409A of the Code.

Notwithstanding anything in this Plan to the contrary, the Senior Vice President-Human Resources and Communications shall be permitted to amend the Plan to reflect changes in Honeywell's organization; provided, however, that no such amendment (a) shall increase or decrease benefits under the Plan, or (b) increase the total number of Participants by more than five percent (5%) during any twelve (12) month period.

9.2 Plan Termination

The Board of Directors reserves the right to terminate the Plan. However, such termination shall not adversely affect the rights of persons who were Participants as of the date of such termination.

ARTICLE X

PLAN NOT A CONTRACT OF EMPLOYMENT; HONEYWELL'S POLICIES CONTROL

Nothing contained in this Plan shall give an employee the right to be retained in the employment of Honeywell. This Plan is not a contract of employment between Honeywell and any employee. Any dispute involving issues of employment, other than claims for benefits under this Plan, shall be governed by the appropriate employment dispute resolution policies and procedures of Honeywell.

ARTICLE XI

ACTION BY HONEYWELL

Unless expressly indicated to the contrary herein, any action required to be taken by Honeywell may be taken by action of its Board of Directors or by any appropriate officer or officers traditionally responsible for such determination or actions, or such other individual or individuals as may be designated by the board of directors or any such officer.

ARTICLE XII

GOVERNING LAW

12.1 ERISA

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The Plan is an employee welfare benefit plan within the meaning of Section 3(1) of ERISA, and will be construed in accordance to ERISA's requirements.

12.2 Section 409A of the Code.

(a) Interpretation – Notwithstanding the other provisions hereof, this Plan is intended to comply with the requirements of Section 409A of the Code, to the extent applicable, and this Plan shall be interpreted to avoid any penalty sanctions under Section 409A of the Code. Accordingly, all provisions herein, or incorporated by reference, shall be construed and interpreted to comply with Section 409A of the Code and, if necessary, any such provision shall be deemed amended to comply with Section 409A of the Code. If any payment or benefit cannot be provided or made at

The Plan is an employee welfare benefit plan within the meaning of Section 3(1) of ERISA, and will be construed in accordance to ERISA's requirements.

12.2 Section 409A of the Code.

(a) Interpretation – Notwithstanding the other provisions hereof, this Plan is intended to comply with the requirements of Section 409A of the Code, to the extent applicable, and this Plan shall be interpreted to avoid any penalty sanctions under Section 409A of the Code. Accordingly, all provisions herein, or incorporated by reference, shall be construed and interpreted to comply with Section 409A of the Code and, if necessary, any such provision shall be deemed amended to comply with Section 409A of the Code. If any payment or benefit cannot be provided or made at the time specified herein without incurring sanctions under Section 409A of the Code, then such benefit or payment shall be provided in full at the earliest time thereafter when such sanctions will not be imposed. For purposes of Section 409A of the Code, all payments to be made upon a termination of employment under this Plan may only be made upon a “separation from service” within the meaning of such term under Section 409A of the Code, each payment made under this Plan shall be treated as a separate payment and the right to a series of installment payments under this Plan is to be treated as a right to a series of separate payments. In no event shall the Participant, directly or indirectly, designate the calendar year of payment.

(b) Payment Delay – To the maximum extent permitted under Section 409A of the Code, the severance benefits provided under this Plan are intended to comply with the “short-term deferral exception” under Treas. Reg. §1.409A-1(b)(4), and any remaining amount is intended to comply with the “separation pay exception” under Treas. Reg. §1.409A-1(b)(9)(iii); provided, however, if on the date of the Participant's termination of employment Honeywell's stock is publicly-traded on an established securities market or otherwise and the Participant is a Specified Employee, then all cash severance payments payable to the Participant under this Plan that are deemed as deferred compensation subject to the requirements of Section 409A of the Code and payable within six (6) months following the Participant's “separation from service” shall be postponed for a period of six (6) months following the Participant's “separation from service” with Honeywell. The postponed amounts shall be paid to the Participant in a lump sum within thirty (30) days after the date that is six (6) months following the Participant's “separation from service” with Honeywell. If the Participant dies during such six-month period and prior to payment of the postponed cash amounts hereunder, the amounts delayed on account of Section 409A of the Code shall be paid to the personal representative of the Participant's estate within sixty (60) days after Participant's death.

(c) Reimbursements – All reimbursements provided under this Plan shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the Participant's lifetime (or during a shorter period of time specified in this Plan), (ii) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the taxable year following the year in which the expense is incurred, and (iv) the right to reimbursement is not subject to liquidation or exchange for another benefit. Any tax gross up payments to be made hereunder shall be made not later than the end of

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the Participant's taxable year next following the Participant's taxable year in which the related taxes are remitted to the taxing authority.

ARTICLE XIII

SEVERABILITY

If any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts of this Plan, but this Plan shall be construed and enforced as if said illegal or invalid provision had never been included herein.

the Participant's taxable year next following the Participant's taxable year in which the related taxes are remitted to the taxing authority.

ARTICLE XIII

SEVERABILITY

If any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts of this Plan, but this Plan shall be construed and enforced as if said illegal or invalid provision had never been included herein.

ARTICLE XIV

MISCELLANEOUS

14.1 Legal Fees

After the Plan Administrator has determined that (a) an employee satisfies the definition of Participant, and (b) such Participant is entitled to benefits under the Plan, Honeywell shall reimburse such Plan Participant for all reasonable legal fees and expenses incurred by the Participant after a Change in Control in seeking to obtain or enforce the payment of benefits payable after a Change in Control under this Plan if payment of benefits due and payable is not made within ten (10) days after written request by the Participant. Subject to Section 12.2(c), such payments of legal fees shall be made within thirty (30) business days after delivery of the Participant's written request for payment accompanied with such evidence of fees and expenses incurred.

14.2 No Waiver

No waiver by a Participant at any time of any breach by Honeywell of, or of any lack of compliance with, any condition or provision of this Plan to be performed by Honeywell shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. In no event shall the failure by a Participant to assert any right under the Plan (including, but not limited to, failure to assert the existence of conditions which would constitute an Involuntary Termination under Section 2.15(b)) be deemed a waiver of such right or any other right provided under the Plan, unless the Participant affirmatively elects, in writing, to waive such right. Notwithstanding the foregoing, no waiver shall be effective if such waiver would result in a violation of Section 409A of the Code.

14.3 Coordination of Benefits

In the event that (a) a Participant in the Plan is covered by another severance plan of Honeywell or an affiliate which provides benefits similar to those provided under the Plan, and (b) such Participant becomes entitled to benefits under the Plan and such other plan, then, subject to Section 4.3, each benefit to which the Participant is entitled shall contain those rights and features which combine the most favorable rights and features of such benefit under the Plan and such other plan; provided, however, that in no event shall there be any duplication of such benefit. Notwithstanding any provision of the Plan to the contrary, for a Participant who is a U.S. taxpayer subject to the requirements of Section 409A of the Code, the time and form of payment of any payment that is provided by this Plan and also by the terms of the Senior Severance Plan, the Severance Pay Plan for Designated Career Band 5 Employees of Honeywell International Inc., the Severance Pay Plan for Designated Employees of Honeywell International Inc. (Career Bands 1-4i) or any other severance pay plan that applies to such Participant shall be determined in accordance with the terms of the other plan (and not this Plan).

SCHEDULE A

Bands Severance Pay Period

SCHEDULE A

Bands Severance Pay Period
5 and 6 18 months Base Salary and Annual Incentive Compensation

4I One month notice, plus

<u>Years of Service</u>	<u>Base Salary</u>
0-4	6 months
5-9	9 months
10-19	12 months
20+	15 months

4 One month notice, plus

<u>Years of Service</u>	<u>Base Salary</u>
0-4	6 months
5-9	9 months
10-19	12 months
20+	15 months

3 One month notice, plus

<u>Years of Service</u>	<u>Base Salary</u>
0-9	3 months
10-25	6 months
26+	9 months

Non-exemptOne month notice, plus

<u>Years of Service</u>	<u>Base Salary</u>
0-12	3 months
13-25	6 months
26+	9 months

AMENDMENT TO THE EMPLOYMENT AGREEMENT BETWEEN HONEYWELL INTERNATIONAL, INC. AND DAVID M. COTE, DATED FEBRUARY 18, 2002

WHEREAS, Honeywell International Inc. (the "Company") and Mr. David M. Cote (the "Executive") entered into an employment agreement dated February 18, 2002 (the "Employment Agreement") which was intended to set forth certain terms and conditions relating to the compensation and benefits for which Executive would be eligible during his employment with the Company; and

WHEREAS, the Company and the Executive wish to amend the Employment Agreement to the extent necessary to

comply with Section 409A of the Internal Revenue Code of 1986, as amended and the regulations promulgated thereunder.

NOW, THEREFORE, the Employment Agreement is hereby amended effective December 31, 2008 in the following manner:

1. The first and second sentences of Section 1(j)(ii) and the first sentence of Section 1(j)(iv) of the Employment Agreement shall be amended by replacing the phrases "termination of employment" and "termination of Executive's employment" with the phrase "Termination of Employment."
2. The following new Sections 1(s), 1(t) and 1(u) shall be added to the Employment Agreement:
 - “(s) ‘Section 409A’ shall mean Section 409A of the Internal Revenue Code of 1986, as amended and the regulations promulgated with respect thereto.
 - (t) ‘Separation from Service’ shall have the meaning ascribed to such term under Section 409A.”
 - (u) ‘Termination of Employment’ shall mean a termination of Executive’s employment with the Company that also qualifies as a Separation from Service. In the event of a termination of Executive’s employment with the Company that fails to qualify as a Separation from Service, a Termination of Employment shall be deemed to occur upon Executive’s subsequent Separation from Service.”
3. Section 4(e) of the Employment Agreement shall be replaced in its entirety with the following language:
 - “(e) Additional Retirement Benefit.

(i) Subject to the terms and conditions set forth herein, upon a Termination of Employment other than by reason of Executive’s death, Executive shall be entitled to payment by the Company of a SERP Benefit, expressed as a life annuity commencing on Executive’s sixtieth birthday, and providing for annual payments to Executive equal to (1) the product of (A) 60%, times (B) Executive’s Final Average Compensation (as defined below), minus (2) the sum

of the annual vested retirement benefits (each expressed as a life annuity commencing on Executive’s sixtieth birthday) payable to Executive under the terms of any “defined benefit plan” (as defined in Section 3(35) of the Employee Retirement Income Security Act of 1974, as amended) or plans, including excess benefit or supplemental retirement plans or agreements, maintained by the Company or by any of Executive’s prior employers. The SERP Benefit shall be reduced by 4% for each year (or pro rata for any portion thereof) during which Executive collects his SERP Benefit prior to the attainment of age 60. For purposes of this Section 4(e), (A) Final Average Compensation shall mean the average of Executive’s base salary and bonus with respect to the three calendar years coincident with or immediately preceding Executive’s Termination of Employment, and (B) Final Average Compensation and Service shall take into account up to twelve months of severance payments made under Section 5(a) hereof, which payments shall be treated as having been made over the first twelve months of the Severance Period (as defined in the Severance Plan).

If Executive dies before he receives his SERP Benefit, Executive’s surviving spouse (determined as of the date of Executive’s death) shall be entitled to an annual survivor benefit equal to 75% of the SERP Benefit commencing on the later of the date Executive would have attained age 60 or his Termination of Employment, and continuing for her life. No survivor benefit is payable if Executive receives the lump sum value of the SERP Benefit following his Termination of Employment; provided, however, that the survivor

of the annual vested retirement benefits (each expressed as a life annuity commencing on Executive's sixtieth birthday) payable to Executive under the terms of any "defined benefit plan" (as defined in Section 3(35) of the Employee Retirement Income Security Act of 1974, as amended) or plans, including excess benefit or supplemental retirement plans or agreements, maintained by the Company or by any of Executive's prior employers. The SERP Benefit shall be reduced by 4% for each year (or pro rata for any portion thereof) during which Executive collects his SERP Benefit prior to the attainment of age 60. For purposes of this Section 4(e), (A) Final Average Compensation shall mean the average of Executive's base salary and bonus with respect to the three calendar years coincident with or immediately preceding Executive's Termination of Employment, and (B) Final Average Compensation and Service shall take into account up to twelve months of severance payments made under Section 5(a) hereof, which payments shall be treated as having been made over the first twelve months of the Severance Period (as defined in the Severance Plan).

If Executive dies before he receives his SERP Benefit, Executive's surviving spouse (determined as of the date of Executive's death) shall be entitled to an annual survivor benefit equal to 75% of the SERP Benefit commencing on the later of the date Executive would have attained age 60 or his Termination of Employment, and continuing for her life. No survivor benefit is payable if Executive receives the lump sum value of the SERP Benefit following his Termination of Employment; provided, however, that the survivor benefit described in this paragraph shall be taken into account when valuing the lump sum actuarial equivalent value of the SERP Benefit.

(ii) Subject to Section 4(e)(iii) below, (A) the actuarial equivalent value of the SERP Benefit or survivor benefit, as applicable, shall be paid in a single lump sum to Executive or his surviving spouse as of the first day of the month following 105 days after the later of Executive's 60th birthday or Executive's Termination of Employment; and (B) the SERP Benefit shall in all other respects be subject to such terms and conditions, including, without limitation, interest rate and mortality assumptions, as are applicable to retirement benefits payable under the supplemental retirement plan of the Company in which Executive participates as of the date on which Executive's Termination of Employment occurs; provided, however, that for purposes of computing the SERP Benefit payable prior to Executive's attainment of age 60, it shall be assumed that benefits under the plans referred to in Section 4(e)(i)(2) above commenced at the same time as the SERP Benefit.

(iii) If Executive is a 'Specified Employee' within the meaning of Section 409A at the time of the Executive's Termination of Employment, the single lump sum payment under this Section 4(e) to which Executive would otherwise be entitled during the first six months following his Termination of Employment shall be deferred and paid in a lump sum on the first day of the seventh month following such Termination of Employment (or, if earlier, the first

day of the month following the date of Executive's death), with no interest or earnings accruing on such payment during the deferral period."

4. Section 4(f) of the Employment Agreement shall be replaced in its entirety with the following language:

"Executive Life Insurance. The Company shall reimburse Executive for the cost of the annual premium incurred by Executive pursuant to the life insurance policy maintained by Executive, as required by the terms of the Deferred Compensation Arrangement dated August 4, 2006 between the Company and Executive."

5. Section 5 of the Employment Agreement shall be amended as follows:

day of the month following the date of Executive's death), with no interest or earnings accruing on such payment during the deferral period."

4. Section 4(f) of the Employment Agreement shall be replaced in its entirety with the following language:

"Executive Life Insurance. The Company shall reimburse Executive for the cost of the annual premium incurred by Executive pursuant to the life insurance policy maintained by Executive, as required by the terms of the Deferred Compensation Arrangement dated August 4, 2006 between the Company and Executive."

5. Section 5 of the Employment Agreement shall be amended as follows:

- (i) The first sentence of Section 5(a) shall be replaced in its entirety with the following language: "A Termination of Employment shall automatically occur upon Executive's death during the Term of Employment."
- (ii) The phrase "termination of Executive's employment" in the third sentence of Section 5(a) and the first sentence of Section 5(b)(ii), and the phrase "Executive's termination" in the fourth sentence of Section 5(b)(ii) shall each be replaced with the phrase "Termination of Employment."
- (iii) Section 5(d) of the Employment Agreement shall be replaced in its entirety with the following language:

"Date of Termination. The 'Date of Termination' means the date of Executive's death, the Disability Effective Date or the date on which the Termination of Employment by the Company for Cause or without Cause or the voluntary Termination of Employment by Executive is effective."

6. The first sentence of Section 6(a) of the Employment Agreement shall be replaced in its entirety with the following language:

"Upon a Termination of Employment by reason of Executive's death during the Term of Employment, the Company shall pay to Executive's designated beneficiaries (or, if there is no such beneficiary, to Executive's estate or legal representative), (i) as soon as reasonably practicable following Executive's Termination of Employment but in no event later than the 15th day of the third month following the end of the calendar year in which such Termination of Employment occurs, (1) any portion of Executive's annual Base Salary through the Date of Termination that has not yet been paid, and (2) an amount equal to the product of (A) the target bonus that Executive would have been eligible to earn for the period during which such termination occurs, and (B) a fraction, the numerator of which is the number of days in such period through the Date of Termination, and the denominator of which is the total number of days in the relevant period; (ii) the benefits described in Section 4(e) hereof, and (iii) such compensation and benefits as shall be payable to Executive pursuant to the terms of the Company's

compensation and benefit plans, programs or arrangements as in effect immediately prior to the Date of Termination."

7. The phrase "If the Executive's employment is terminated" in the final sentence of Section 6(a) of the Employment Agreement shall be replaced with the phrase "Upon a Termination of Employment."

8. The first paragraph of Section 6(b) of the Employment Agreement shall be replaced in its entirety with the following language:

"By the Company Other Than for Cause; Termination by Executive for Good Reason. Upon a Termination of Employment during the Term of Employment by the Company other than for Cause or by Executive for Good

compensation and benefit plans, programs or arrangements as in effect immediately prior to the Date of Termination.”

7. The phrase “If the Executive’s employment is terminated” in the final sentence of Section 6(a) of the Employment Agreement shall be replaced with the phrase “Upon a Termination of Employment.”
8. The first paragraph of Section 6(b) of the Employment Agreement shall be replaced in its entirety with the following language:

“By the Company Other Than for Cause; Termination by Executive for Good Reason. Upon a Termination of Employment during the Term of Employment by the Company other than for Cause or by Executive for Good Reason, except as otherwise provided in this Agreement, the consequences of such termination shall be determined in accordance with the Company’s Severance Plan, which is incorporated by reference in this Agreement, with the additions and modifications in respect of Executive as set forth below; provided, that on and after the Effective Date of this Agreement, such Severance Plan shall not be amended, modified or terminated in any way that would adversely affect Executive (it being understood that any amendment required to be made to the Severance Plan under Section 409A shall not be considered to adversely affect the Executive). Executive shall be treated as an “Officer Participant” under the terms of the Severance Plan. The “Severance Period” for purposes of the Severance Plan, in Executive’s case, shall be thirty-six months. The “Severance Pay Factor” for purposes of the Severance Plan, in Executive’s case, shall be equal to the number of months of Executive’s Severance Period. “Covered Termination” for purposes of the Severance Plan shall mean any (i) Termination of Employment by the Company other than for Cause or (ii) Termination of Employment at the initiative of Executive for Good Reason.
9. The following new paragraph shall be added immediately following the second paragraph of Section 6(b):

“Notwithstanding the foregoing, if Executive is a “Specified Employee” within the meaning of Section 409A at the time of Executive’s Termination of Employment, the payment of the pro-rata bonus under clause (iii) of this Section 6(b) to which Executive would otherwise be entitled during the first six months following his Termination of Employment shall be deferred and paid in a lump sum on the first day of the seventh month following such Termination of Employment (or, if earlier, the date of the Executive’s death), with no interest or earnings accruing on such payments during the deferral period.”
10. The first sentence of Section 6(c) of the Employment Agreement shall be amended by (i) replacing the lead-in phrase “In the event of Executive’s termination of employment” with the phrase “In the event of a Termination of Employment” and (ii) adding the language “(but in no event later than the 15th day of the third month following the end of the calendar year in which such Date of Termination occurs)” between the phrases “immediately following

the Date of Termination” and “, any portion of Executive’s annual Base Salary” in subclause (i) of Section 6(c).

11. The penultimate sentence of Section 9 shall be amended by adding the following language to the end of such sentence:

“; provided further that any such reimbursement shall occur no later than the last day of the calendar year following the calendar year in which Executive incurred the reimbursable attorneys’ fees.”
12. The second sentence of Section 10(a) of the Employment Agreement shall be amended by replacing the phrase “termination of Executive’s employment” with the phrase “Termination of Employment.”
13. Section 11 of the Employment Agreement shall be amended by adding the following language as new Section

the Date of Termination” and “, any portion of Executive’s annual Base Salary” in subclause (i) of Section 6(c).

11. The penultimate sentence of Section 9 shall be amended by adding the following language to the end of such sentence:

“; provided further that any such reimbursement shall occur no later than the last day of the calendar year following the calendar year in which Executive incurred the reimbursable attorneys’ fees.”

12. The second sentence of Section 10(a) of the Employment Agreement shall be amended by replacing the phrase “termination of Executive’s employment” with the phrase “Termination of Employment.”

13. Section 11 of the Employment Agreement shall be amended by adding the following language as new Section 11(i):

“Section 409A. The Company and Executive intend that this Agreement shall comply with Section 409A and shall be interpreted, operated and administered accordingly.”

HONEYWELL INTERNATIONAL INC.

/s/ Mark James

Mark James

Senior Vice President – Human Resources and
Communications

DAVID M. COTE

/s/ Davis M. Cote

Dated: December 31, 2008

**AMENDMENT TO THE LETTER AGREEMENT
BETWEEN
HONEYWELL INTERNATIONAL INC. AND LARRY KITTELBERGER,
DATED JULY 27 2001**

WHEREAS, Honeywell International Inc. (the “Company”) and Mr. Larry E. Kittelberger (the “Executive”) entered into a letter agreement dated July 27, 2001 (the “Letter Agreement”) which was intended to set forth certain terms and conditions relating to the compensation and benefits for which Executive would be eligible during his employment with the Company; and

WHEREAS, the Company and the Executive wish to amend the Letter Agreement to the extent necessary to comply with Section 409A of the Internal Revenue Code of 1986, as amended and the regulations promulgated thereunder.

NOW, THEREFORE, the Letter Agreement is hereby amended effective December 31, 2008 in the following manner:

1. Under Section I “Compensation,” the subsection entitled “Annual Incentive Bonus” shall be replaced in its entirety with the following

language:

“Annual Incentive Bonus: You shall be eligible for annual awards under the Honeywell International Inc. Incentive Compensation Plan for Executive Employees with a short-term incentive compensation target opportunity of at least 100% of your annual cash base salary earnings during the year.”

2. Under Section II “Benefits,” the final sentence of the subsection entitled “Pension” shall be replaced in its entirety with the following sentence:

“Your Band 6 SERP benefit shall be available in an annuity (determined in accordance with the assumptions specified in the Band 6 SERP at the time of your termination or retirement) and shall be reduced by the actuarial value of any qualified pension benefit payable to you under the terms of any tax-qualified pension plan of the Company which has not already been taken into account in determining the Band 6 SERP benefit.”

3. Under Section II “Benefits,” the following new sentence shall be added immediately prior to the final sentence of the subsection entitled “Medical and Dental Plans”:

“Such cash payment shall be made to you on March 15th of the year following the year in which such annual premium cost was incurred.”

4. Under Section II “Benefits,” the subsection entitled “Executive Severance” shall be replaced in its entirety with the following language:

“The Company will provide 36 months, or such longer period as provided in this letter, of Cash Base Salary, Annual Incentive Bonus at the target bonus opportunity then in effect, and the Benefits (collectively the “Severance”), in the event of your involuntary termination for other than Gross Cause or termination by you for Good Reason. Such Severance shall be payable in accordance with the terms and conditions of Honeywell’s Severance Plan for Senior Executives (the “Severance Plan”), as may be amended from time to time. Gross Cause and Good Reason shall have the same meaning as said terms are currently defined in the Severance Plan as amended and restated effective as of May 1, 1999. The term Good Reason shall also mean any change in your direct reporting relationship to David Cote (currently Chairman of the Board/CEO) or his successor or your removal from the Honeywell Leadership Council for

reasons other than Gross Cause. In addition, you will become fully vested in all of the Plans listed below (other than any qualified pension or savings plan) and the Company will allow all unvested equity to continue to vest as scheduled and all options provided under the Long Term Incentive Award to be exercisable in the same manner as if you were still employed.

Notwithstanding the foregoing, if you are a “Specified Employee” within the meaning of Section 409A at the time of your Separation from Service (as defined in Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”)), the payment of Severance to which you would otherwise be entitled during the first six months following your Separation from Service shall be deferred and paid in a lump sum on the first day of the seventh month following such Separation from Service (or, if earlier, the date of your death), with no interest or earnings accruing on such payments during the deferral period.”

5. Under Section III “Plan Participation and Benefits Guarantee” the second and third paragraphs shall be replaced in their entirety with the following language:

“To the extent all Benefits provided in this offer letter (the “Benefits”) are not provided in their entirety under the Plans, the Company guarantees that, to the extent permissible under Section 409A of the Code, you will nevertheless receive all of the Benefits. The Company further guarantees that the Board of Directors will take all actions necessary, to the extent permissible under Section 409A of the Code, to provide you with such Benefits.

If any of the Plans are modified or amended in any way which impacts your Benefits, other than to the extent necessary to comply with Section 409A of the Code or *de minimis* modifications to any medical, life or disability plans that shall also apply to similarly situated executives, the Company guarantees that, to the extent permissible under Section 409A of the Code, you will nevertheless receive the better of the (i) the Benefits or (ii) such benefits as are provided under any such modified or amended Plan.”

6. Under Section III “Plan Participation and Benefits Guarantee” a new paragraph shall be inserted after the fourth paragraph, which such paragraph shall read as follows:

“The Company and you intend that the terms of this offer shall comply with Section 409A of the Code and shall be interpreted, operated and administered accordingly.”

reasons other than Gross Cause. In addition, you will become fully vested in all of the Plans listed below (other than any qualified pension or savings plan) and the Company will allow all unvested equity to continue to vest as scheduled and all options provided under the Long Term Incentive Award to be exercisable in the same manner as if you were still employed.

Notwithstanding the foregoing, if you are a "Specified Employee" within the meaning of Section 409A at the time of your Separation from Service (as defined in Section 409A of the Internal Revenue Code of 1986, as amended (the "Code")), the payment of Severance to which you would otherwise be entitled during the first six months following your Separation from Service shall be deferred and paid in a lump sum on the first day of the seventh month following such Separation from Service (or, if earlier, the date of your death), with no interest or earnings accruing on such payments during the deferral period."

5. Under Section III "Plan Participation and Benefits Guarantee" the second and third paragraphs shall be replaced in their entirety with the following language:

"To the extent all Benefits provided in this offer letter (the "Benefits") are not provided in their entirety under the Plans, the Company guarantees that, to the extent permissible under Section 409A of the Code, you will nevertheless receive all of the Benefits. The Company further guarantees that the Board of Directors will take all actions necessary, to the extent permissible under Section 409A of the Code, to provide you with such Benefits.

If any of the Plans are modified or amended in any way which impacts your Benefits, other than to the extent necessary to comply with Section 409A of the Code or *de minimis* modifications to any medical, life or disability plans that shall also apply to similarly situated executives, the Company guarantees that, to the extent permissible under Section 409A of the Code, you will nevertheless receive the better of the (i) the Benefits or (ii) such benefits as are provided under any such modified or amended Plan."

6. Under Section III "Plan Participation and Benefits Guarantee" a new paragraph shall be inserted after the fourth paragraph, which such paragraph shall read as follows:

"The Company and you intend that the terms of this offer shall comply with Section 409A of the Code and shall be interpreted, operated and administered accordingly."

Agreed to and Accepted:

/s/ Mark James

Mark James
Senior Vice President – Human Resources and Communications
Honeywell International Inc.

/s/ Larry E. Kittelberger

Larry E. Kittelberger

Date: December 30, 2008

**AMENDMENT
TO THE
PITTMAY CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

1. The provisions of this Amendment to the Plan applies to a participant who (i) has any portion of a supplemental retirement benefit that accrues on or after January 1, 2005, (ii) has any portion of a supplemental retirement benefit that accrued prior to January 1, 2005 but was vested on or after December 31, 2004, or (iii) has an increase in the

value of any subsidy with respect to Grandfathered Benefits payable upon retirement before the qualified plan's normal retirement date that accrues or increases as a result of service after December 31, 2004. The Plan in effect prior to this Amendment applies to a participant not described in clause (iii) of the preceding sentence whose entire supplemental retirement benefit accrued and vested before January 1, 2005 ("Grandfathered Benefit").

2. The following definitions shall be added to the Plan:

- (a) Earliest Retirement Date means the earliest date as of which the participant would be eligible to commence the receipt of his qualified plan benefit, whether or not he elects to commence receipt of such qualified plan benefit as of such date.
- (b) Separation from Service Date means the date on which the participant's separation from service with Honeywell and its subsidiaries and affiliates occurs within the meaning of Section 409A of the Code. A participant's Separation from Service Date occurs when the facts and circumstances indicate that Honeywell and the participant reasonably anticipate that no further services will be performed after a certain date or that the level of services the participant will perform after such date will permanently decrease to no more than 20% of the average level of services performed over the immediately preceding 36-month period (or, if shorter, the entire period of the participant's employment by Honeywell and its subsidiaries and affiliates).
- (c) Specified Employee means any participant who, at any time during the twelve (12) month period ending on the identification date (as determined by the Vice President, Compensation and Benefits or his delegate), is a specified employee under Section 409A of the Code, as determined by the Vice President, Compensation and Benefits or his delegate, which determination of "specified employees" and identification date shall be made by the Vice President, Compensation and Benefits or his delegate in accordance with the provisions of Sections 416(i) and 409A of the Code and the regulations issued thereunder.

3. The following rules shall be used to pay supplemental retirement benefits that are subject to this Amendment:

(a) A participant who was provided a payment election for his supplemental retirement benefit prior to January 1, 2009 and who elected an annuity as his payment form shall, prior to his benefit commencement date, be entitled to elect from among the Actuarially Equivalent annuity forms of payment available to the participant under the Pension Plan other than annuity forms with a level income option. Such payments will begin as of the first day of the month following 105 days after the later of the participant's Separation from Service Date or Earliest Retirement Date. If a participant fails to elect an annuity payment form by the required date, his supplemental retirement benefit shall be paid in a single life annuity if he is unmarried on his benefit commencement date or in a joint and 50% survivor annuity, with his opposite sex spouse on his benefit commencement date as his contingent annuitant, if he is married on his benefit commencement date.

(b) A participant who was provided a payment election for his supplemental retirement benefit prior to January 1, 2009 and who elected a single lump sum payment shall receive the Actuarial Equivalent value of his supplemental retirement benefit as of the first day of the month following 105 days after the later of the participant's Separation from Service Date or Earliest Retirement Date.

(c) A participant who is entitled to disability pension benefits under the qualified plan that qualify as "ancillary benefits" shall continue to receive such benefits as required by the qualified plan as long as the participant satisfies the conditions applicable to such benefits. The Actuarial Equivalent value of such participant's supplemental retirement benefit at retirement shall be paid as of the first day of the month following 105 days after the latest date the ancillary disability pension benefits could be paid, whether or not the ancillary disability pension benefits continue to be paid to such date. The form of payment shall be determined in accordance with clause (a) or (b) as applicable.

3. The following rules shall be used to pay supplemental retirement benefits that are subject to this Amendment:

(a) A participant who was provided a payment election for his supplemental retirement benefit prior to January 1, 2009 and who elected an annuity as his payment form shall, prior to his benefit commencement date, be entitled to elect from among the Actuarially Equivalent annuity forms of payment available to the participant under the Pension Plan other than annuity forms with a level income option. Such payments will begin as of the first day of the month following 105 days after the later of the participant's Separation from Service Date or Earliest Retirement Date. If a participant fails to elect an annuity payment form by the required date, his supplemental retirement benefit shall be paid in a single life annuity if he is unmarried on his benefit commencement date or in a joint and 50% survivor annuity, with his opposite sex spouse on his benefit commencement date as his contingent annuitant, if he is married on his benefit commencement date.

(b) A participant who was provided a payment election for his supplemental retirement benefit prior to January 1, 2009 and who elected a single lump sum payment shall receive the Actuarial Equivalent value of his supplemental retirement benefit as of the first day of the month following 105 days after the later of the participant's Separation from Service Date or Earliest Retirement Date.

(c) A participant who is entitled to disability pension benefits under the qualified plan that qualify as "ancillary benefits" shall continue to receive such benefits as required by the qualified plan as long as the participant satisfies the conditions applicable to such benefits. The Actuarial Equivalent value of such participant's supplemental retirement benefit at retirement shall be paid as of the first day of the month following 105 days after the latest date the ancillary disability pension benefits could be paid, whether or not the ancillary disability pension benefits continue to be paid to such date. The form of payment shall be determined in accordance with clause (a) or (b) as applicable.

(d) A participant who is entitled to a supplemental retirement benefit and whose Separation from Service Date and Earliest Retirement Date both occurred before July 1, 2009 shall receive his supplemental retirement benefit as of July 1, 2009, with the form of payment determined in accordance with clause (a) or (b) as applicable.

(e) A participant's supplemental retirement benefit shall include an estimate of any service or compensation (such as during a severance period or bridge leave of absence) following the participant's benefit commencement date that is required to be taken into account in calculating a participant's supplemental retirement benefit. In no event shall Honeywell be required to recalculate or otherwise true up the supplemental retirement benefit actually paid.

(f) Notwithstanding any provision of this Item 3 to the contrary, if a participant is a Specified Employee at his Separation from Service Date and payment under this Item 3 is required to be made or commence within the 6-month period following his Separation from Service Date, such payment shall be delayed if it is to be made in a single lump sum payment or accumulated if it is to be made in an annuity until the earlier of the first day of the seventh month following the Separation from Service Date or the first day of the month following the participant's death, with no interest or earnings accruing on the delayed payments.

(g) If a participant receives his supplemental retirement benefit in a single lump sum payment, no supplemental retirement benefit shall be paid to his surviving spouse or beneficiary following his death.

(h) If a participant elects to receive his supplemental retirement benefit in an annuity that provides a survivor annuity or death benefit, the participant's surviving spouse or beneficiary, as applicable, shall receive the applicable survivor benefit or death benefit following the participant's death.

(i) If a participant dies before he receives his supplemental retirement benefit, his surviving spouse or beneficiary shall receive the Actuarial Equivalent value of any pre-retirement surviving spouse benefits or death benefits provided by the qualified plan (1) in the form of the annuity required by the qualified plan if the participant elected to receive his supplemental retirement benefits in an annuity, or (2) in all other cases, in the form of a single lump sum payment. Such payment will be paid or begin to be paid as of the first day of the month following 105 days after the

(e) A participant's supplemental retirement benefit shall include an estimate of any service or compensation (such as during a severance period or bridge leave of absence) following the participant's benefit commencement date that is required to be taken into account in calculating a participant's supplemental retirement benefit. In no event shall Honeywell be required to recalculate or otherwise true up the supplemental retirement benefit actually paid.

(f) Notwithstanding any provision of this Item 3 to the contrary, if a participant is a Specified Employee at his Separation from Service Date and payment under this Item 3 is required to be made or commence within the 6-month period following his Separation from Service Date, such payment shall be delayed if it is to be made in a single lump sum payment or accumulated if it is to be made in an annuity until the earlier of the first day of the seventh month following the Separation from Service Date or the first day of the month following the participant's death, with no interest or earnings accruing on the delayed payments.

(g) If a participant receives his supplemental retirement benefit in a single lump sum payment, no supplemental retirement benefit shall be paid to his surviving spouse or beneficiary following his death.

(h) If a participant elects to receive his supplemental retirement benefit in an annuity that provides a survivor annuity or death benefit, the participant's surviving spouse or beneficiary, as applicable, shall receive the applicable survivor benefit or death benefit following the participant's death.

(i) If a participant dies before he receives his supplemental retirement benefit, his surviving spouse or beneficiary shall receive the Actuarial Equivalent value of any pre-retirement surviving spouse benefits or death benefits provided by the qualified plan (1) in the form of the annuity required by the qualified plan if the participant elected to receive his supplemental retirement benefits in an annuity, or (2) in all other cases, in the form of a single lump sum payment. Such payment will be paid or begin to be paid as of the first day of the month following 105 days after the later of the participant's death or the date that would have been the participant's Earliest Retirement Date.

4. Compliance with Section 409A of the Code. The Plan, as amended by this Amendment, is intended to comply with the applicable requirements of Section 409A of the Code, and will be administered in accordance with Section 409A of the Code to the extent that Section 409A of the Code applies to the Plan. Notwithstanding any provision of the Plan to the contrary, distributions from the Plan may only be made in a manner, and upon an event, permitted by Section 409A of the Code. If any payment or benefit cannot be provided or made at the time specified herein without incurring penalties under Code section 409A, then such benefit or payment will be provided in full at the earliest time thereafter when such penalties will not be imposed. To the extent that any provision of the Plan would cause a conflict with the applicable requirements of Section 409A of the Code, or would cause the administration of the Plan to fail to satisfy the applicable requirements of Section 409A of the Code, such provision shall be deemed null and void to the extent permitted by applicable law.

Exhibit 10.26

**2006 STOCK INCENTIVE PLAN
OF
HONEYWELL INTERNATIONAL INC.
AND ITS AFFILIATES**

Amended and Restated as of January 1, 2009

**ARTICLE I
ESTABLISHMENT AND PURPOSE**

1.1 Purpose. The purpose of this 2006 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (the "Plan") is to enable Honeywell International Inc. (the "Company") to achieve superior financial performance, as reflected in the performance of its Common Stock and other key financial or operating indicators by (i) providing incentives and rewards to certain Employees who are in a position to contribute materially to the success and long-term objectives of the Company, (ii) aiding in the recruitment and retention

of Employees of exceptional ability, (iii) providing Employees an opportunity to acquire or expand equity interests in the Company, and (iv) promoting the growth and success of the Company's business by aligning the financial interests of Employees with that of the other shareowners of the Company. Towards these objectives, the Plan provides for the grant of Stock Options, Stock Appreciation Rights, Performance Awards, Restricted Units, Restricted Stock, Other Stock-Based Awards and Cash-Based Awards.

1.2 **Effective Date; Shareowner Approval.** The Plan is effective as of April 24, 2006, subject to the approval of the Plan by the Company's shareowners at the Company's 2006 Annual Meeting of Shareowners in a manner that satisfies the requirements of the General Corporation Law of the State of Delaware and the rules of the New York Stock Exchange.

ARTICLE II

DEFINITIONS

For purposes of the Plan, the following terms have the following meanings:

2.1 **"1933 Act"** means the Securities Act of 1933, as amended.

2.2 **"Affiliate"** means (i) any subsidiary of the Company of which at least 50 percent of the aggregate outstanding voting common stock or capital stock is owned directly or indirectly by the Company, (ii) any other parent of a subsidiary described in clause (i), or (iii) any other entity in which the Company has a substantial ownership interest and which has been designated as an Affiliate by the Committee in its sole discretion.

2.3 **"Award"** means any form of incentive or performance award granted under the Plan, whether singly or in combination, to a Participant by the Committee pursuant to any terms and conditions that the Committee may establish and set forth in the applicable Award Agreement. Awards granted under the Plan may consist of: (a) **"Stock Options"** awarded pursuant to Section 4.3; (b) **"Stock Appreciation Rights"** awarded pursuant to Section 4.3; (c) **"Performance Awards"** awarded pursuant to Section 4.4; (d) **"Restricted Units"** awarded pursuant to Section 4.5; (e) **"Restricted Stock"** awarded pursuant to Section 4.5; and (f) **"Other Stock-Based Awards"** awarded pursuant to Section 4.6.

2.4 **"Award Agreement"** means the document issued, either in writing or an electronic medium, by the Committee to a Participant evidencing the grant of an Award.

2.5 **"Board"** means the Board of Directors of the Company.

2.6 **"Cash-Based Award"** means a Performance Award other than a Stock Option, Stock Appreciation Right, Restricted Units, Restricted Stock, Other Stock-Based Award or Growth Plan Unit.

2.7 **"Cause"** has the meaning set forth in the severance plan of the Company applicable to the Participant or, if the Participant is not covered under such a plan, the meaning set forth in the Severance Pay Plan for Designated Employees of Honeywell International Inc. (Career Bands 1-4) as in effect at the time of the relevant Termination of Employment. Cause will be determined by the Committee in its sole and absolute discretion.

2.8 **"Change in Control"** has the meaning ascribed to the phrase "Change in the Ownership or Effective Control of a Corporation or in the Ownership of a Substantial Portion of the Assets of a Corporation" under Treasury Department Proposed Regulation 1.409A-3(g)(5), as revised from time to time in either subsequent proposed or final regulations, and in the event that such regulations are withdrawn or such phrase (or a substantially similar phrase) ceases to be defined, as determined by the Committee.

2.9 **"Code"** means the Internal Revenue Code of 1986, as amended.

2.10 **"Committee"** means the Management Development and Compensation Committee of the Board or any successor committee or subcommittee of the Board or other committee or subcommittee designated by the Board, which committee or subcommittee is comprised solely of two or more persons who are outside directors within the meaning of Section 162(m)(4)(C)(i) of the Code and the applicable

regulations and Non-Employee Directors within the meaning of Rule 16b-3(b)(3) under the Exchange Act.

2.11 **"Common Stock"** means the common stock of the Company.

2.12 **"Company"** means Honeywell International Inc.

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2.13 **“Disabled”** or **“Disability”** shall, with respect to a Participant, have the meanings assigned to such terms under the long-term disability plan maintained by the Company or any of its Affiliates in which such Participant is covered at the time the determination is made, and if there is no such plan, then will mean the permanent inability as a result of accident or sickness to perform any and every duty pertaining to such Participant's occupation or employment for which the Participant is suited by reason of the Participant's previous training, education and experience; provided that, to the extent an award subject to Section 409A of the Code shall become payable upon a Participant's Disability, a Disability shall not be deemed to have occurred for such purposes unless the circumstances would also result in a "disability" within the meaning of Section 409A of the Code.

2.14 **“Dividend Equivalent”** means an amount equal to the cash dividend or the Fair Market Value of the stock dividend that would be paid on each Share underlying an Award if the Share were duly issued and outstanding on the date on which the dividend is payable.

2.15 **“Early Retirement”** means the Termination of Employment by reason of retirement from active employment on or after attainment of age 55 with 10 years of service. For purposes of this Section 2.15, “years of service” is determined using the Participant's most-recent adjusted service date, as reflected at the Participant's Termination of Employment in the Company's records.

2.16 **“Employee”** means any individual who performs services as an employee of the Company or an Affiliate. **“Employee”** does not include any leased employees.

2.17 **“Exchange Act”** means the Securities Exchange Act of 1934, as amended.

2.18 **“Exercise Price”** means the price of a Share, as fixed by the Committee, which may be purchased under a Stock Option or with respect to which the amount of any payment pursuant to a Stock Appreciation Right is determined.

2.19 **“Fair Market Value”** means the average (mean) of the highest and lowest sales prices of a Share, as reported on the New York Stock Exchange (or any other reporting system selected by the Committee, in its sole discretion) on the date as of

which the determination is being made or, if no sale of Shares is reported on this date, on the most recent preceding day on which there were sales of Shares reported.

2.20 **“Full Retirement”** means the Termination of Employment on or after attainment of age 60 with 10 years of service, other than on account of an involuntary Termination of Employment, as determined by the Committee, in its discretion. For purposes of this Section 2.20, “years of service” is determined using the Participant's most-recent adjusted service date, as reflected at the Participant's Termination of Employment in the Company's records.

2.21 **“GAAP”** means U.S. generally accepted accounting principles.

2.22 **“Growth Plan Unit”** means a Performance Award denominated in Units.

2.23 **“Incentive Stock Option”** means a Stock Option granted under Section 4.3 of the Plan that meets the requirements of Section 422 of the Code and any related regulations and is designated by the Committee in the Award Agreement to be an Incentive Stock Option.

2.24 **“Key Employee”** means an Employee who, at any time at which reference to this definition would be relevant under Section 162(m) of the Code, may be a “covered employee” within the meaning of Section 162(m)(3) of the Code.

2.25 **“Non-Employee Director”** means any member of the Board, elected or appointed, who is not an Employee of the Company or an Affiliate. An individual who is elected to the Board at an annual meeting of the shareowners of the Company will be deemed to be a member of the Board as of the date of the meeting.

2.26 **“Nonqualified Stock Option”** means any Stock Option granted under Section 4.3 of the Plan that is not an Incentive Stock Option.

2.27 **“Participant”** means an Employee who has been granted an Award under the Plan.

2.28 **“Performance Award”** means an Award granted under Section 4.4 of the Plan the payment of which is conditioned on the attainment of one or more Performance Measures.

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2.27 **"Participant"** means an Employee who has been granted an Award under the Plan.

2.28 **"Performance Award"** means an Award granted under Section 4.4 of the Plan the payment of which is conditioned on the attainment of one or more Performance Measures.

2.29 **"Performance Cycle"** means, with respect to any Award that vests or is earned based on Performance Measures, a period of at least one year, unless

otherwise specified by the Committee, over which the level of attainment of performance of a Performance Measure will be determined.

2.30 **"Performance Measure"** means, with respect to any Performance Award, the business criteria selected by the Committee to measure the level of performance of the Company during the Performance Cycle. The Committee may select as the Performance Measure for a Performance Cycle any one or combination of the following Company measures, separately or in relation to each other, as interpreted by the Committee, which (to the extent applicable) will be determined in accordance with GAAP: (a) Sales (or any component of sales); (b) Operating income; (c) Net income; (d) Earnings per Share; (e) Return on equity; (f) Cash flow (including operating cash flow and free cash flow); (g) Cash flow per Share; (h) Return on invested capital; (i) Return on investments; (j) Return on assets; (k) Economic value added (or an equivalent metric, as determined by the Committee); (l) Share price; (m) Total shareowner return; (n) Cost and expense reduction; or (o) Working capital.

Performance Measures may be measured before or after taking taxes, interest, depreciation and/or amortization into consideration, in the discretion of the Committee.

2.31 **"Potential Change in Control Period"** is deemed to commence at the time of the earliest of the following events to occur: (i) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control or otherwise result in an acceleration of the vesting of the Awards (except by virtue of the Participant's Full Retirement, death or Disability); (ii) the Company or any person or group publicly announces an intention to take or to consider taking actions that, if consummated, would constitute a Change in Control or otherwise result in an acceleration of the vesting of the Awards (except by virtue of the Participant's Full Retirement, death or Disability); (iii) any person or group (other than the Company, any subsidiary of the Company or any savings, pension or other benefit plan for the benefit of employees of the Company or its subsidiaries) becomes the beneficial owner, directly or indirectly, of securities of the Company representing 15 percent or more of either the then outstanding Shares or the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such person or group any securities acquired directly from the Company or its Affiliates); or (iv) the Board adopts a resolution to the effect that, for purposes of the Plan, a Potential Change in Control Period has commenced. The Potential Change in Control Period is deemed to continue until the earlier of (a) the date on which an acceleration of vesting is deemed to occur (except by virtue of the Participant's Full Retirement, death or Disability), or (b) the adoption by the Board of a resolution stating that, for purposes of the Plan,

otherwise specified by the Committee, over which the level of attainment of performance of a Performance Measure will be determined.

2.30 **“Performance Measure”** means, with respect to any Performance Award, the business criteria selected by the Committee to measure the level of performance of the Company during the Performance Cycle. The Committee may select as the Performance Measure for a Performance Cycle any one or combination of the following Company measures, separately or in relation to each other, as interpreted by the Committee, which (to the extent applicable) will be determined in accordance with GAAP: (a) Sales (or any component of sales); (b) Operating income; (c) Net income; (d) Earnings per Share; (e) Return on equity; (f) Cash flow (including operating cash flow and free cash flow); (g) Cash flow per Share; (h) Return on invested capital; (i) Return on investments; (j) Return on assets; (k) Economic value added (or an equivalent metric, as determined by the Committee); (l) Share price; (m) Total shareholder return; (n) Cost and expense reduction; or (o) Working capital.

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2.32 **“Reporting Person”** means an Employee who is subject to the reporting requirements of Section 16(a) the Exchange Act.

2.33 **“Restricted Stock”** means Shares issued pursuant to Section 4.5 that are subject to any restrictions that the Committee, in its discretion, may impose.

2.34 **“Restricted Unit”** means a Unit granted under Section 4.5 to acquire Shares or an equivalent amount in cash, which Unit is subject to any restrictions that the Committee, in its discretion, may impose.

2.35 **“Share”** means a share of Common Stock.

2.36 **“Stock Appreciation Right”** means a right granted under Section 4.3 of the Plan to an amount in cash or Shares equal to any increase in the Fair Market Value of the Shares between the date on which the Stock Appreciation Right is granted and the date on which the right is exercised.

2.37 **“Other Stock-Based Award”** means an Award granted under Section 4.6 of the Plan and denominated in Shares.

2.38 **“Stock Option”** means a right granted under Section 4.3 of the Plan to purchase from the Company a stated number of Shares at a specified price. Stock Options awarded under the Plan may be in the form of Incentive Stock Options or Nonqualified Stock Options.

2.39 **“Target Amount”** means the amount of Growth Plan Units that will be paid if the Performance Measure is met at the 100% level, as determined by the Committee.

2.40 **“Target Vesting Percentage”** means the percentage of Performance Awards that will vest or become exercisable if the Performance Measure is met at the 100% level, as determined by the Committee.

2.41 **“Termination of Employment”** means the date of cessation of an Employee's employment relationship with the Company or any Affiliate for any reason, with or without Cause, as determined by the Company. Except as otherwise provided by the Committee in an Award Agreement, (a) termination of employment shall be determined without regard to statutory or contractual notice periods for termination of employment, dismissal, redundancy, and similar events, and (b) if an Employee's employment is terminated under circumstances that entitle the Employee to severance benefits pursuant to any applicable severance plan of the Company or an Affiliate in which the Employee participates, the Employee's employment relationship with the Company or an Affiliate will cease on

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Affiliate is outstanding, the Committee may, in its discretion, deem such Employee to have a Termination of Employment on the date the Affiliate ceases to be an Affiliate or on a later date specified by the Committee; (b) the Committee shall make any determination described in clause (a) before or not more than a reasonable period after the date the Affiliate ceases to be an Affiliate; and (c) each Employee's Termination of Employment shall be treated as an involuntary termination not for Cause. For purposes of clarification, any non-qualified deferred compensation (within the meaning of Section 409A of the Code) payable to the Employee upon a Termination of Employment pursuant to the terms and conditions of this Plan shall be paid to the Employee upon a “separation from service”, as determined in accordance with Section 409A of the Code.

2.42 **“Unit”** means, for purposes of Growth Plan Units, the potential right to an Award equal to US\$100 (or such amount of other monetary currency as the Committee shall determine) and, for purposes of Restricted Units, the potential right to acquire one Share.

ARTICLE III ADMINISTRATION

3.1 **The Committee.** The Plan will be administered by the Committee.

3.2 **Authority of the Committee.** The Committee will have authority, in its sole and absolute discretion and subject to the terms of the Plan, to (i) interpret the Plan; (ii) prescribe the rules and regulations that it deems necessary for the proper operation and administration of the Plan, and amend or rescind any existing rules or regulations relating to the Plan; (iii) select Employees to receive Awards under the Plan; (iv) determine the form of Awards, the number of Shares subject to each Award, all the terms and conditions of an Award including, without limitation, the conditions on exercise or vesting, the designation of Stock Options as Incentive Stock Options or Nonqualified Stock Options and the terms of Award Agreements; (v) determine whether Awards will be granted singly, in combination or in tandem; (vi) establish and administer Performance Measures in connection with Performance Awards, and certify the level of performance attained with respect to Performance Measures; (vii) waive or amend any terms, conditions, restrictions or limitations on an Award, except that (A) the prohibition on the repricing of Stock Options and Stock Appreciation Rights, as described in Section 4.3(g), may not be waived, (B) the terms and conditions of Awards to Reporting Persons cannot be modified, amended or waived other than on account of death, Disability, retirement, Change in Control, or Termination of Employment in connection with a business transfer, and (C) Awards to Employees who are not Reporting Persons, the terms and conditions of which are modified,

Affiliate is outstanding, the Committee may, in its discretion, deem such Employee to have a Termination of Employment on the date the Affiliate ceases to be an Affiliate or on a later date specified by the Committee; (b) the Committee shall make any determination described in clause (a) before or not more than a reasonable period after the date the Affiliate ceases to be an Affiliate; and (c) each Employee's Termination of Employment shall be treated as an involuntary termination not for Cause. For purposes of clarification, any non-qualified deferred compensation (within the meaning of Section 409A of the Code) payable to the Employee upon a Termination of Employment pursuant to the terms and conditions of this Plan shall be paid to the Employee upon a "separation from service", as determined in accordance with Section 409A of the Code.

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extent to which payment will be credited with Dividend Equivalents; (x) determine whether Awards may be transferable to family members, a family trust, a family partnership or otherwise; (xi) establish any provisions that the Committee may determine to be necessary in order to implement and administer the Plan in foreign countries; and (xii) take any and all other actions it deems necessary or advisable for the proper operation or administration of the Plan.

3.3 **Effect of Determinations.** All determinations of the Committee will be final, binding and conclusive on all persons having an interest in the Plan.

3.4 **Delegation of Authority.** The Committee, in its discretion and consistent with applicable law and regulations, may delegate its authority and duties under the Plan to the Chief Executive Officer of the Company or any other individual or committee as it deems to be advisable, under any conditions and subject to any limitations that the Committee may establish. Only the Committee, however, will have authority to grant and administer Awards to Key Employees and other Reporting Persons, to establish and certify Performance Measures and to grant and administer Awards to any delegate of the Committee with respect to the Plan.

3.5 **Employment of Advisors.** The Committee may employ attorneys, consultants, accountants and other advisors, and the Committee, the Company and the officers and directors of the Company may rely upon the advice, opinions or valuations of the advisors employed.

3.6 **No Liability.** No member of the Committee, nor any person acting as a delegate of the Committee with respect to the Plan, will be liable for any losses resulting from any action, interpretation or construction made in good faith with respect to the Plan or any Award granted under the Plan.

ARTICLE IV AWARDS

4.1 **Eligibility.** All Employees are eligible to receive Awards granted under the Plan, except as otherwise provided in this Article IV.

4.2 **Form of Awards.** Awards will be in the form determined by the Committee, in its discretion, and will be evidenced by an Award Agreement. Awards may be granted singly or in combination or in tandem with other Awards.

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4.2 Form of Awards. Awards will be in the form determined by the Committee, in its discretion, and will be evidenced by an Award Agreement. Awards may be granted singly or in combination or in tandem with other Awards.

4.3 Stock Options and Stock Appreciation Rights. The Committee may grant Stock Options and Stock Appreciation Rights under the Plan to those Employees whom the Committee may from time to time select, in the amounts and pursuant to the other

terms and conditions that the Committee, in its discretion, may determine and set forth in the Award Agreement, subject to the provisions below:

(a) *Form.* Stock Options granted under the Plan will, at the discretion of the Committee and as set forth in the Award Agreement, be in the form of Incentive Stock Options, Nonqualified Stock Options or a combination of the two. If an Incentive Stock Option and a Nonqualified Stock Option are granted to the same Participant under the Plan at the same time, the form of each will be clearly identified, and they will be deemed to have been granted in separate grants. In no event will the exercise of one Award affect the right to exercise the other Award. Stock Appreciation Rights may be granted either alone or in connection with concurrently or previously issued Nonqualified Stock Options.

(b) *Exercise Price.* The Committee will set the Exercise Price of Stock Options or Stock Appreciation Rights granted under the Plan at a price that is equal to or greater than the Fair Market Value of a Share on the date of grant, subject to adjustment as provided in Section 5.3. The Exercise Price of Incentive Stock Options, however, will be equal to or greater than 110 percent of the Fair Market Value of a Share on the date of grant if the Participant receiving the Stock Options owns stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or of any subsidiary or parent corporation of the Company, as defined in Section 424 of the Code. The Exercise Price of a Stock Appreciation Right granted in tandem with a Stock Option will be equal to the Exercise Price of the related Stock Option. The Committee will set forth the Exercise Price of a Stock Option or Stock Appreciation Right in the Award Agreement.

(c) *Term and Timing of Exercise:* Stock Options and Stock Appreciation Rights will lapse not later than 10 years after the date of grant, as determined by the Committee at the time of grant. Unless determined otherwise by the Committee at the time of grant, each Stock Option or Stock Appreciation Right granted under the Plan will be exercisable in whole or in part, subject to the following conditions:

(i) The Committee will determine and set forth in the Award Agreement the date on which any Award of Stock Options or Stock Appreciation Rights to a Participant may first be exercised; provided, however, that, except for Stock Options and Stock Appreciation Rights granted as Performance Awards and except as provided in Section 5.1, such Award shall not become fully vested for at least three years following the date of grant.

terms and conditions that the Committee, in its discretion, may determine and set forth in the Award Agreement, subject to the provisions below:

(a) *Form.* Stock Options granted under the Plan will, at the discretion of the Committee and as set forth in the Award Agreement, be in the form of Incentive Stock Options, Nonqualified Stock Options or a combination of the two. If an Incentive Stock Option and a Nonqualified Stock Option are granted to the same Participant under the Plan at the same time, the form of each will be clearly identified, and they will be deemed to have been granted in separate grants. In no event will the exercise of one Award affect the right to exercise the other Award. Stock Appreciation Rights may be granted either alone or in connection with concurrently or previously issued Nonqualified Stock Options.

(b) *Exercise Price.* The Committee will set the Exercise Price of Stock Options or Stock Appreciation Rights granted under the Plan at a price that is equal to or greater than the Fair Market Value of a Share on the date of grant, subject to adjustment as provided in Section 5.3. The Exercise Price of Incentive Stock Options, however, will be equal to or greater than 110 percent of the Fair Market Value of a Share on the date of grant if the Participant receiving the Stock Options owns stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or of any subsidiary or parent corporation of the Company, as defined in Section 424 of the Code. The Exercise Price of a Stock Appreciation Right granted in tandem with a Stock Option will be equal to the Exercise Price of the related Stock Option. The Committee will set forth the Exercise Price of a Stock Option or Stock Appreciation Right in the Award Agreement.

(c) *Term and Timing of Exercise:* Stock Options and Stock Appreciation Rights will lapse not later than 10 years after the date of grant, as determined by the Committee at the time of grant. Unless determined otherwise by the Committee at the time of grant, each Stock Option or Stock Appreciation Right granted under the Plan will be exercisable in whole or in part, subject to the following conditions:

(i) The Committee will determine and set forth in the Award Agreement the date on which any Award of Stock Options or Stock Appreciation Rights to a Participant may first be exercised; provided, however, that, except for Stock Options and Stock Appreciation Rights granted as Performance Awards and except as provided in Section 5.1, such Award shall not become fully vested for at least three years following the date of grant.

(ii) A Stock Appreciation Right granted in tandem with a Stock Option is subject to the same terms and conditions as the related Stock Option and will be exercisable only to the extent that the related Stock Option is exercisable.

(iii) Stock Options and Stock Appreciation Rights will become immediately vested and exercisable as of the effective date of a Change in Control in accordance with Section 5.4.

(iv) Stock Options and Stock Appreciation Rights will vest and remain

exercisable as follows, subject to the term determined by the Committee, subsection (e) and paragraphs (iii) and (v) of this subsection (c):

Event	Vesting	Exercise
Death	Immediate vesting as of death	Expires earlier of (i) original expiration date, or (ii) 3 years after death.
Disability	Immediate vesting as of incurrence of Disability	Expires earlier of (i) original expiration date, or (ii) 3 years after Disability.
Full Retirement	Immediate vesting as of Full Retirement	Expires earlier of (i) original expiration date, or (ii) 3 years after retirement. If death prior to end of such 3-year period, expires earlier of (i) original expiration date, or (ii) 1 year after death.
Early Retirement	Unvested Awards forfeited as of Early Retirement	Expires earlier of (i) original expiration date, or (ii) 3 years after retirement. If death prior to end of such 3-year period, expires earlier of (i) original expiration date, or (ii) 1 year after death.
Voluntary Termination of	Unvested Awards forfeited as of	Expires earlier of (i) original expiration date, or (ii) 30 days after termination. If

exercisable as follows, subject to the term determined by the Committee, subsection (e) and paragraphs (iii) and (v) of this subsection (c):

Event	Vesting	Exercise
Death	Immediate vesting as of death	Expires earlier of (i) original expiration date, or (ii) 3 years after death.
Disability	Immediate vesting as of incurrence of Disability	Expires earlier of (i) original expiration date, or (ii) 3 years after Disability.
Full Retirement	Immediate vesting as of Full Retirement	Expires earlier of (i) original expiration date, or (ii) 3 years after retirement. If death prior to end of such 3-year period, expires earlier of (i) original expiration date, or (ii) 1 year after death.
Early Retirement	Unvested Awards forfeited as of Early Retirement	Expires earlier of (i) original expiration date, or (ii) 3 years after retirement. If death prior to end of such 3-year period, expires earlier of (i) original expiration date, or (ii) 1 year after death.
Voluntary Termination of Employment	Unvested Awards forfeited as of Termination of Employment	Expires earlier of (i) original expiration date, or (ii) 30 days after termination. If death prior to end of such 30-day period, expires earlier of (i) original expiration date, or (ii) 1 year after death.
Involuntary Termination of Employment not for Cause	Unvested Awards forfeited as of Termination of Employment	Expires earlier of (i) original expiration date, or (ii) 1 year after termination. If death prior to end of such 1-year period, expires earlier of (i) original expiration date, or (ii) 1 year after death.
Involuntary Termination of Employment for Cause	Unvested Awards forfeited as of Termination of Employment	Vested Awards immediately cancelled.

(v) Stock Options and Stock Appreciation Rights of a deceased Participant may be exercised only by the estate of the Participant or by the person given authority to exercise the Stock Options or Stock Appreciation Rights by the Participant's will or by operation of law. If a Stock Option or Stock Appreciation Right is exercised by the executor or administrator of a deceased Participant, or by the person or persons to whom the Stock Option or Stock Appreciation Right has been transferred by the Participant's will or the applicable laws of descent and distribution, the Company will be under no obligation to deliver Shares or cash until the Company is satisfied that the person exercising the Stock Option or Stock Appreciation Right is the duly appointed executor or administrator of the deceased Participant or the person to whom the Stock Option or Stock Appreciation Right has been transferred by the Participant's will or by

applicable laws of descent and distribution.

(d) *Payment of Exercise Price.* The Exercise Price of a Stock Option must be paid in full when the Stock Option is exercised. Stock certificates will be registered and delivered only upon receipt of payment. Payment of the Exercise Price may be made in cash or by certified check, bank draft, wire transfer, or postal or express money order. No portion of the Exercise Price of a Stock Option may be paid from the proceeds of a loan of cash from the Company to the Participant. In addition, unless the Committee determines otherwise, payment of all or a portion of the Exercise Price may be made by:

(i) Delivering a properly executed exercise notice to the Company or its agent, together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale proceeds with respect to the portion of the Shares to be acquired having a Fair Market Value on the date of exercise equal to the sum of the applicable portion of the Exercise Price being so

applicable laws of descent and distribution.

(d) *Payment of Exercise Price.* The Exercise Price of a Stock Option must be paid in full when the Stock Option is exercised. Stock certificates will be registered and delivered only upon receipt of payment. Payment of the Exercise Price may be made in cash or by certified check, bank draft, wire transfer, or postal or express money order. No portion of the Exercise Price of a Stock Option may be paid from the proceeds of a loan of cash from the Company to the Participant. In addition, unless the Committee determines otherwise, payment of all or a portion of the Exercise Price may be made by:

(i) Delivering a properly executed exercise notice to the Company or its agent, together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale proceeds with respect to the portion of the Shares to be acquired having a Fair Market Value on the date of exercise equal to the sum of the applicable portion of the Exercise Price being so paid;

(ii) Tendering (actually or by attestation) to the Company previously acquired Shares that have been held by the Participant for at least six months, subject to paragraph (v), and that have a Fair Market Value on the day prior to the date of exercise equal to the applicable portion of the Exercise Price being so paid;

(iii) Instructing the Company to withhold Shares that would otherwise be issued having a Fair Market Value on the date of exercise equal to the applicable portion of the Exercise Price being so paid (provided such withholding has been expressly authorized by the Committee); or

(iv) Any combination of the methods described in paragraphs (i), (ii) and (iii).

(v) The Committee, in consideration of applicable accounting standards, may waive any holding period on Shares required to tender pursuant to paragraph (ii) or prohibit withholding pursuant to paragraph (iii).

(e) *Incentive Stock Options.* Incentive Stock Options granted under the Plan will be subject to the following additional conditions, limitations and restrictions:

(i) *Eligibility.* Incentive Stock Options may be granted only to Employees of the Company or an Affiliate that is a subsidiary or parent corporation of the Company, within the meaning of Section 424 of the Code.

(ii) *Timing of Grant.* No Incentive Stock Option will be granted under the Plan after the 10-year anniversary of the date on which the Plan is adopted by the Board or, if earlier, the date on which the Plan is approved by the Company's shareowners.

(iii) *Amount of Award.* Subject to Section 5.3 of the Plan, no more than 10 million Shares may be available for grant in the form of Incentive Stock Options. The aggregate Fair Market Value as of the date of grant of the Shares with respect to which the Incentive Stock Options awarded to any Participant first become exercisable during any calendar year may not exceed \$100,000. For

purposes of this \$100,000 limit, the Participant's Incentive Stock Options under this Plan and all other plans maintained by the Company and its Affiliates will be aggregated. To the extent any Incentive Stock Option would exceed the \$100,000 limit, the Incentive Stock Option will afterwards be treated as a Nonqualified Stock Option for all purposes.

(iv) *Timing of Exercise.* If the Committee exercises its discretion in the Award Agreement to permit an Incentive Stock Option to be exercised by a Participant more than three months after the Participant has ceased being an Employee (or more than 12 months if the Participant is permanently and totally disabled, within the meaning of Section 22(e) of the Code), the Incentive Stock Option will afterwards be treated as a Nonqualified Stock Option for all purposes. For purposes of this paragraph (iv), an Employee's employment relationship will be treated as continuing intact while the Employee is on military leave, sick leave or another approved leave of absence if the period of leave does not exceed 90 days, or a longer period to the extent that the Employee's right to reemployment with the Company or an Affiliate is guaranteed by statute or by contract. Where the period of leave exceeds 90 days and the Employee's right to reemployment is not guaranteed by statute or contract, the employment relationship will be deemed to have ceased on the 91st day of the leave.

(v) *Transfer Restrictions.* In no event will the Committee permit an Incentive Stock Option to be transferred by a Participant other than by will or the laws of descent and distribution, and any Incentive Stock Option awarded under this Plan will be exercisable only by the Participant during the Participant's lifetime.

(f) *Exercise of Stock Appreciation Rights.* Upon exercise, Stock Appreciation Rights may be redeemed for cash or Shares or a combination of cash and Shares, in the discretion of the Committee, and as described in the Award Agreement. Cash payments will be equal to the excess of the Fair Market Value of a Share on the date of exercise over the Exercise Price, for each Share for which a Stock Appreciation Rights was exercised. If the Stock Appreciation Right is redeemed for Shares, the Participant will

purposes of this \$100,000 limit, the Participant's Incentive Stock Options under this Plan and all other plans maintained by the Company and its Affiliates will be aggregated. To the extent any Incentive Stock Option would exceed the \$100,000 limit, the Incentive Stock Option will afterwards be treated as a Nonqualified Stock Option for all purposes.

(iv) *Timing of Exercise.* If the Committee exercises its discretion in the Award Agreement to permit an Incentive Stock Option to be exercised by a Participant more than three months after the Participant has ceased being an Employee (or more than 12 months if the Participant is permanently and totally disabled, within the meaning of Section 22(e) of the Code), the Incentive Stock Option will afterwards be treated as a Nonqualified Stock Option for all purposes. For purposes of this paragraph (iv), an Employee's employment relationship will be treated as continuing intact while the Employee is on military leave, sick leave or another approved leave of absence if the period of leave does not exceed 90 days, or a longer period to the extent that the Employee's right to reemployment with the Company or an Affiliate is guaranteed by statute or by contract. Where the period of leave exceeds 90 days and the Employee's right to reemployment is not guaranteed by statute or contract, the employment relationship will be deemed to have ceased on the 91st day of the leave.

(v) *Transfer Restrictions.* In no event will the Committee permit an Incentive Stock Option to be transferred by a Participant other than by will or the laws of descent and distribution, and any Incentive Stock Option awarded under this Plan will be exercisable only by the Participant during the Participant's lifetime.

(f) *Exercise of Stock Appreciation Rights.* Upon exercise, Stock Appreciation Rights may be redeemed for cash or Shares or a combination of cash and Shares, in the discretion of the Committee, and as described in the Award Agreement. Cash payments will be equal to the excess of the Fair Market Value of a Share on the date of exercise over the Exercise Price, for each Share for which a Stock Appreciation Rights was exercised. If the Stock Appreciation Right is redeemed for Shares, the Participant will receive a number of whole Shares equal to the quotient of the cash payment amount divided by the Fair Market Value of a Share on the date of exercise.

(g) *Certain Prohibitions.* The following terms or actions shall not be permitted with respect to any Award of Stock Options or Stock Appreciation Rights:

(i) *No Repricing.* Except as otherwise provided in Section 5.3, in no event will the Committee decrease the Exercise Price of a Stock Option or Stock Appreciation Right after the date of grant or cancel outstanding Stock Options or Stock Appreciation Rights and grant replacement Stock Options or Stock Appreciation Rights with a lower Exercise Price than that of the replaced Stock Options or Stock Appreciation Rights or other Awards or purchase underwater Stock Options from a Participant for cash or replacement Awards without first obtaining the approval of the Company's shareowners in a manner that complies with the rules of the New York Stock Exchange.

(ii) *No Dividend Equivalents.* The Committee shall not provide for the payment of Dividend Equivalents with respect to Stock Options or Stock Appreciation Rights.

(iii) *No Reload Options.* The Committee shall not grant Stock Options or Stock Appreciation Rights that have reload features under which the exercise of a Stock Option or Stock Appreciation Right by a Participant automatically entitles the Participant to a new Stock Option or Stock Appreciation Right.

(iv) *No Additional Deferral Features.* The Committee shall not grant Stock Options or Stock Appreciation Rights that have "additional deferral features" as described in Section 409A of the Code, thereby subjecting the Stock Option or Stock Appreciation Right to the requirements of Section 409A.

4.4 Performance Awards. The Committee may grant Performance Awards to the Employees that the Committee may from time to time select, in the amounts and, subject to Section 7.14, pursuant to the terms and conditions that the Committee may determine and set forth in the Award Agreement, subject to the provisions below:

(a) *Performance Cycles.* Performance Awards will be awarded in connection with a Performance Cycle determined by the Committee; provided, however, that a Performance Cycle may be no shorter than 12 months.

(b) *Eligible Participants.* Within 90 days after the commencement of a Performance Cycle, the Committee will determine the Employees who will be eligible to receive a Performance Award for the Performance Cycle, provided, however, that the Committee may determine the eligibility of any Employee other than a Key Employee after the expiration of this 90-day period.

(c) *Performance Measures; Targets; Award Criteria.*

(i) Within 90 days after the commencement of a Performance Cycle, the Committee will fix and establish, in writing (A) the Performance Measures that will apply to that Performance Cycle; (B) with respect to Growth Plan Units and Cash-Based Awards, the Target Amount payable to each Participant; (C) with respect to other Performance Awards, the Target Vesting

(ii) *No Dividend Equivalents.* The Committee shall not provide for the payment of Dividend Equivalents with respect to Stock Options or Stock Appreciation Rights.

(iii) *No Reload Options.* The Committee shall not grant Stock Options or Stock Appreciation Rights that have reload features under which the exercise of a Stock Option or Stock Appreciation Right by a Participant automatically entitles the Participant to a new Stock Option or Stock Appreciation Right.

(iv) *No Additional Deferral Features.* The Committee shall not grant Stock Options or Stock Appreciation Rights that have "additional deferral features" as described in Section 409A of the Code, thereby subjecting the Stock Option or Stock Appreciation Right to the requirements of Section 409A.

4.4 Performance Awards. The Committee may grant Performance Awards to the Employees that the Committee may from time to time select, in the amounts and, subject to Section 7.14, pursuant to the terms and conditions that the Committee may determine and set forth in the Award Agreement, subject to the provisions below:

(a) *Performance Cycles.* Performance Awards will be awarded in connection with a Performance Cycle determined by the Committee; provided, however, that a Performance Cycle may be no shorter than 12 months.

(b) *Eligible Participants.* Within 90 days after the commencement of a Performance Cycle, the Committee will determine the Employees who will be eligible to receive a Performance Award for the Performance Cycle, provided, however, that the Committee may determine the eligibility of any Employee other than a Key Employee after the expiration of this 90-day period.

(c) *Performance Measures; Targets; Award Criteria.*

(i) Within 90 days after the commencement of a Performance Cycle, the Committee will fix and establish, in writing (A) the Performance Measures that will apply to that Performance Cycle; (B) with respect to Growth Plan Units and Cash-Based Awards, the Target Amount payable to each Participant; (C) with respect to other Performance Awards, the Target Vesting Percentage for each Participant; and (D) subject to subsection (d) below, the criteria for computing the amount that will be paid or will vest with respect to each level of attained performance. The Committee will also set forth the minimum level of performance, based on objective factors, that must be attained during the Performance Cycle before any Performance Award will be paid or vest, and the percentage (not exceeding 200%) of the Performance Award that will vest upon attainment of various levels of performance that equal or exceed the minimum required level.

(ii) The Committee may, in its discretion, select Performance Measures that measure the performance of the Company or one or more business units,

divisions or subsidiaries of the Company. The Committee may select Performance Measures that are absolute or relative to the performance of one or more comparable companies or an index of comparable companies.

(iii) The Committee, in its discretion, may, on a case-by-case basis, reduce, but not increase, the amount of Performance Awards payable to any Key Employee with respect to any given Performance Cycle, provided, however, that no reduction will result in an increase in the dollar amount or number of Shares payable under any Performance Award of another Key Employee.

(d) *Payment; Certification.* No Performance Award will vest with respect to any Key Employee until the Committee certifies in writing the level of attainment of the applicable Performance Measures for the applicable Performance Cycle. Performance Awards awarded to Participants who are not Key Employees will be based on the Performance Measures and payment formulas that the Committee, in its discretion, may establish for these purposes. These Performance Measures and formulas may be the same as or different than the Performance Measures and formulas that apply to Key Employees.

In determining attainment of Performance Measures, the Committee will exclude unusual or infrequently occurring items, charges for restructurings (employee severance liabilities, asset impairment costs, and exit costs), discontinued operations, extraordinary items and the cumulative effect of changes in accounting treatment, and may determine no later than ninety (90) days after the commencement of any applicable Performance Cycle to exclude other items, each determined in accordance with GAAP (to the extent applicable) and as identified in the financial statements, notes to the financial statements or discussion and analysis of management.

(e) *Form of Payment.* Performance Awards may be paid in cash or full Shares, in the discretion of the Committee, subject to the terms and conditions set forth in the Award Agreement. Payment with respect to any fractional Share will be in cash in an amount based on the Fair Market Value of the Share as of the date the Performance Award becomes payable.

(f) *Section 162(m) of the Code.* It is the intent of the Company that unless otherwise expressly stated in an Award Agreement,

divisions or subsidiaries of the Company. The Committee may select Performance Measures that are absolute or relative to the performance of one or more comparable companies or an index of comparable companies.

(iii) The Committee, in its discretion, may, on a case-by-case basis, reduce, but not increase, the amount of Performance Awards payable to any Key Employee with respect to any given Performance Cycle, provided, however, that no reduction will result in an increase in the dollar amount or number of Shares payable under any Performance Award of another Key Employee.

(d) *Payment; Certification.* No Performance Award will vest with respect to any Key Employee until the Committee certifies in writing the level of attainment of the applicable Performance Measures for the applicable Performance Cycle. Performance Awards awarded to Participants who are not Key Employees will be based on the Performance Measures and payment formulas that the Committee, in its discretion, may establish for these purposes. These Performance Measures and formulas may be the same as or different than the Performance Measures and formulas that apply to Key Employees.

In determining attainment of Performance Measures, the Committee will exclude unusual or infrequently occurring items, charges for restructurings (employee severance liabilities, asset impairment costs, and exit costs), discontinued operations, extraordinary items and the cumulative effect of changes in accounting treatment, and may determine no later than ninety (90) days after the commencement of any applicable Performance Cycle to exclude other items, each determined in accordance with GAAP (to the extent applicable) and as identified in the financial statements, notes to the financial statements or discussion and analysis of management.

(e) *Form of Payment.* Performance Awards may be paid in cash or full Shares, in the discretion of the Committee, subject to the terms and conditions set forth in the Award Agreement. Payment with respect to any fractional Share will be in cash in an amount based on the Fair Market Value of the Share as of the date the Performance Award becomes payable.

(f) *Section 162(m) of the Code.* It is the intent of the Company that unless otherwise expressly stated in an Award Agreement, Performance Awards be “performance-based compensation” for purposes of Section 162(m) of the Code, that this Section 4.4 be interpreted in a manner that satisfies the applicable requirements of Section 162(m)(C) of the Code and related regulations, and that the Plan be operated so that the Company may take a full tax deduction for Performance Awards. If any provision of this Plan or any Performance Award would otherwise frustrate or conflict with this intent, the provision will be interpreted and deemed amended so as to avoid this conflict.

4.5 Restricted Units and Restricted Stock. The Committee may grant Restricted Units and Restricted Stock under the Plan to those Employees whom the Committee may from time to time select, in the amounts and, with respect to Restricted Units

subject to Section 7.14, pursuant to the terms and conditions that the Committee, in its discretion, may determine and set forth in the Award Agreement, subject to the provisions below:

(a) *Grant of Restricted Units.* The Committee may grant Restricted Units to any Employee, which Units are denominated in, payable in, valued in whole or in part by reference to, or otherwise related to, Shares. The Committee will determine, in its discretion, the terms and conditions that will apply to Restricted Units granted pursuant to this Section 4.5, including whether Dividend Equivalents will be credited with respect to any Award. The terms and conditions of the Restricted Units will be set forth in the applicable Award Agreement.

(b) *Grant of Restricted Stock.* As soon as practicable after Restricted Stock has been granted, certificates for all Shares of Restricted Stock will be registered in the name of the Participant and held for the Participant by the Company. The Participant will have all rights of a shareowner with respect to the Shares, including the right to vote and to receive dividends or other distributions, except that the Shares may be subject to a vesting schedule and forfeiture and may not be sold, transferred, assigned, pledged or otherwise encumbered or disposed until the restrictions are satisfied or lapse.

(c) *Dividends and Dividend Equivalents.* At the discretion of the Committee determined at the time of grant, dividends issued on Shares of Restricted Stock may be paid immediately or withheld and deferred in the Participant's account. In the event of a payment of dividends on Common Stock, to the extent permissible under Section 409A of the Code, the Committee may credit Restricted Units with Dividend Equivalents. Dividend Equivalents may be distributed immediately or withheld and deferred in the Participant's account, as determined by the Committee at the time of grant of the relevant Restricted Units. The Committee will determine any terms and conditions on deferral, including the rate of interest to be credited on deferrals and whether interest will be compounded.

(d) *Vesting and Forfeiture.* The Committee may, in its discretion and as set forth in the Award Agreement, impose any restrictions on Restricted Units or Restricted Stock that it deems to be appropriate. The Committee has discretion to provide for an incremental lapse of restrictions or for a lapse of restrictions upon satisfaction of certain conditions. Unless the applicable Award

subject to Section 7.14, pursuant to the terms and conditions that the Committee, in its discretion, may determine and set forth in the Award Agreement, subject to the provisions below:

(a) *Grant of Restricted Units.* The Committee may grant Restricted Units to any Employee, which Units are denominated in, payable in, valued in whole or in part by reference to, or otherwise related to, Shares. The Committee will determine, in its discretion, the terms and conditions that will apply to Restricted Units granted pursuant to this Section 4.5, including whether Dividend Equivalents will be credited with respect to any Award. The terms and conditions of the Restricted Units will be set forth in the applicable Award Agreement.

(b) *Grant of Restricted Stock.* As soon as practicable after Restricted Stock has been granted, certificates for all Shares of Restricted Stock will be registered in the name of the Participant and held for the Participant by the Company. The Participant will have all rights of a shareowner with respect to the Shares, including the right to vote and to receive dividends or other distributions, except that the Shares may be subject to a vesting schedule and forfeiture and may not be sold, transferred, assigned, pledged or otherwise encumbered or disposed until the restrictions are satisfied or lapse.

(c) *Dividends and Dividend Equivalents.* At the discretion of the Committee determined at the time of grant, dividends issued on Shares of Restricted Stock may be paid immediately or withheld and deferred in the Participant's account. In the event of a payment of dividends on Common Stock, to the extent permissible under Section 409A of the Code, the Committee may credit Restricted Units with Dividend Equivalents. Dividend Equivalents may be distributed immediately or withheld and deferred in the Participant's account, as determined by the Committee at the time of grant of the relevant Restricted Units. The Committee will determine any terms and conditions on deferral, including the rate of interest to be credited on deferrals and whether interest will be compounded.

(d) *Vesting and Forfeiture.* The Committee may, in its discretion and as set forth in the Award Agreement, impose any restrictions on Restricted Units or Restricted Stock that it deems to be appropriate. The Committee has discretion to provide for an incremental lapse of restrictions or for a lapse of restrictions upon satisfaction of certain conditions. Unless the applicable Award Agreement provides otherwise, the Restricted Units and Restricted Stock will be subject to the following vesting restrictions:

(i) *Vesting and Forfeiture.* Except for Restricted Units and Restricted Stock granted as Performance Awards and except as provided in Section 5.1, restrictions on Restricted Units and Restricted Stock will vest, in the discretion of the Committee, over a period of not less than three years from the date of grant. If the restrictions have not lapsed or been satisfied as of the Participant's Termination of Employment, the Restricted Units or Restricted Stock will be forfeited by the Participant if the termination is for any reason other than Full Retirement, death, Disability or Change in Control.

(ii) *Acceleration of Vesting.* All restrictions on Restricted Units and Restricted Stock will lapse upon the Full Retirement, death or Disability of the Participant or upon the effective date of a Change in Control in accordance with Section 5.4.

(iii) *Legend.* To enforce any restrictions that the Committee may impose on Restricted Stock, the Committee will cause a legend referring to the restrictions to be placed on all certificates for Shares of Restricted Stock. When restrictions lapse or are satisfied, a new certificate, without the legend, for the number of Shares with respect to which restrictions have lapsed or been satisfied will be issued and delivered to the Participant.

(e) *Redemption of Restricted Units.* Restricted Units may be redeemed for cash or whole Shares or a combination of cash and Shares, in the discretion of the Committee, when the restrictions lapse and any other conditions set forth in the Award Agreement have been satisfied provided that with respect to any Restricted Units subject to Section 409A of the Code such redemption will occur in a manner that complies with Section 409A of the Code. Each Restricted Unit may be redeemed for one Share or an amount in cash equal to the Fair Market Value of a Share as of the date on which the Restricted Unit vests and any attributable Dividend Equivalents and interest that have been withheld.

(f) *Deferred Units.* Subject to Section 7.14 hereof and to the extent determined by the Committee, Participants shall be permitted to request the deferral of payment of vested Restricted Units (including related Dividend Equivalents and interest) to a date later than the payment date specified in the Award Agreement, provided that any such election be made in accordance with Section 409A of the Code. The Committee will determine any terms and conditions on deferral, including the rate of interest to be credited on Dividend Equivalents and whether interest will be compounded.

4.6 Other Stock-Based Awards. The Committee may, from time to time, grant Awards (other than Stock Options, Stock Appreciation Rights, Restricted Units or Restricted Stock) to any Employee that consist of, or are denominated in, payable in, valued in whole or in part by reference to, or otherwise related to, Shares. These Awards may include, among other things, phantom or hypothetical Shares. The Committee will determine, in its discretion and subject to Section 7.14, the terms and conditions that will apply to Other Stock-Based Awards granted pursuant to this Section 4.6, including whether Dividend Equivalents will be credited with respect to any such Award in the event of a payment of dividends on Common Stock. The terms and conditions of Other Stock-Based

(ii) *Acceleration of Vesting.* All restrictions on Restricted Units and Restricted Stock will lapse upon the Full Retirement, death or Disability of the Participant or upon the effective date of a Change in Control in accordance with Section 5.4.

(iii) *Legend.* To enforce any restrictions that the Committee may impose on Restricted Stock, the Committee will cause a legend referring to the restrictions to be placed on all certificates for Shares of Restricted Stock. When restrictions lapse or are satisfied, a new certificate, without the legend, for the number of Shares with respect to which restrictions have lapsed or been satisfied will be issued and delivered to the Participant.

(e) *Redemption of Restricted Units.* Restricted Units may be redeemed for cash or whole Shares or a combination of cash and Shares, in the discretion of the Committee, when the restrictions lapse and any other conditions set forth in the Award Agreement have been satisfied provided that with respect to any Restricted Units subject to Section 409A of the Code such redemption will occur in a manner that complies with Section 409A of the Code. Each Restricted Unit may be redeemed for one Share or an amount in cash equal to the Fair Market Value of a Share as of the date on which the Restricted Unit vests and any attributable Dividend Equivalents and interest that have been withheld.

(f) *Deferred Units.* Subject to Section 7.14 hereof and to the extent determined by the Committee, Participants shall be permitted to request the deferral of payment of vested Restricted Units (including related Dividend Equivalents and interest) to a date later than the payment date specified in the Award Agreement, provided that any such election be made in accordance with Section 409A of the Code. The Committee will determine any terms and conditions on deferral, including the rate of interest to be credited on Dividend Equivalents and whether interest will be compounded.

4.6 Other Stock-Based Awards. The Committee may, from time to time, grant Awards (other than Stock Options, Stock Appreciation Rights, Restricted Units or Restricted Stock) to any Employee that consist of, or are denominated in, payable in, valued in whole or in part by reference to, or otherwise related to, Shares. These Awards may include, among other things, phantom or hypothetical Shares. The Committee will determine, in its discretion and subject to Section 7.14, the terms and conditions that will apply to Other Stock-Based Awards granted pursuant to this Section 4.6, including whether Dividend Equivalents will be credited with respect to any such Award in the event of a payment of dividends on Common Stock. The terms and conditions of Other Stock-Based Awards will be set forth in the applicable Award Agreement.

(a) *Vesting.* Except for Other Stock-Based Awards granted as Performance Awards and except as provided in Section 5.1, restrictions on Other Stock-Based Awards will lapse, in the discretion of the Committee, over a period of three years

from the date of grant or any longer period that is specified in the Award Agreement. If the restrictions on Other Stock-Based Awards have not lapsed or been satisfied as of the Participant's Termination of Employment, the Shares will be forfeited by the Participant if the termination is for any reason other than the Full Retirement, death or Disability of the Participant or a Change in Control. The Committee, in its discretion and as set forth in the Award Agreement, may allow faster vesting of Other Stock-Based Awards that are granted in place of another Company award or other compensation payment from the Company that the Participant has voluntarily foregone or that replaces awards that the Participant forfeited to enter into employment with the Company or an Affiliate.

(b) *Acceleration of Vesting.* All restrictions on Other Stock-Based Awards granted pursuant to this Section 4.6 will lapse upon the Full Retirement, death or Disability of the Participant or upon the effective date of a Change in Control in accordance with Section 5.4.

4.7 Limit on Individual Grants. Subject to Section 5.1 and 5.3, no Participant may be granted Awards (excluding Growth Plan Units or Cash-Based Awards) relating to more than 3 million Shares over any period of 36 months. The maximum amount that may be paid in cash or Shares pursuant to Growth Plan Units or Cash-Based Awards to any one Participant is \$10 million (including the Fair Market Value of Shares) for any Performance Cycle of 12 months. For any longer Performance Cycle, this maximum will be adjusted proportionally.

4.8 Termination for Cause. If a Participant incurs a Termination of Employment for Cause, then all outstanding Awards will immediately be cancelled, except as the Committee may otherwise provide in the Award Agreement.

ARTICLE V

SHARES SUBJECT TO THE PLAN; ADJUSTMENTS

5.1 Shares Available. The Shares issuable under the Plan will be authorized but unissued Shares or Shares held in the Company's treasury. The total number of Shares with respect to which Awards may be issued under the Plan may equal but may not exceed 43,000,000, subject to adjustment in accordance with Section 5.3; *provided, however,* that from the aggregate limit:

(a) no more than 10 million Shares may be available for grant in the form of Incentive Stock Options;

from the date of grant or any longer period that is specified in the Award Agreement. If the restrictions on Other Stock-Based Awards have not lapsed or been satisfied as of the Participant's Termination of Employment, the Shares will be forfeited by the Participant if the termination is for any reason other than the Full Retirement, death or Disability of the Participant or a Change in Control. The Committee, in its discretion and as set forth in the Award Agreement, may allow faster vesting of Other Stock-Based Awards that are granted in place of another Company award or other compensation payment from the Company that the Participant has voluntarily foregone or that replaces awards that the Participant forfeited to enter into employment with the Company or an Affiliate.

(b) *Acceleration of Vesting.* All restrictions on Other Stock-Based Awards granted pursuant to this Section 4.6 will lapse upon the Full Retirement, death or Disability of the Participant or upon the effective date of a Change in Control in accordance with Section 5.4.

4.7 Limit on Individual Grants. Subject to Section 5.1 and 5.3, no Participant may be granted Awards (excluding Growth Plan Units or Cash-Based Awards) relating to more than 3 million Shares over any period of 36 months. The maximum amount that may be paid in cash or Shares pursuant to Growth Plan Units or Cash-Based Awards to any one Participant is \$10 million (including the Fair Market Value of Shares) for any Performance Cycle of 12 months. For any longer Performance Cycle, this maximum will be adjusted proportionally.

4.8 Termination for Cause. If a Participant incurs a Termination of Employment for Cause, then all outstanding Awards will immediately be cancelled, except as the Committee may otherwise provide in the Award Agreement.

ARTICLE V

SHARES SUBJECT TO THE PLAN; ADJUSTMENTS

5.1 Shares Available. The Shares issuable under the Plan will be authorized but unissued Shares or Shares held in the Company's treasury. The total number of Shares with respect to which Awards may be issued under the Plan may equal but may not exceed 43,000,000, subject to adjustment in accordance with Section 5.3; *provided, however*, that from the aggregate limit:

(a) no more than 10 million Shares may be available for grant in the form of Incentive Stock Options;

(b) up to, but not more than, 2 million Shares may be available for grant for Stock Options or Stock Appreciation Rights that vest in fewer than three years;

(c) up to, but not more than, 2 million Shares may be available for grant for Restricted Stock, Restricted Units or other Stock-Based Awards that vest in fewer than three years; and

(d) up to 16 million Shares related to Awards other than Stock Options or Stock Appreciation Rights may be granted under the Plan on a one-for-one basis; after the Shares related to Awards other than Stock Options and Stock Appreciation Rights exceed 16 million under the Plan, each Share subject to future Awards other than Stock Options or Stock Appreciation Rights shall be counted as three Shares for purposes of this Article V.

5.2 Counting Rules. (a) The following Shares related to Awards to be issued under this Plan or awards under the 2003 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates, the 1997 Honeywell Stock and Incentive Plan, the 1993 Honeywell Stock and Incentive Plan and the 1993 Stock Plan for Employees of Honeywell International Inc. and Its Affiliates that are outstanding as of April 24, 2006 may again be available for issuance under the Plan, in addition to the Shares described in Section 5.1:

(i) Shares related to Awards paid in cash;

(ii) Shares related to Awards that expire, are forfeited or cancelled or terminate for any other reason without issuance of Shares; and

(iii) Any Shares issued in connection with Awards that are assumed, converted or substituted as a result of the acquisition of another company by the Company or an Affiliate or a combination of the Company or an Affiliate with another company.

(b) Shares described in Section 5.2(a)(i), (ii) and (iii) shall not count against the limits set forth in Section 5.1(a), (b) and (c).

(c) For purposes of clarity, Shares that are tendered or withheld in payment of all or part of the Exercise Price of an Award or in satisfaction of withholding tax obligations, and Shares that are reacquired with cash tendered in payment of the Exercise Price of an Award, shall not be included in or added to the number of Shares available for issuance under the Plan.

5.3 Adjustment Upon Certain Changes

(d) up to 16 million Shares related to Awards other than Stock Options or Stock Appreciation Rights may be granted under the Plan on a one-for-one basis; after the Shares related to Awards other than Stock Options and Stock Appreciation Rights exceed 16 million under the Plan, each Share subject to future Awards other than Stock Options or Stock Appreciation Rights shall be counted as three Shares for purposes of this Article V.

5.2 Counting Rules. (a) The following Shares related to Awards to be issued under this Plan or awards under the 2003 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates, the 1997 Honeywell Stock and Incentive Plan, the 1993 Honeywell Stock and Incentive Plan and the 1993 Stock Plan for Employees of Honeywell International Inc. and Its Affiliates that are outstanding as of April 24, 2006 may again be available for issuance under the Plan, in addition to the Shares described in Section 5.1:

(i) Shares related to Awards paid in cash;

(ii) Shares related to Awards that expire, are forfeited or cancelled or terminate for any other reason without issuance of Shares; and

(iii) Any Shares issued in connection with Awards that are assumed, converted or substituted as a result of the acquisition of another company by the Company or an Affiliate or a combination of the Company or an Affiliate with another company.

(b) Shares described in Section 5.2(a)(i), (ii) and (iii) shall not count against the limits set forth in Section 5.1(a), (b) and (c).

(c) For purposes of clarity, Shares that are tendered or withheld in payment of all or part of the Exercise Price of an Award or in satisfaction of withholding tax obligations, and Shares that are reacquired with cash tendered in payment of the Exercise Price of an Award, shall not be included in or added to the number of Shares available for issuance under the Plan.

5.3 Adjustment Upon Certain Changes

(a) Shares Available for Grants. In the event of any change in the number of shares of Common Stock outstanding by reason of any stock dividend or split, recapitalization, merger, consolidation, combination or exchange of shares or similar corporate change, the maximum aggregate number of shares of Common Stock with respect to which the Committee may grant Awards and the maximum aggregate number of shares of Common Stock with respect to which the Committee may grant Awards to any individual Employee in any year shall be appropriately adjusted by the Committee. In the event of any change in the number of shares of Common Stock outstanding by reason of any other similar event or transaction, the Committee may, to the extent deemed appropriate by the Committee, make such adjustments in the number and class of shares of Common Stock with respect to which Awards may be granted.

(b) Increase or Decrease in Issued Shares Without Consideration. Subject to any required action by the shareowners of the Company, in the event of any increase or decrease in the number of issued shares of Common Stock resulting from a subdivision or consolidation of shares of Common Stock or the payment of a stock dividend (but only on the shares of Common Stock), or any other increase or decrease in the number of such shares effected without receipt or payment of consideration by the Company, the Committee shall equitably adjust the number of shares of Common Stock subject to each outstanding Award and the exercise price per share of Common Stock of each such Award.

(c) Certain Mergers. Subject to any required action by the shareowners of the Company, in the event that the Company shall be the surviving corporation in any merger, consolidation or similar transaction as a result of which the holders of shares of Common Stock receive consideration consisting exclusively of securities of such surviving corporation, the Committee shall have the power to adjust each Award outstanding on the date of such merger or consolidation so that it pertains and applies to the securities which a holder of the number of shares of Common Stock subject to such Award would have received in such merger or consolidation.

(d) Certain Other Transactions. In the event of (i) a dissolution or liquidation of the Company, (ii) a sale of all or substantially all of the Company's assets (on a consolidated basis), (iii) a merger, consolidation or similar transaction involving the Company in which the Company is not the surviving corporation or (iv) a merger, consolidation or similar transaction involving the Company in which the Company is the surviving corporation but the holders of shares of Common Stock receive securities of another corporation and/or other property, including cash, the Committee shall, subject to Section 409A of the Code to the extent applicable and otherwise in its sole discretion, have the power to:

(i) cancel, effective immediately prior to the occurrence of such event, each Award (whether or not then exercisable), and, in full consideration of such cancellation, pay to the Participant to whom such Award was granted an amount in cash, for each share of Common Stock subject to such Award equal to the value, as determined by the Committee in its reasonable discretion, of such Award, provided that with respect to any outstanding Stock Option or Stock Appreciation Right such value shall be equal to the excess of (A) the value, as determined by the Committee in its reasonable discretion, of the property (including cash) received by the holder of a share of Common Stock as a result of such event over (B) the exercise price of such Stock Option or Stock Appreciation Right; or

(b) Increase or Decrease in Issued Shares Without Consideration. Subject to any required action by the shareowners of the Company, in the event of any increase or decrease in the number of issued shares of Common Stock resulting from a subdivision or consolidation of shares of Common Stock or the payment of a stock dividend (but only on the shares of Common Stock), or any other increase or decrease in the number of such shares effected without receipt or payment of consideration by the Company, the Committee shall equitably adjust the number of shares of Common Stock subject to each outstanding Award and the exercise price per share of Common Stock of each such Award.

(c) Certain Mergers. Subject to any required action by the shareowners of the Company, in the event that the Company shall be the surviving corporation in any merger, consolidation or similar transaction as a result of which the holders of shares of Common Stock receive consideration consisting exclusively of securities of such surviving corporation, the Committee shall have the power to adjust each Award outstanding on the date of such merger or consolidation so that it pertains and applies to the securities which a holder of the number of shares of Common Stock subject to such Award would have received in such merger or consolidation.

(d) Certain Other Transactions. In the event of (i) a dissolution or liquidation of the Company, (ii) a sale of all or substantially all of the Company's assets (on a consolidated basis), (iii) a merger, consolidation or similar transaction involving the Company in which the Company is not the surviving corporation or (iv) a merger, consolidation or similar transaction involving the Company in which the Company is the surviving corporation but the holders of shares of Common Stock receive securities of another corporation and/or other property, including cash, the Committee shall, subject to Section 409A of the Code to the extent applicable and otherwise in its sole discretion, have the power to:

(i) cancel, effective immediately prior to the occurrence of such event, each Award (whether or not then exercisable), and, in full consideration of such cancellation, pay to the Participant to whom such Award was granted an amount in cash, for each share of Common Stock subject to such Award equal to the value, as determined by the Committee in its reasonable discretion, of such Award, provided that with respect to any outstanding Stock Option or Stock Appreciation Right such value shall be equal to the excess of (A) the value, as determined by the Committee in its reasonable discretion, of the property (including cash) received by the holder of a share of Common Stock as a result of such event over (B) the exercise price of such Stock Option or Stock Appreciation Right; or

(ii) provide for the exchange of each Award (whether or not then exercisable or vested) for an Award with respect to, as appropriate, some or all of the property which a holder of the number of shares of Common Stock subject to such Award would have received in

such transaction and, incident thereto, make an equitable adjustment, in accordance with U.S. Department of Treasury Regulation §1.409A-1(b)(5)(v)(D) and as determined by the Committee in its reasonable discretion in the exercise price of the Award, or the number of shares or amount of property subject to the Award or, if appropriate, provide for a cash payment to the Participant to whom such Award was granted in partial consideration for the exchange of the Award.

(e) Other Changes. In the event of any change in the capitalization of the Company or corporate change other than those specifically referred to in subsections (b), (c) or (d), the Committee shall make equitable adjustments in the number and class of shares subject to Awards outstanding on the date on which such change occurs and in such other terms of such Awards.

(f) Performance Awards. In the event of any transaction or event described in this Section 5.3, including without limitation any corporate change referred to in subsection (e) hereof, the Committee shall have the power to make equitable adjustments in any Performance Measure and in other terms of any Performance Award, provided that such adjustment is consistent with the requirements of Sections 162(m) and 409A of the Code and the regulations thereunder.

(g) No Other Rights. Except as expressly provided in the Plan, no Employee shall have any rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of stock of any class or any dissolution, liquidation, merger or consolidation of the Company or any other corporation. Except as expressly provided in the Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares or amount of other property subject to, or the terms related to, any Award."

5.4 Change in Control.

(a) Acceleration of Vesting. All outstanding Awards will become vested and/or exercisable as of the effective date of a Change in Control, whether or not the Awards were otherwise vested and/or exercisable, and, subject to Section 5.4(c) below, all conditions will be waived with respect to outstanding Awards (other than Performance Awards).

(b) Restricted Units. Except as provided in subsection (d), each Participant who has been awarded Restricted Units that are outstanding as of a Change in Control (including Restricted Units whose restrictions have lapsed pursuant to subsection (a)) will

such transaction and, incident thereto, make an equitable adjustment, in accordance with U.S. Department of Treasury Regulation §1.409A-1(b)(5)(v)(D) and as determined by the Committee in its reasonable discretion in the exercise price of the Award, or the number of shares or amount of property subject to the Award or, if appropriate, provide for a cash payment to the Participant to whom such Award was granted in partial consideration for the exchange of the Award.

(e) Other Changes. In the event of any change in the capitalization of the Company or corporate change other than those specifically referred to in subsections (b), (c) or (d), the Committee shall make equitable adjustments in the number and class of shares subject to Awards outstanding on the date on which such change occurs and in such other terms of such Awards.

(f) Performance Awards. In the event of any transaction or event described in this Section 5.3, including without limitation any corporate change referred to in subsection (e) hereof, the Committee shall have the power to make equitable adjustments in any Performance Measure and in other terms of any Performance Award, provided that such adjustment is consistent with the requirements of Sections 162(m) and 409A of the Code and the regulations thereunder.

(g) No Other Rights. Except as expressly provided in the Plan, no Employee shall have any rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of stock of any class or any dissolution, liquidation, merger or consolidation of the Company or any other corporation. Except as expressly provided in the Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares or amount of other property subject to, or the terms related to, any Award.”

5.4 Change in Control.

(a) Acceleration of Vesting. All outstanding Awards will become vested and/or exercisable as of the effective date of a Change in Control, whether or not the Awards were otherwise vested and/or exercisable, and, subject to Section 5.4(c) below, all conditions will be waived with respect to outstanding Awards (other than Performance Awards).

(b) Restricted Units. Except as provided in subsection (d), each Participant who has been awarded Restricted Units that are outstanding as of a Change in Control (including Restricted Units whose restrictions have lapsed pursuant to subsection (a)) will receive, no later than 90 days after the date of Change in Control, an amount in cash equal to the product of the number of the Participant's outstanding Restricted Units and an amount equal to the greater of (A) the highest price per

Share paid by the person or group acquiring control in connection with the transaction or series of transactions constituting the Change in Control, as determined by the Committee, and (B) the highest Fair Market Value during the period of 90 days that ends on the date of Change in Control. Any securities or other property that is part or all of the consideration paid for Shares pursuant to the Change in Control will be valued at the higher of (x) the valuation placed on the securities or property by any entity that is a party with the Company to the Change in Control, or (y) the valuation placed on the securities or property by the Committee.

In addition, each Participant will receive in cash, no later than 90 days after the date of Change in Control, any Dividend Equivalents and interest on Dividend Equivalents that have been credited through the date of Change in Control on Restricted Units that become payable pursuant to this subsection (b).

(c) Performance Awards. Each Participant who has been granted a Performance Award that is outstanding as of the date of Change in Control will be deemed to have achieved a level of performance, as of the Change in Control, that would cause the Participant's Performance Awards to vest, become exercisable or become payable at target levels, and all restrictions on Performance Awards immediately to lapse. No later than 90 days after the date of Change in Control, all holders of outstanding Performance Awards will receive an amount in cash or Shares, as determined by the Committee in its discretion, in respect of such Performance Awards to the extent that the Performance Awards have vested.

(d) Deferred Awards. Notwithstanding Section 5.4(b) hereof, but subject to Section 7.14 hereof, the Committee may permit a Participant to elect not to have payment of an Award, including any related Dividend Equivalents and accrued interest on Dividend Equivalents, accelerated as provided by such Section 5.4(b). If the Participant has so elected, interest will be credited annually on the deferred Award, Dividend Equivalents and accrued interest at a rate no less than the rate in effect immediately prior to the Change in Control through the payment date. This interest rate may not be reduced at any time after the Change in Control below the rate in effect immediately prior to the Change in Control.

5.5 Fractional Shares. No fractional Shares will be issued under the Plan. If a Participant acquires the right to receive a fractional Share under the Plan, the Participant will receive, in lieu of the fractional Share, cash equal to the Fair Market Value of the fractional Share as of the date of settlement.

ARTICLE VI AMENDMENT AND TERMINATION

Share paid by the person or group acquiring control in connection with the transaction or series of transactions constituting the Change in Control, as determined by the Committee, and (B) the highest Fair Market Value during the period of 90 days that ends on the date of Change in Control. Any securities or other property that is part or all of the consideration paid for Shares pursuant to the Change in Control will be valued at the higher of (x) the valuation placed on the securities or property by any entity that is a party with the Company to the Change in Control, or (y) the valuation placed on the securities or property by the Committee.

In addition, each Participant will receive in cash, no later than 90 days after the date of Change in Control, any Dividend Equivalents and interest on Dividend Equivalents that have been credited through the date of Change in Control on Restricted Units that become payable pursuant to this subsection (b).

(c) *Performance Awards.* Each Participant who has been granted a Performance Award that is outstanding as of the date of Change in Control will be deemed to have achieved a level of performance, as of the Change in Control, that would cause the Participant's Performance Awards to vest, become exercisable or become payable at target levels, and all restrictions on Performance Awards immediately to lapse. No later than 90 days after the date of Change in Control, all holders of outstanding Performance Awards will receive an amount in cash or Shares, as determined by the Committee in its discretion, in respect of such Performance Awards to the extent that the Performance Awards have vested.

(d) *Deferred Awards.* Notwithstanding Section 5.4(b) hereof, but subject to Section 7.14 hereof, the Committee may permit a Participant to elect not to have payment of an Award, including any related Dividend Equivalents and accrued interest on Dividend Equivalents, accelerated as provided by such Section 5.4(b). If the Participant has so elected, interest will be credited annually on the deferred Award, Dividend Equivalents and accrued interest at a rate no less than the rate in effect immediately prior to the Change in Control through the payment date. This interest rate may not be reduced at any time after the Change in Control below the rate in effect immediately prior to the Change in Control.

5.5 Fractional Shares. No fractional Shares will be issued under the Plan. If a Participant acquires the right to receive a fractional Share under the Plan, the Participant will receive, in lieu of the fractional Share, cash equal to the Fair Market Value of the fractional Share as of the date of settlement.

ARTICLE VI AMENDMENT AND TERMINATION

6.1 Amendment. The Plan may be amended at any time and from time to time by the Board without the approval of shareowners of the Company, except that no revision to the terms of the Plan will be effective until the amendment is approved by the shareowners of the Company if such approval is required by the rules of the New York

Stock Exchange or such amendment materially increases the number of Shares that may be issued under the Plan (other than an increase pursuant to Section 5.3 of the Plan). No amendment of the Plan made without the Participant's written consent may adversely affect any right of a Participant with respect to an outstanding Award unless such amendment is necessary to comply with applicable law. The Plan may not be amended in any manner adverse to the interests of Participants during a Potential Change in Control Period or any other period of two years following the acceleration of vesting owing to a Change in Control, unless such amendment is necessary to comply with applicable law.

6.2 Termination. The Plan will terminate upon the earlier of the following dates or events to occur:

- (a) the adoption of a resolution of the Board terminating the Plan; or
- (b) the 10th anniversary of the date of the Company's 2006 Annual Meeting of Shareowners.

No Awards will be granted under this Plan after it has terminated. The termination of the Plan, however, will not alter or impair any of the rights or obligations of any person without consent under any Award previously granted under the Plan. After the termination of the Plan, any previously granted Awards will remain in effect and will continue to be governed by the terms of the Plan and the applicable Award Agreement.

ARTICLE VII GENERAL PROVISIONS

7.1 Nontransferability of Awards. No Award under the Plan will be subject in any manner to alienation, anticipation, sale, assignment, pledge, encumbrance or transfer, and no other persons will otherwise acquire any rights therein, except as provided below.

- (a) Any Award may be transferred by will or by the laws of descent or distribution.

Stock Exchange or such amendment materially increases the number of Shares that may be issued under the Plan (other than an increase pursuant to Section 5.3 of the Plan). No amendment of the Plan made without the Participant's written consent may adversely affect any right of a Participant with respect to an outstanding Award unless such amendment is necessary to comply with applicable law. The Plan may not be amended in any manner adverse to the interests of Participants during a Potential Change in Control Period or any other period of two years following the acceleration of vesting owing to a Change in Control, unless such amendment is necessary to comply with applicable law.

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7.1 **Nontransferability of Awards.** No Award under the Plan will be subject in any manner to alienation, anticipation, sale, assignment, pledge, encumbrance or transfer, and no other persons will otherwise acquire any rights therein, except as provided below.

(a) Any Award may be transferred by will or by the laws of descent or distribution.

(b) The Committee may provide in the applicable Award Agreement that all or any part of an Award (other than an Incentive Stock Option) may, subject to the prior written consent of the Committee, be transferred to one or more of the following classes of donees: a family member; a trust for the benefit of a family member; a limited partnership whose partners are solely family members; or any other legal entity set up for the benefit of family members. For purposes of this subsection (b), a family member means a Participant and/or the Participant's spouse, children, grandchildren, parents, grandparents, siblings, nieces, nephews and grandnieces and grandnephews, including adopted, in-laws and step family members.

(c) Except as otherwise provided in the applicable Award Agreement, any Nonqualified Stock Option or Stock Appreciation Right transferred by a Participant pursuant to subsection (b) may be exercised by the transferee only to the extent that the Award would have been exercisable by the Participant had no transfer occurred. Any transferred Award will be subject to all of the same terms and conditions as provided in the Plan and in the applicable Award Agreement. The Participant or the Participant's estate will remain liable for any withholding tax that may be imposed by any federal, state or local tax authority, and the transfer of Shares upon exercise of the Award will be conditioned on the payment of any withholding tax. The Committee may, in its discretion, disallow all or a part of any transfer of an Award pursuant to subsection (b) unless and until the Participant makes arrangements satisfactory to the Committee for the payment of any withholding tax. The Participant must immediately notify the Committee, in the form and manner required by the Committee, of any proposed transfer of an Award pursuant to subsection (b). No transfer will be effective until the Committee consents to the transfer in writing.

(d) Restricted Stock may be freely transferred after the restrictions lapse or are satisfied and the Shares are delivered, provided, however, that Restricted Stock awarded to an affiliate of the Company may be transferred only pursuant to Rule 144 under the 1933 Act, or pursuant to an effective registration for resale under the 1933 Act. For purposes of this subsection, "affiliate" will have the meaning assigned to that term under Rule 144.

(e) In no event may a Participant transfer an Incentive Stock Option other than by will or the laws of descent and distribution.

7.2 **Withholding of Taxes.**

(a) **Stock Options and Stock Appreciation Rights.** As a condition to the delivery of Shares pursuant to the exercise of a Stock Option or Stock Appreciation Right, the Committee may require that the Participant, at the time of exercise, pay to the Company by cash, certified check, bank draft, wire transfer or postal or express money order an amount sufficient to satisfy any applicable tax withholding obligations, as calculated at the minimum statutory rate. The Committee may also, in its discretion, accept payment of tax withholding obligations through any of the Exercise Price payment methods described in Section 4.3(d).

(c) Except as otherwise provided in the applicable Award Agreement, any Nonqualified Stock Option or Stock Appreciation Right transferred by a Participant pursuant to subsection (b) may be exercised by the transferee only to the extent that the Award would have been exercisable by the Participant had no transfer occurred. Any transferred Award will be subject to all of the same terms and conditions as provided in the Plan and in the applicable Award Agreement. The Participant or the Participant's estate will remain liable for any withholding tax that may be imposed by any federal, state or local tax authority, and the transfer of Shares upon exercise of the Award will be conditioned on the payment of any withholding tax. The Committee may, in its discretion, disallow all or a part of any transfer of an Award pursuant to subsection (b) unless and until the Participant makes arrangements satisfactory to the Committee for the payment of any withholding tax. The Participant must immediately notify the Committee, in the form and manner required by the Committee, of any proposed transfer of an Award pursuant to subsection (b). No transfer will be effective until the Committee consents to the transfer in writing.

(d) Restricted Stock may be freely transferred after the restrictions lapse or are satisfied and the Shares are delivered, provided, however, that Restricted Stock awarded to an affiliate of the Company may be transferred only pursuant to Rule 144 under the 1933 Act, or pursuant to an effective registration for resale under the 1933 Act. For purposes of this subsection, "affiliate" will have the meaning assigned to that term under Rule 144.

(e) In no event may a Participant transfer an Incentive Stock Option other than by will or the laws of descent and distribution.

7.2 Withholding of Taxes.

(a) *Stock Options and Stock Appreciation Rights.* As a condition to the delivery of Shares pursuant to the exercise of a Stock Option or Stock Appreciation Right, the Committee may require that the Participant, at the time of exercise, pay to the Company by cash, certified check, bank draft, wire transfer or postal or express money order an amount sufficient to satisfy any applicable tax withholding obligations, as calculated at the minimum statutory rate. The Committee may also, in its discretion, accept payment of tax withholding obligations through any of the Exercise Price payment methods described in Section 4.3(d).

(b) *Other Awards Payable in Shares.* The Company will satisfy a Participant's tax withholding obligations, calculated at the minimum statutory rate, arising in connection with the release of restrictions on Restricted Units, Restricted Stock and Other Stock-Based Awards by withholding Shares that would otherwise be available for delivery. The Company may also allow the Participant to satisfy the Participant's tax withholding obligations by payment to the Company in cash or by certified check, bank draft, wire transfer or postal or express money order.

(c) *Cash Awards.* The Company will satisfy a Participant's tax withholding

obligation arising in connection with the payment of any Award in cash by withholding cash from such payment.

(d) *Withholding Amount.* The Committee, in consideration of applicable accounting standards, has full discretion to allow Participants to elect to have the Company withhold an amount greater than the minimum statutory amount. In no event, however, will the Company withhold an amount from any Award payable in Shares that is greater than the amount required to satisfy income tax obligations at the maximum marginal rate that could be applicable to the Participant.

7.3 Special Forfeiture Provision. The Committee may, in its discretion, provide in an Award Agreement that the Participant may not, without prior written approval of the Committee, enter into any employment or consultation arrangement (including service as an agent, partner, shareowner, consultant, officer or director) with any entity or person engaged in any business in which the Company or any Affiliate is engaged if, in the sole judgment of the Committee, the business is competitive with the Company or an Affiliate. If the Committee makes a determination that this prohibition has been violated, the Participant (i) will forfeit all rights under any outstanding Stock Option or Stock Appreciation Right that was granted subject to the Award Agreement and will return to the Company the amount of any profit realized upon an exercise of all Awards during the period, beginning no earlier than six months prior to the Participant's Termination of Employment, as the Committee determines and sets forth in the Award Agreement, and (ii) will forfeit and return to the Company any Growth Plan Units, Restricted Units (including previously vested and deferred Restricted Units and credited Dividend Equivalents), Shares of Restricted Stock or Other Stock-Based Awards that are outstanding on the date of the Participant's Termination of Employment, subject to the Award Agreement, and have not vested or vested but remain subject to this Section 7.3 during the period, beginning no earlier than six months prior to the Participant's Termination of Employment, as the Committee determines and sets forth in the Award Agreement.

7.4 Code Section 83(b) Elections. The Company, its Affiliates and the Committee have no responsibility for a Participant's election, attempt to elect or failure to elect to include the value of an Award of Restricted Stock or other Award subject to Section 83 in the Participant's gross income for the year of payment pursuant to Section 83(b) of the Code. Any Participant who makes an election pursuant to Section 83(b) will promptly provide the Committee with a copy of the election form.

obligation arising in connection with the payment of any Award in cash by withholding cash from such payment.

(d) *Withholding Amount.* The Committee, in consideration of applicable accounting standards, has full discretion to allow Participants to elect to have the Company withhold an amount greater than the minimum statutory amount. In no event, however, will the Company withhold an amount from any Award payable in Shares that is greater than the amount required to satisfy income tax obligations at the maximum marginal rate that could be applicable to the Participant.

7.3 Special Forfeiture Provision. The Committee may, in its discretion, provide in an Award Agreement that the Participant may not, without prior written approval of the Committee, enter into any employment or consultation arrangement (including service as an agent, partner, shareowner, consultant, officer or director) with any entity or person engaged in any business in which the Company or any Affiliate is engaged if, in the sole judgment of the Committee, the business is competitive with the Company or an Affiliate. If the Committee makes a determination that this prohibition has been violated, the Participant (i) will forfeit all rights under any outstanding Stock Option or Stock Appreciation Right that was granted subject to the Award Agreement and will return to the Company the amount of any profit realized upon an exercise of all Awards during the period, beginning no earlier than six months prior to the Participant's Termination of Employment, as the Committee determines and sets forth in the Award Agreement, and (ii) will forfeit and return to the Company any Growth Plan Units, Restricted Units (including previously vested and deferred Restricted Units and credited Dividend Equivalents), Shares of Restricted Stock or Other Stock-Based Awards that are outstanding on the date of the Participant's Termination of Employment, subject to the Award Agreement, and have not vested or vested but remain subject to this Section 7.3 during the period, beginning no earlier than six months prior to the Participant's Termination of Employment, as the Committee determines and sets forth in the Award Agreement.

7.4 Code Section 83(b) Elections. The Company, its Affiliates and the Committee have no responsibility for a Participant's election, attempt to elect or failure to elect to include the value of an Award of Restricted Stock or other Award subject to Section 83 in the Participant's gross income for the year of payment pursuant to Section 83(b) of the Code. Any Participant who makes an election pursuant to Section 83(b) will promptly provide the Committee with a copy of the election form.

7.5 No Implied Rights. The establishment and operation of the Plan, including the eligibility of a Participant to participate in the Plan, will not be construed as conferring any legal or other right upon any Employee for the continuation of employment through the end of any Performance Cycle or other period. The Company expressly reserves the right, which may be exercised at any time and in the Company's sole discretion, to discharge any individual or treat him or her without regard to the effect that discharge might have upon him or her as a Participant in the Plan.

7.6 No Obligation to Exercise Awards; No Right to Notice of Expiration Date. The grant of a Stock Option or Stock Appreciation Right will impose no obligation upon the Participant to exercise the Award. The Company, its Affiliates and the Committee have no obligation to inform a Participant of the date on which a Stock Option or Stock Appreciation Right lapses except in the Award Agreement.

7.7 No Rights as Shareowners. A Participant granted an Award under the Plan will have no rights as a shareowner of the Company with respect to the Award unless and until certificates for the Shares underlying the Award are registered in the Participant's name and delivered to the Participant. The right of any Participant to receive an Award by virtue of participation in the Plan will be no greater than the right of any unsecured general creditor of the Company.

7.8 Indemnification of Committee. The Company will indemnify, to the fullest extent permitted by law, each person made or threatened to be made a party to any civil or criminal action or proceeding by reason of the fact that the person, or the executor or administrator of the person's estate, is or was a member of the Committee or a delegate of the Committee.

7.9 No Required Segregation of Assets. Neither the Company nor any Affiliate will be required to segregate any assets that may at any time be represented by Awards granted pursuant to the Plan.

7.10 Nature of Payments. All Awards made pursuant to the Plan are in consideration of services for the Company or an Affiliate. Any gain realized pursuant to Awards under the Plan constitutes a special incentive payment to the Participant and will not be taken into account as compensation for purposes of any other employee benefit plan of the Company or any Affiliate, except as the employee benefit plan otherwise provides. The adoption of the Plan will have no effect on Awards made or to be made under any other benefit plan covering an employee of the Company or an Affiliate or any predecessor or successor of the Company or an Affiliate.

7.11 Awards in Foreign Countries. The Committee has the authority to grant Awards to Employees who are foreign nationals or employed outside the United States on any different terms and conditions than those specified in the Plan that the Committee, in its discretion, believes to be necessary or desirable to accommodate differences in applicable law, tax policy or custom, while furthering

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7.8 Indemnification of Committee. The Company will indemnify, to the fullest extent permitted by law, each person made or threatened to be made a party to any civil or criminal action or proceeding by reason of the fact that the person, or the executor or administrator of the person's estate, is or was a member of the Committee or a delegate of the Committee.

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7.11 Awards in Foreign Countries. The Committee has the authority to grant Awards to Employees who are foreign nationals or employed outside the United States on any different terms and conditions than those specified in the Plan that the Committee, in its discretion, believes to be necessary or desirable to accommodate differences in applicable law, tax policy or custom, while furthering the purposes of the Plan. The Committee may also approve any supplements to the Plan or alternative versions of the Plan as it believes to be necessary or appropriate for these purposes without altering the terms of the Plan in effect for other Participants; provided, however, that the Committee may not make any supplemental or alternative version that (a) increases limitations contained in Sections 4.3(e) and 4.7, (b) increases the number of shares available under the Plan, as set forth in Section 5.1; or (c) causes the Plan to

cease to satisfy any conditions under Rule 16b-3 under the Exchange Act or, with respect to Key Employees, causes the grant of any performance-based Award to fail to qualify for an income tax deduction pursuant to Section 162(m) of the Code.

7.12 Securities Matters

(a) The Company shall be under no obligation to effect the registration pursuant to the Securities Act of any shares of Common Stock to be issued hereunder or to effect similar compliance under any state laws. Notwithstanding anything herein to the contrary, the Company shall not be obligated to cause to be issued or delivered any certificates evidencing shares of Common Stock pursuant to the Plan unless and until the Company is advised by its counsel that the issuance and delivery of such certificates is in compliance with all applicable laws, regulations of governmental authority and the requirements of any securities exchange on which shares of Common Stock are traded. The Committee may require, as a condition to the issuance and delivery of certificates evidencing shares of Common Stock pursuant to the terms hereof, that the recipient of such shares make such covenants, agreements and representations, and that such certificates bear such legends, as the Committee deems necessary or desirable.

(b) The exercise of any Award granted hereunder shall only be effective at such time as counsel to the Company shall have determined that the issuance and delivery of shares of Common Stock pursuant to such exercise is in compliance with all applicable laws, regulations of governmental authority and the requirements of any securities exchange on which shares of Common Stock are traded. The Company may, in its sole discretion, defer the effectiveness of an exercise of an Award hereunder or the issuance or transfer of shares of Common Stock pursuant to any Award pending or to ensure compliance under federal or state securities laws. The Company shall inform the Participant in writing of its decision to defer the effectiveness of the exercise of an Award or the issuance or transfer of shares of Common Stock pursuant to any Award. During the period that the effectiveness of the exercise of an Award has been deferred, the Participant may, by written notice, withdraw such exercise and obtain the refund of any amount paid with respect thereto.

7.13 Governing Law; Severability. The Plan and all determinations made and actions taken under the Plan will be governed by the internal substantive laws, and not the choice of law rules, of the State of Delaware and construed accordingly, to the extent not

cease to satisfy any conditions under Rule 16b-3 under the Exchange Act or, with respect to Key Employees, causes the grant of any performance-based Award to fail to qualify for an income tax deduction pursuant to Section 162(m) of the Code.

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7.13 Governing Law; Severability. The Plan and all determinations made and actions taken under the Plan will be governed by the internal substantive laws, and not the choice of law rules, of the State of Delaware and construed accordingly, to the extent not superseded by applicable federal law. If any provision of the Plan is held unlawful or otherwise invalid or unenforceable in whole or in part, the unlawfulness, invalidity or unenforceability will not affect any other parts of the Plan, which will remain in full force and effect.

7.14 Section 409A of the Code. With respect to Awards subject to Section 409A of the Code, this Plan is intended to comply with the requirements of such

Section, and the provisions hereof shall be interpreted in a manner that satisfies the requirements of such Section and the related regulations, and the Plan shall be operated accordingly. If any provision of this Plan or any term or condition of any Award would otherwise frustrate or conflict with this intent, the provision, term or condition will be interpreted and deemed amended so as to avoid this conflict. Any reservation of rights or discretion by the Company or the Committee hereunder affecting the timing of payment of any Award subject to Section 409A of the Code will only be as broad as is permitted by Section 409A of the Code and any regulations thereunder.

7.15 Payments to Specified Employees. Notwithstanding anything herein or in any Award grant agreement to the contrary, in the event that a Participant is a "specified employee" (within the meaning of Section 409A(2)(B) of the Code) as of the date of such Participant's separation from service (as determined pursuant to Section 409A of the Code), any Awards subject to Section 409A of the Code payable to such Participant as a result of his or her separation from service, shall be paid on the first business day of the first calendar month that begins after the six-month anniversary of the date of the separation from service, or, if earlier, the date of the Participant's death.

Exhibit 10.31

2006 STOCK PLAN FOR NON-EMPLOYEE DIRECTORS OF HONEYWELL INTERNATIONAL INC.

1. Purpose

(a) *Purpose.* The purpose of the Plan is to provide certain compensation to eligible directors of the Company and to encourage the highest level of director performance by providing such directors with a proprietary interest in the Company's success and progress by granting them stock-based awards.

Section, and the provisions hereof shall be interpreted in a manner that satisfies the requirements of such Section and the related regulations, and the Plan shall be operated accordingly. If any provision of this Plan or any term or condition of any Award would otherwise frustrate or conflict with this intent, the provision, term or condition will be interpreted and deemed amended so as to avoid this conflict. Any reservation of rights or discretion by the Company or the Committee hereunder affecting the timing of payment of any Award subject to Section 409A of the Code will only be as broad as is permitted by Section 409A of the Code and any regulations thereunder.

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1. Purpose

(a) *Purpose.* The purpose of the Plan is to provide certain compensation to eligible directors of the Company and to encourage the highest level of director performance by providing such directors with a proprietary interest in the Company's success and progress by granting them stock-based awards.

(b) *Effective Date; Shareholder Approval.* The Plan was effective as of April 24, 2006, subject to the approval of the Plan by the Company's shareowners which was obtained at the Company's 2006 Annual Meeting of Shareowners in a manner that satisfies the requirements of the General Corporation Law of the State of Delaware and the rules of the New York Stock Exchange. The Plan was amended and restated in its entirety effective January 1, 2009 to incorporate prior amendments and the changes necessary to comply with Section 409A of the Code.

2. Definitions

(a) "1994 Director Stock Plan" means the Stock Plan for Non-Employee Directors of Honeywell International Inc. (as amended effective as of April 25, 1994), as amended from time to time.

(b) "Award" means any form of award granted under the Plan, whether singly or in combination, to a Participant by the Committee pursuant to any terms and conditions that the Committee may establish and set forth in the applicable Award Agreement. Awards granted under the Plan may consist of: (i) Restricted Stock awarded pursuant to Section 6; (ii) Restricted Units awarded pursuant to Section 6; (iii) Stock Options awarded pursuant to Section 7; and (iv) Stock Appreciation Rights awarded pursuant to Section 7.

(c) "Award Agreement" means, with respect to an Award granted to a Participant, the document issued, either in writing or an electronic medium, by the Committee to a Participant evidencing the grant of such Award.

(d) "Board" means the Board of Directors of the Company.

(e) "Board Policy" means the policy adopted by the Board and attached hereto as Schedule A, which shall provide for the making of grants of Awards (including annual and other periodic awards), as well as certain terms of such Awards (including, without limitation, the timing, amount and form of Award grants) and which may be amended from time to time by the Board in its sole discretion.

(f) "Change in Control" has the meaning ascribed to the phrase "Change in the Ownership or Effective Control of a Corporation or in the Ownership of a Substantial Portion of the Assets of a Corporation" under Treasury Department Proposed Regulation 1.409A-3(g)(5),

as revised from time to time in either subsequent proposed or final regulations, and in the event that such regulations are withdrawn or such phrase (or a substantially similar phrase) ceases to be defined, as determined by the Committee.

(g) “Code” means the Internal Revenue Code of 1986, as amended.

(h) “Committee” means the Corporate Governance and Responsibility Committee of the Board or any successor committee or subcommittee of the Board or other committee or subcommittee designated by the Board.

(i) “Common Stock” means the common stock of the Company.

(j) “Company” means Honeywell International Inc.

(k) “Dividend Equivalents” means an amount equal to the cash dividend or the Fair Market Value of the stock dividend that would be paid on each Share underlying an Award if the Share were duly issued and outstanding on the date on which the dividend is payable.

(l) “Effective Date” means April 24, 2006.

(m) “Eligible Director” means a member of the Board, elected or appointed, who is not also an employee of the Company or any of its subsidiaries or affiliates. An individual who is elected to the Board at an annual meeting of the shareowners of the Company will be deemed to be a member of the Board as of the date of such meeting.

(n) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(o) “Exercise Price” means the price of a Share, as fixed by the Committee, which may be purchased under a Stock Option or with respect to which the amount of any payment pursuant to a Stock Appreciation Right is determined.

(p) “Fair Market Value” means the average (mean) of the highest and lowest sales prices of a Share, as reported on the New York Stock Exchange (or any other reporting system selected by the Committee, in its sole discretion) on the date as of which the determination is being made or, if no sales of Shares is reported on this date, on the most recent preceding day on which there were sales of Shares reported.

(q) “Nonqualified Stock Option” means a Stock Option that is not intended to meet the requirements of Section 422 of the Code or that otherwise does not meet such requirements.

(r) “Participant” means an Eligible Director who has been granted an Award under the Plan.

(s) “Plan” means the 2006 Stock Plan for Non-Employee Directors of Honeywell International Inc., which shall be evidenced by this instrument, as may be amended from time to time.

(t) “Restricted Stock” means Shares issued pursuant to Section 6 that are subject to any restrictions that the Committee, in its discretion, may impose.

(u) “Restricted Unit” means a Unit granted under Section 6 to acquire Shares or an equivalent amount in cash, which Unit is subject to any restrictions that the Committee, in its discretion, may impose.

(v) “Securities Act” means the Securities Act of 1933, as amended.

(w) “Share” means a share of Common Stock.

(x) “Stock Appreciation Right” means a right granted under Section 7 to an amount in cash or Shares equal to any increase in the Fair Market Value of the Shares between the date on which the Stock Appreciation Right is granted and the date on which the right is exercised.

(y) “Stock Option” means a right granted under Section 7 to purchase from the Company a stated number of Shares at a specified price.

(z) “Unit” means the potential right to acquire one Share.

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(z) “Unit” means the potential right to acquire one Share.

3. Administration

(a) *The Committee.* The Plan shall be administered by the Committee.

(b) *Authority.* The Committee will have authority, in its sole and absolute discretion and subject to the terms of the Plan (including the Board Policy), to (i) interpret the Plan; (ii) prescribe the rules and regulations that it deems necessary for the proper operation and administration of the Plan, and amend or rescind any existing rules or regulations relating to the Plan; (iii) determine eligibility for the grant of Awards; (iv) determine the form of Awards (to the extent permitted under the Board Policy), the number of Shares subject to each Award (to the extent permitted under the Board Policy), all terms and conditions of an Award, including, without limitation, the conditions on exercise or vesting and the terms of Award Agreements; (v) determine whether Awards will be granted singly, in combination or in tandem; (vi) waive or amend any terms, conditions, restrictions or limitations on an Award, to the extent permissible under applicable law including without limitation Section 409A of the Code; (vii) in accordance with Section 9, make any adjustments to the Plan, any Award Agreement and any Award that it deems appropriate (including but not limited to adjustment of the number of Shares available under the Plan or any Award); (viii) provide for the deferred payment of Awards and the extent to which payment will be credited with Dividend Equivalents; (ix) determine whether Awards may be transferable to family members, a family trust, a family partnership, or otherwise; and (x) take any and all other actions it deems necessary or advisable for the proper operation or administration of the Plan.

(c) *Effects of Determination.* All determinations of the Committee will be final, binding and conclusive on all persons having an interest in the Plan.

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(d) *Delegation of Authority.* The Committee, in its discretion and consistent with applicable law and regulations, may delegate its authority and duties under the Plan to any other individual or committee as it deems to be advisable, under any conditions and subject to any limitations that the Committee may establish.

(e) *Employment of Advisors.* The Committee may employ attorneys, consultants, accountants and other advisors, and the Committee, the Company and the officers and directors of the Company may rely upon the advice, opinions or valuations of the advisors employed.

(f) *No Liability.* No member of the Committee will be liable for any losses resulting from any action, interpretation or construction made in good faith with respect to the Plan, any Award Agreement, or any Award granted under the Plan.

4. Eligibility and Grants

(a) *Eligibility.* All Eligible Directors are eligible to receive Awards granted under the Plan.

(b) *Grants.* Subject to the terms and provisions of the Plan and the Board Policy, the Committee may grant Awards to Eligible Directors upon such terms and conditions as the Committee may determine in its sole discretion. All Awards will be evidenced by Award Agreements. Awards may be granted singly or in combination or in tandem with other Awards.

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5. Share Limits

(a) *Aggregate Share Limit.* Subject to adjustment as provided in Section 9, the maximum aggregate number of Shares with respect to which Awards may be granted shall be 500,000. Each Share issued pursuant to the Plan will count as one Share against such share limit. If an Award terminates, expires or is forfeited or cancelled for any reason without the issuance of Shares, or is settled in cash, the Shares underlying such Award will be available for future Awards under the Plan. If Shares are tendered or withheld in payment of all or part of the exercise price of a Stock Option, such Shares will be available for future Awards under the Plan. Shares utilized under the Plan may be either authorized but unissued Shares or issued Shares reacquired by the Company, as determined by the Board from time to time.

(b) *Individual Share Limit.* The maximum aggregate number of Shares with respect to which Awards may be granted in any one calendar year to any one Participant shall be 10,000.

6. Restricted Units and Restricted Stock.

(a) *General.* Subject to the terms and provisions of the Plan and the Board Policy, the Committee may grant Restricted Units and Restricted Stock under the Plan pursuant to the terms and conditions that the Committee, in its sole discretion, may determine and set forth in the applicable Award Agreement (including, without limitation, the periods of restriction, the date of grant and the effect, if any, of a Change in Control, death, disability or retirement or other termination of a Participant's directorship on such Restricted Units or Restricted Stock). As soon as practicable after Restricted Stock has been granted, certificates for all Shares of Restricted

Stock will be registered in the name of the Participant and held for the Participant by the Company.

(b) *Voting and Dividend Rights.* Unless otherwise determined by the Committee and set forth in a Participant's Award Agreement, such Participant shall have (i) no voting rights or dividend or dividend equivalent rights with respect to any Restricted Units granted hereunder and (ii) the right to exercise full voting rights, and to receive all dividends and other distributions paid, with respect to any Shares of Restricted Stock granted hereunder.

(c) *Dividends and Dividend Equivalents.* At the discretion of the Committee determined at the time of grant and as set forth in the applicable Award Agreement, dividends issued on Shares of Restricted Stock or dividend equivalents credited with respect to Restricted Units, may be paid immediately or withheld and deferred in the Participant's account provided that with respect to any Restricted Units subject to Section 409A of the Code, the payment of such dividends or dividend equivalents shall comply with Section 409A of the Code. The Committee will determine any terms and conditions on deferral, including the rate of interest to be credited on deferrals and whether interest will be compounded.

(d) *Other Restrictions.* The Committee may, in its sole discretion and as set forth in the applicable Award Agreement, impose any other conditions and/or restrictions on Restricted Units or Restricted Stock granted pursuant to the Plan that it deems appropriate, including any vesting schedule or forfeiture conditions. The Committee has discretion to provide for an incremental lapse of restrictions or for a lapse of restrictions upon satisfaction of certain conditions.

Stock will be registered in the name of the Participant and held for the Participant by the Company.

(b) *Voting and Dividend Rights.* Unless otherwise determined by the Committee and set forth in a Participant's Award Agreement, such Participant shall have (i) no voting rights or dividend or dividend equivalent rights with respect to any Restricted Units granted hereunder and (ii) the right to exercise full voting rights, and to receive all dividends and other distributions paid, with respect to any Shares of Restricted Stock granted hereunder.

(c) *Dividends and Dividend Equivalents.* At the discretion of the Committee determined at the time of grant and as set forth in the applicable Award Agreement, dividends issued on Shares of Restricted Stock or dividend equivalents credited with respect to Restricted Units, may be paid immediately or withheld and deferred in the Participant's account provided that with respect to any Restricted Units subject to Section 409A of the Code, the payment of such dividends or dividend equivalents shall comply with Section 409A of the Code. The Committee will determine any terms and conditions on deferral, including the rate of interest to be credited on deferrals and whether interest will be compounded.

(d) *Other Restrictions.* The Committee may, in its sole discretion and as set forth in the applicable Award Agreement, impose any other conditions and/or restrictions on Restricted Units or Restricted Stock granted pursuant to the Plan that it deems appropriate, including any vesting schedule or forfeiture conditions. The Committee has discretion to provide for an incremental lapse of restrictions or for a lapse of restrictions upon satisfaction of certain conditions.

(e) *Delivery of Restricted Stock.* When restrictions lapse or are satisfied, a stock certificate for the number of Shares of Restricted Stock with respect to which the restrictions have lapsed shall be delivered, free of all such restrictions, to the Participant or the Participant's beneficiary or estate, as the case may be. The Company shall not be required to deliver any fractional share of Common Stock but will pay, in lieu thereof, the Fair Market Value (measured as of the date the restrictions lapse) of such fractional share to the Participant or the Participant's beneficiary or estate, as the case may be.

(f) *Redemption of Restricted Units.* Restricted Units may be redeemed for cash or whole Shares or a combination of cash and Shares, in the sole discretion of the Committee, when the restrictions lapse and any other conditions set forth in the applicable Award Agreement have been satisfied provided that with respect to any Restricted Units subject to Section 409A of the Code such redemption will occur in a manner that complies with Section 409A of the Code. Each Restricted Unit may be redeemed for one Share or an amount in cash equal to the Fair Market Value of a Share as of the date on which the Restricted Unit vests.

(g) *Deferred Units.* Subject to Section 12(j) hereof and to the extent determined by the Committee, Participants shall be permitted to request the deferral of payment of vested Restricted Units to a date later than the payment date specified in the Award Agreement, provided that any such election be made in accordance with Section 409A of the Code.

7. Stock Options and Stock Appreciation Rights.

(a) *General.* Subject to the terms and provisions of the Plan and the Board Policy, the Committee may grant Stock Options and/or Stock Appreciation Rights under the Plan pursuant to the other terms and conditions that the Committee, in its sole discretion, may determine and set forth in the Award Agreement (including, without limitation, the Exercise Price, the maximum duration of the Stock Option or Stock Appreciation Right, the conditions upon which a Stock Option or Stock Appreciation Right will vest and become exercisable, the date of grant and the effect, if any, of a Change in Control, death, disability or retirement or other termination of a Participant's directorship on such Stock Options or Stock Appreciation Rights).

(b) *Form.* Each Stock Option granted under the Plan will be a Nonqualified Stock Option. Stock Appreciation Rights may be granted either alone or in connection with concurrently or previously issued Stock Options.

(c) *Exercise Price.* The Committee will set the Exercise Price of Stock Options or Stock Appreciation Rights granted under the Plan at a price that is equal to or greater than the Fair Market Value of a Share on the date of grant, subject to adjustment as provided in Section 9. The Exercise Price of a Stock Appreciation Right granted in tandem with a Stock Option will be equal to the Exercise Price of the related Stock Option. The Committee will set forth the Exercise Price of a Stock Option or Stock Appreciation Right in the Award Agreement.

(d) *Duration of Stock Options.* Each Stock Option and Stock Appreciation Right granted to a Participant shall expire at such time as the Committee shall determine at the time of grant; provided, however, no Stock Option or Stock Appreciation Right shall be exercisable later than the tenth (10th) anniversary of its date of grant.

(e) *Timing of Exercise.* Each Stock Option or Stock Appreciation Right granted under the Plan shall be exercisable at such times and be

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(a) *General.* Subject to the terms and provisions of the Plan and the Board Policy, the Committee may grant Stock Options and/or Stock Appreciation Rights under the Plan pursuant to the other terms and conditions that the Committee, in its sole discretion, may determine and set forth in the Award Agreement (including, without limitation, the Exercise Price, the maximum duration of the Stock Option or Stock Appreciation Right, the conditions upon which a Stock Option or Stock Appreciation Right will vest and become exercisable, the date of grant and the effect, if any, of a Change in Control, death, disability or retirement or other termination of a Participant's directorship on such Stock Options or Stock Appreciation Rights).

(b) *Form.* Each Stock Option granted under the Plan will be a Nonqualified Stock Option. Stock Appreciation Rights may be granted either alone or in connection with concurrently or previously issued Stock Options.

(c) *Exercise Price.* The Committee will set the Exercise Price of Stock Options or Stock Appreciation Rights granted under the Plan at a price that is equal to or greater than the Fair Market Value of a Share on the date of grant, subject to adjustment as provided in Section 9. The Exercise Price of a Stock Appreciation Right granted in tandem with a Stock Option will be equal to the Exercise Price of the related Stock Option. The Committee will set forth the Exercise Price of a Stock Option or Stock Appreciation Right in the Award Agreement.

(d) *Duration of Stock Options.* Each Stock Option and Stock Appreciation Right granted to a Participant shall expire at such time as the Committee shall determine at the time of grant; provided, however, no Stock Option or Stock Appreciation Right shall be exercisable later than the tenth (10th) anniversary of its date of grant.

(e) *Timing of Exercise.* Each Stock Option or Stock Appreciation Right granted under the Plan shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which terms and restrictions will be set forth in the applicable Award Agreement and need not be the same for each grant or for each Participant.

(f) *Payment of Stock Option Exercise Price.* The Exercise Price of a Stock Option must be paid in full when the Stock Option is exercised. Share certificates will be registered and delivered only upon receipt of payment. Payment of the Exercise Price may be made in cash or by certified check, bank draft, wire transfer, postal or express money order, or other instrument acceptable to the Company. In addition, unless the Committee determines otherwise, payment of all or a portion of the Exercise Price may be made by:

(1) Delivering a properly executed exercise notice to the Company or its agent, together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale proceeds with respect to the portion of the Shares to be acquired having a Fair Market Value on the date of exercise equal to the sum of the applicable portion of the Exercise Price being so paid;

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(2) Tendering (actually or by attestation) to the Company previously acquired Shares that have been held by the Participant for at least six (6) months, subject to paragraph (5) below, and that have a Fair Market Value on the day prior to the date of exercise equal to the applicable portion of the Exercise Price being so paid;

(3) Instructing the Company to withhold Shares that would otherwise be issued having a Fair Market Value on the date of exercise equal to the applicable portion of the Exercise Price being so paid (provided such withholding has been expressly authorized by the Committee); or

(4) Any combination of the methods described in paragraphs (1), (2) and (3) above.

(5) Notwithstanding the foregoing, the Committee, in consideration of applicable accounting standards, may waive any holding period on Shares required to tender pursuant to paragraph (2) or prohibit withholding pursuant to paragraph (3).

(g) *Exercise of Stock Appreciation Rights.* Upon exercise, Stock Appreciation Rights may be redeemed for cash or Shares or a combination of cash and Shares, in the discretion of the Committee, and as described in the Award Agreement. Cash payments will be equal to the excess of the Fair Market Value of a Share on the date of exercise over the Exercise Price, for each Share for which a Stock Appreciation Right was exercised. If the Stock Appreciation Right is redeemed for Shares, the Participant will receive a number of whole Shares equal to the quotient of the cash payment amount divided by the Fair Market Value of a Share on the date of exercise.

(h) *Certain Prohibitions.* The following terms or actions shall not be permitted with respect to any Award of Stock Options or Stock Appreciation Rights:

(2) Tendering (actually or by attestation) to the Company previously acquired Shares that have been held by the Participant for at least six (6) months, subject to paragraph (5) below, and that have a Fair Market Value on the day prior to the date of exercise equal to the applicable portion of the Exercise Price being so paid;

(3) Instructing the Company to withhold Shares that would otherwise be issued having a Fair Market Value on the date of exercise equal to the applicable portion of the Exercise Price being so paid (provided such withholding has been expressly authorized by the Committee); or

(4) Any combination of the methods described in paragraphs (1), (2) and (3) above.

(5) Notwithstanding the foregoing, the Committee, in consideration of applicable accounting standards, may waive any holding period on Shares required to tender pursuant to paragraph (2) or prohibit withholding pursuant to paragraph (3).

(g) *Exercise of Stock Appreciation Rights.* Upon exercise, Stock Appreciation Rights may be redeemed for cash or Shares or a combination of cash and Shares, in the discretion of the Committee, and as described in the Award Agreement. Cash payments will be equal to the excess of the Fair Market Value of a Share on the date of exercise over the Exercise Price, for each Share for which a Stock Appreciation Right was exercised. If the Stock Appreciation Right is redeemed for Shares, the Participant will receive a number of whole Shares equal to the quotient of the cash payment amount divided by the Fair Market Value of a Share on the date of exercise.

(h) *Certain Prohibitions.* The following terms or actions shall not be permitted with respect to any Award of Stock Options or Stock Appreciation Rights:

(1) *No Repricing.* Except as otherwise provided in Section 9, in no event will the Committee decrease the Exercise Price of a Stock Option or Stock Appreciation Right after the date of grant or cancel outstanding Stock Options or Stock Appreciation Rights and grant replacement Stock Options or Stock Appreciation Rights with a lower Exercise Price than that of the replaced Stock Options or Stock Appreciation Rights or other Awards or purchase underwater Stock Options from a Participant for cash or replacement Awards without first obtaining the approval of the Company's shareowners in a manner that complies with the rules of the New York Stock Exchange.

(2) *No Dividend Equivalents.* The Committee shall not provide for the payment of Dividend Equivalents with respect to Stock Options or Stock Appreciation Rights.

(3) *No Reload Options.* The Committee shall not grant Stock Options or Stock Appreciation Rights that have reload features under which the exercise of a Stock Option or Stock Appreciation Right by a Participant automatically entitles the Participant to a new Stock Option or Stock Appreciation Right.

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(4) *No Additional Deferral Features.* The Committee shall not grant Stock Options or Stock Appreciation Rights that have "additional deferral features" as described in Section 409A of the Code, thereby subjecting the Stock Option or Stock Appreciation Right to the requirements of Section 409A of the Code.

(i) *Termination of Directorship.* Each Participant's Award Agreement shall set forth the extent to which the Participant shall have the right to exercise a Stock Option or Stock Appreciation Right following termination of the Participant's service as an Eligible Director (whether by death, disability, retirement or any other reason). Such provisions shall be determined in the sole discretion of the Committee, shall be included in the applicable Award Agreement, need not be uniform among all Stock Options or Stock Appreciation Rights granted, and may reflect distinctions based on the reasons for termination.

8. Regulatory Compliance and Listing

The issuance or delivery of any Shares in settlement of an Award may be postponed by the Company for such period as may be required to comply with any applicable requirements under the Federal securities laws, any applicable listing requirements of any national securities exchange and requirements under any other law or regulation applicable to the issuance or delivery of such Shares, and the Company shall not be obligated to issue or deliver any Shares if the issuance or delivery of such Shares shall constitute a violation of any provision of any law or of any regulation of any governmental authority or any national securities exchange.

9. Adjustment Upon Certain Changes

(a) Shares Available for Grants. In the event of any change in the number of Shares outstanding by reason of any stock dividend or split, recapitalization, merger, consolidation, combination or exchange of Shares or similar corporate change, the maximum aggregate number of

(4) *No Additional Deferral Features.* The Committee shall not grant Stock Options or Stock Appreciation Rights that have “additional deferral features” as described in Section 409A of the Code, thereby subjecting the Stock Option or Stock Appreciation Right to the requirements of Section 409A of the Code.

(i) *Termination of Directorship.* Each Participant's Award Agreement shall set forth the extent to which the Participant shall have the right to exercise a Stock Option or Stock Appreciation Right following termination of the Participant's service as an Eligible Director (whether by death, disability, retirement or any other reason). Such provisions shall be determined in the sole discretion of the Committee, shall be included in the applicable Award Agreement, need not be uniform among all Stock Options or Stock Appreciation Rights granted, and may reflect distinctions based on the reasons for termination.

8. Regulatory Compliance and Listing

The issuance or delivery of any Shares in settlement of an Award may be postponed by the Company for such period as may be required to comply with any applicable requirements under the Federal securities laws, any applicable listing requirements of any national securities exchange and requirements under any other law or regulation applicable to the issuance or delivery of such Shares, and the Company shall not be obligated to issue or deliver any Shares if the issuance or delivery of such Shares shall constitute a violation of any provision of any law or of any regulation of any governmental authority or any national securities exchange.

9. Adjustment Upon Certain Changes

(a) Shares Available for Grants. In the event of any change in the number of Shares outstanding by reason of any stock dividend or split, recapitalization, merger, consolidation, combination or exchange of Shares or similar corporate change, the maximum aggregate number of Shares with respect to which the Committee may grant Awards and the maximum aggregate number of Shares with respect to which the Committee may grant Awards to any individual Eligible Director in any calendar year shall be appropriately adjusted by the Committee. In the event of any change in the number of Shares outstanding by reason of any other similar event or transaction, the Committee may, to the extent deemed appropriate by the Committee, make such adjustments in the number and class of Shares with respect to which Awards may be granted.

(b) Increase or Decrease in Issued Shares Without Consideration. Subject to any required action by the shareowners of the Company, in the event of any increase or decrease in the number of issued Shares resulting from a subdivision or consolidation of Shares or the payment of a stock dividend (but only on the Shares), or any other increase or decrease in the number of such Shares effected without receipt or payment of consideration by the Company, the Committee shall equitably adjust the number of Shares subject to each outstanding Award and the Exercise Price per Share of each such Award.

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(c) Certain Mergers. Subject to any required action by the shareowners of the Company, in the event that the Company shall be the surviving corporation in any merger, consolidation or similar transaction as a result of which the holders of Shares receive consideration consisting exclusively of securities of such surviving corporation, the Committee shall have the power to adjust each Award outstanding on the date of such merger or consolidation so that it pertains and applies to the securities which a holder of the number of Shares subject to such Award would have received in such merger or consolidation.

(d) Certain Other Transactions. In the event of (i) a dissolution or liquidation of the Company, (ii) a sale of all or substantially all of the Company's assets (on a consolidated basis), (iii) a merger, consolidation or similar transaction involving the Company in which the Company is not the surviving corporation or (iv) a merger, consolidation or similar transaction involving the Company in which the Company is the surviving corporation but the holders of Shares receive securities of another corporation and/or other property, including cash, the Committee shall, subject to Section 409A of the Code to the extent applicable and otherwise in its sole discretion, have the power to:

(1) cancel, effective immediately prior to the occurrence of such event, each Award (whether or not then exercisable), and, in full consideration of such cancellation, pay to the Participant to whom such Award was granted an amount in cash, for each Share subject to such Award equal to the value, as determined by the Committee in its reasonable discretion, of such Award, provided that with respect to any outstanding Stock Option such value shall be equal to the excess of (A) the value, as determined by the Committee in its reasonable discretion, of the property (including cash) received by the holder of a Share as a result of such event over (B) the Exercise Price of such Stock Option; or

(2) provide for the exchange of each Award (whether or not then exercisable or vested) for an Award with respect to, as appropriate, some or all of the property which a holder of the number of Shares subject to such Award would have received in such transaction and, incident thereto, make an equitable adjustment in accordance with US Department of Treasury Regulations §1.409A(b)(5)(v)(D) and as determined by the Committee in its reasonable discretion in the Exercise Price of the Award, or the number of Shares or amount of property subject to the Award or, if appropriate, provide for a cash payment to the Participant to whom such Award was granted in partial

(c) Certain Mergers. Subject to any required action by the shareowners of the Company, in the event that the Company shall be the surviving corporation in any merger, consolidation or similar transaction as a result of which the holders of Shares receive consideration consisting exclusively of securities of such surviving corporation, the Committee shall have the power to adjust each Award outstanding on the date of such merger or consolidation so that it pertains and applies to the securities which a holder of the number of Shares subject to such Award would have received in such merger or consolidation.

(d) Certain Other Transactions. In the event of (i) a dissolution or liquidation of the Company, (ii) a sale of all or substantially all of the Company's assets (on a consolidated basis), (iii) a merger, consolidation or similar transaction involving the Company in which the Company is not the surviving corporation or (iv) a merger, consolidation or similar transaction involving the Company in which the Company is the surviving corporation but the holders of Shares receive securities of another corporation and/or other property, including cash, the Committee shall, subject to Section 409A of the Code to the extent applicable and otherwise in its sole discretion, have the power to:

(1) cancel, effective immediately prior to the occurrence of such event, each Award (whether or not then exercisable), and, in full consideration of such cancellation, pay to the Participant to whom such Award was granted an amount in cash, for each Share subject to such Award equal to the value, as determined by the Committee in its reasonable discretion, of such Award, provided that with respect to any outstanding Stock Option such value shall be equal to the excess of (A) the value, as determined by the Committee in its reasonable discretion, of the property (including cash) received by the holder of a Share as a result of such event over (B) the Exercise Price of such Stock Option; or

(2) provide for the exchange of each Award (whether or not then exercisable or vested) for an Award with respect to, as appropriate, some or all of the property which a holder of the number of Shares subject to such Award would have received in such transaction and, incident thereto, make an equitable adjustment in accordance with US Department of Treasury Regulations §1.409A(b)(5)(v)(D) and as determined by the Committee in its reasonable discretion in the Exercise Price of the Award, or the number of Shares or amount of property subject to the Award or, if appropriate, provide for a cash payment to the Participant to whom such Award was granted in partial consideration for the exchange of the Award.

(e) Other Changes. In the event of any change in the capitalization of the Company or corporate change other than those specifically referred to in subsections (b), (c) or (d), the Committee shall make equitable adjustments in the number and class of shares subject to Awards outstanding on the date on which such change occurs and in such other terms of such Awards.

(f) No Other Rights. Except as expressly provided in the Plan, no Eligible Director shall have any rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of stock of any class or any dissolution, liquidation, merger or consolidation of the Company or any other corporation. Except as expressly provided in the Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares or amount of other property subject to, or the terms related to, any Award."

10. Termination or Amendment of the Plan

(a) Amendment. The Board may at any time and from time to time alter or amend the Plan or any part thereof (including any amendment deemed necessary to ensure that the Company may comply with any regulatory requirement referred to in Section 8), provided that, unless otherwise necessary to comply with applicable law, the rights of a Participant with respect to Awards granted prior to such alteration or amendment may not be impaired without the consent of such Participant and, further, that without the approval of the Company's shareowners, no amendment shall be made if shareowner approval is required by applicable law or in order to comply with the rules of the New York Stock Exchange or if such amendment materially increases the number of Shares that may be issued under the Plan (other than an increase pursuant to Section 9).

(b) Termination. The Plan will terminate upon the earlier of the following dates or events to occur:

- (1) the adoption of a resolution of the Board terminating the Plan; or
- (2) the 10th anniversary of the Effective Date.

No Awards will be granted under this Plan after it has terminated. The termination of the Plan, however, will not alter or impair any of the rights or obligations of any person without consent under any Award previously granted under the Plan. After the termination of the Plan, any previously granted Awards will remain in effect and will continue to be governed by the terms of the Plan and the applicable Award Agreement.

11. Nontransferability of Awards

(f) No Other Rights. Except as expressly provided in the Plan, no Eligible Director shall have any rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of stock of any class or any dissolution, liquidation, merger or consolidation of the Company or any other corporation. Except as expressly provided in the Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares or amount of other property subject to, or the terms related to, any Award.”

10. Termination or Amendment of the Plan

(a) *Amendment*. The Board may at any time and from time to time alter or amend the Plan or any part thereof (including any amendment deemed necessary to ensure that the Company may comply with any regulatory requirement referred to in Section 8), provided that, unless otherwise necessary to comply with applicable law, the rights of a Participant with respect to Awards granted prior to such alteration or amendment may not be impaired without the consent of such Participant and, further, that without the approval of the Company's shareowners, no amendment shall be made if shareowner approval is required by applicable law or in order to comply with the rules of the New York Stock Exchange or if such amendment materially increases the number of Shares that may be issued under the Plan (other than an increase pursuant to Section 9).

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11. Nontransferability of Awards

(a) No Award under the Plan will be subject in any manner to alienation, anticipation, sale, assignment, pledge, encumbrance or transfer, and no other persons will otherwise acquire any rights therein, except as provided below:

- (1) Any Award may be transferred by will or by the laws of descent or distribution;
- (2) The Committee may provide in the applicable Award Agreement that all or any part of an Award may, subject to the prior written consent of the Committee, be

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transferred to one or more of the following classes of transferees: (i) a family member; (ii) a trust for the benefit of a family member; (iii) a limited partnership whose partners are solely family members; or (iv) any other legal entity set up for the benefit of family members. For purposes of this subsection (b), with respect to a Participant, “family member” means the Participant and/or the Participant's spouse, children, grandchildren, parents, grandparents, siblings, nieces, nephews and grandnieces and grandnephews, including adopted, in-laws and step family members; or

(3) With respect to Restricted Stock, Shares of Restricted Stock may be freely transferred after the restrictions lapse or are satisfied and the Shares are delivered, provided, however, that Restricted Stock awarded to an affiliate of the Company may be transferred only pursuant to Rule 144 under the Securities Act, or pursuant to an effective registration for resale under the Securities Act. For purposes of this clause (3), “affiliate” will have the meaning assigned to that term under Rule 144 of the Securities Act.

(b) Except as otherwise provided in the applicable Award Agreement, any Stock Option or Stock Appreciation Right transferred by a Participant pursuant to Section 11(a)(2) above may be exercised by the transferee only to the extent that the Award would have been exercisable by the Participant had no transfer occurred. Any transferred Award will be subject to all of the same terms and conditions as provided in the Plan and in the applicable Award Agreement. The Participant or the Participant's estate will remain liable for any withholding tax that may be imposed by any federal, state, or local tax authority, and the transfer of Shares upon exercise of the Award will be conditioned on the payment of any withholding tax. The Committee may, in its sole discretion, disallow all or a part of any transfer of an Award pursuant to Section 11(a)(2) above unless and until the Participant makes arrangements satisfactory to the Committee for the payment of any withholding tax. The Participant must immediately notify the Committee, in the form and manner required by the Committee, of any proposed transfer of an Award pursuant to Section 11(a)(2) and no such transfer will be effective until the Committee consents to the transfer in writing.

transferred to one or more of the following classes of transferees: (i) a family member; (ii) a trust for the benefit of a family member; (iii) a limited partnership whose partners are solely family members; or (iv) any other legal entity set up for the benefit of family members. For purposes of this subsection (b), with respect to a Participant, “family member” means the Participant and/or the Participant's spouse, children, grandchildren, parents, grandparents, siblings, nieces, nephews and grandnieces and grandnephews, including adopted, in-laws and step family members; or

(3) With respect to Restricted Stock, Shares of Restricted Stock may be freely transferred after the restrictions lapse or are satisfied and the Shares are delivered, provided, however, that Restricted Stock awarded to an affiliate of the Company may be transferred only pursuant to Rule 144 under the Securities Act, or pursuant to an effective registration for resale under the Securities Act. For purposes of this clause (3), “affiliate” will have the meaning assigned to that term under Rule 144 of the Securities Act.

(b) Except as otherwise provided in the applicable Award Agreement, any Stock Option or Stock Appreciation Right transferred by a Participant pursuant to Section 11(a)(2) above may be exercised by the transferee only to the extent that the Award would have been exercisable by the Participant had no transfer occurred. Any transferred Award will be subject to all of the same terms and conditions as provided in the Plan and in the applicable Award Agreement. The Participant or the Participant's estate will remain liable for any withholding tax that may be imposed by any federal, state, or local tax authority, and the transfer of Shares upon exercise of the Award will be conditioned on the payment of any withholding tax. The Committee may, in its sole discretion, disallow all or a part of any transfer of an Award pursuant to Section 11(a)(2) above unless and until the Participant makes arrangements satisfactory to the Committee for the payment of any withholding tax. The Participant must immediately notify the Committee, in the form and manner required by the Committee, of any proposed transfer of an Award pursuant to Section 11(a)(2) and no such transfer will be effective until the Committee consents to the transfer in writing.

12. Miscellaneous

(a) *No Implied Rights.* Nothing in the Plan shall be deemed to create any obligation on the part of the Board to nominate any director for reelection by the Company's shareowners.

(b) *Withholding of Taxes.* The Company shall have the right to require, prior to the issuance or delivery of Shares in settlement of any Award, payment by the Participant of any taxes required by law with respect to the issuance or delivery of such Shares. Such amount may be paid in cash, in Shares previously owned by the Participant, by withholding a portion of the Shares that otherwise would be distributed to such Participant upon settlement of the Award or a combination of cash and Shares.

(c) *Code Section 83(b) Elections.* The Company and the Committee have no responsibility for a Participant's election, attempt to elect or failure to elect to include the value of an Award of Restricted Stock or other Award subject to Section 83 of the Code in the Participant's gross income for the year of payment pursuant to Section 83(b) of the Code. Any

Participant who makes an election pursuant to Section 83(b) will promptly provide the Committee with a copy of the election form.

(d) *No Obligation to Exercise Awards; No Right to Notice of Expiration Date.* The grant of a Stock Option or Stock Appreciation Right will impose no obligation upon the Participant to exercise the Award. The Company and the Committee have no obligation to inform a Participant of the date on which a Stock Option or Stock Appreciation Right lapses except in the Award Agreement.

(e) *No Rights as Shareowners.* Except as expressly set forth in the Plan or the applicable Award Agreement, a Participant granted an Award under the Plan will have no rights as a shareowner of the Company with respect to the Award unless and until certificates for the Shares underlying the Award are registered in the Participant's name and delivered to the Participant. The right of any Participant to receive an Award by virtue of participation in the Plan will be no greater than the right of any unsecured general creditor of the Company.

(f) *Indemnification of Committee.* The Company will indemnify, to the fullest extent permitted by law, each person made or threatened to be made a party to any civil or criminal action or proceeding by reason of the fact that the person, or the executor or administrator of the person's estate, is or was a member of the Committee or a delegate of the Committee.

(g) *No Required Segregation of Assets.* The Company will not be required to segregate any assets that may at any time be represented by Awards granted pursuant to the Plan.

(h) *Governing Law.* The Plan and all determinations made and actions taken under the Plan will be governed by the internal substantive laws, and not the choice of law rules, of the State of Delaware and construed accordingly, to the extent not superseded by applicable Federal law.

Participant who makes an election pursuant to Section 83(b) will promptly provide the Committee with a copy of the election form.

(d) *No Obligation to Exercise Awards; No Right to Notice of Expiration Date.* The grant of a Stock Option or Stock Appreciation Right will impose no obligation upon the Participant to exercise the Award. The Company and the Committee have no obligation to inform a Participant of the date on which a Stock Option or Stock Appreciation Right lapses except in the Award Agreement.

(e) *No Rights as Shareowners.* Except as expressly set forth in the Plan or the applicable Award Agreement, a Participant granted an Award under the Plan will have no rights as a shareowner of the Company with respect to the Award unless and until certificates for the Shares underlying the Award are registered in the Participant's name and delivered to the Participant. The right of any Participant to receive an Award by virtue of participation in the Plan will be no greater than the right of any unsecured general creditor of the Company.

(f) *Indemnification of Committee.* The Company will indemnify, to the fullest extent permitted by law, each person made or threatened to be made a party to any civil or criminal action or proceeding by reason of the fact that the person, or the executor or administrator of the person's estate, is or was a member of the Committee or a delegate of the Committee.

(g) *No Required Segregation of Assets.* The Company will not be required to segregate any assets that may at any time be represented by Awards granted pursuant to the Plan.

(h) *Governing Law.* The Plan and all determinations made and actions taken under the Plan will be governed by the internal substantive laws, and not the choice of law rules, of the State of Delaware and construed accordingly, to the extent not superseded by applicable Federal law.

(i) *Severability.* If any provision of the Plan is held unlawful or otherwise invalid or unenforceable in whole or in part, the unlawfulness, invalidity or unenforceability will not affect any other parts of the Plan, which will remain in full force and effect.

(j) *Code Section 409A.* With respect to Awards subject to Section 409A of the Code, this Plan is intended to comply with the requirements of such Section, and the provisions hereof shall be interpreted in a manner that satisfies the requirements of such Section and the related regulations, and the Plan shall be operated accordingly. If any provision of this Plan or any term or condition of any Award Agreement or Award would otherwise frustrate or conflict with this intent, the provision, term or condition will be interpreted and deemed amended so as to avoid this conflict. Any reservation of rights or discretion by the Company or Committee hereunder affecting the payment of any Award subject to Section 409A of the Code will only be as broad as is permitted by Section 409A of the Code and any regulations thereunder.

SCHEDULE A

BOARD POLICY FOR NON-EMPLOYEE DIRECTOR EQUITY AWARDS

Grant of Restricted Stock. Each Eligible Director first elected or appointed to the Board before September 26, 2008 received a grant of 3,000 Shares of Restricted Stock effective as of the first date the Eligible Director was elected or appointed to the Board. The restrictions on Shares of Restricted Stock held by Participants who are non-employee directors of the Board on September 26, 2008 shall lapse upon the later to occur of (A) the first business day of the first open window period for trading of the Company's securities occurring in 2009, or (B) the earliest of the Participant's fifth anniversary of continuous service as a director of the Company, the director's death or disability or the occurrence of a Change in Control (the "Restricted Period"). The Participant shall forfeit all Shares with respect to which such restrictions do not lapse at the end of the Restricted Period.

Grant of Restricted Units. Each Eligible Director first elected or appointed to the Board on or after September 26, 2008 will receive a grant of 3,000 Restricted Units effective as of the first date the Eligible Director is elected or appointed to the Board. The Restricted Units shall vest on the earliest of the Participant's fifth anniversary of continuous service as a director of the Company, the Participant's death or disability or the occurrence of a Change in Control. The Participant may defer receipt of payment of such Restricted Units on substantially the same terms and conditions as officers of the Company with respect to grants of restricted units they receive.

Grant of Stock Options. Each Eligible Director who continues in office following the Annual Meeting of Shareowners will receive a grant of 5,000 Stock Options with an Exercise Price equal to the Fair Market Value as of such date. The Stock Options will vest in cumulative installments of 25% on April 1 of the first year following the date of grant, an additional 25% on April 1 of the second and third years following the date of grant, and the remaining 25% on April 1 of the fourth year following the date of grant.

SCHEDULE A

BOARD POLICY FOR NON-EMPLOYEE DIRECTOR EQUITY AWARDS

Grant of Restricted Stock. Each Eligible Director first elected or appointed to the Board before September 26, 2008 received a grant of 3,000 Shares of Restricted Stock effective as of the first date the Eligible Director was elected or appointed to the Board. The restrictions on Shares of Restricted Stock held by Participants who are non-employee directors of the Board on September 26, 2008 shall lapse upon the later to occur of (A) the first business day of the first open window period for trading of the Company's securities occurring in 2009, or (B) the earliest of the Participant's fifth anniversary of continuous service as a director of the Company, the director's death or disability or the occurrence of a Change in Control (the "Restricted Period"). The Participant shall forfeit all Shares with respect to which such restrictions do not lapse at the end of the Restricted Period.

Grant of Restricted Units. Each Eligible Director first elected or appointed to the Board on or after September 26, 2008 will receive a grant of 3,000 Restricted Units effective as of the first date the Eligible Director is elected or appointed to the Board. The Restricted Units shall vest on the earliest of the Participant's fifth anniversary of continuous service as a director of the Company, the Participant's death or disability or the occurrence of a Change in Control. The Participant may defer receipt of payment of such Restricted Units on substantially the same terms and conditions as officers of the Company with respect to grants of restricted units they receive.

Grant of Stock Options. Each Eligible Director who continues in office following the Annual Meeting of Shareowners will receive a grant of 5,000 Stock Options with an Exercise Price equal to the Fair Market Value as of such date. The Stock Options will vest in cumulative installments of 25% on April 1 of the first year following the date of grant, an additional 25% on April 1 of the second and third years following the date of grant, and the remaining 25% on April 1 of the fourth year following the date of grant.

2006 Stock Plan For Non-Employee Directors of Honeywell International Inc.

RESTRICTED UNIT AGREEMENT

RESTRICTED UNIT AGREEMENT made in Morris Township, New Jersey, as of the [DAY] day of [MONTH, YEAR] (the "Date of Grant"), between Honeywell International Inc. (the "Company") and [DIRECTOR NAME].

- 1. Grant of Award.** The Company has granted you [NUMBER] Restricted Units, subject to the provisions of this Agreement and the 2006 Stock Plan For Non-Employee Directors of Honeywell International Inc. (the "Plan"). The Company will hold the Restricted Units in a bookkeeping account on your behalf until they become payable or are forfeited or cancelled.
- 2. Payment Amount.** Each Restricted Unit and Additional Restricted Unit represents one (1) Share of Common Stock.
- 3. Vesting.** Except in the event of your death, Disability, or a Change in Control, the restrictions on the Restricted Units and Additional Restricted Units will lapse and vest one hundred percent (100%) on the fifth anniversary of the Date of Grant.

Your vested right will be determined on the earliest of (a) the fifth (5th) anniversary of the Date of Grant, (b) upon your death or Disability, or (c) the occurrence of a Change in Control. No partial credit will be given for partial years of service as a director.

- 4. Form and Timing of Payment.** Vested Restricted Units and vested Additional Restricted Units will be redeemed solely for Shares unless otherwise determined by the Committee. Payment on vested Restricted Units and Additional Restricted Units will be made as soon as practicable following the lapse of the restrictions on the Restricted Units and Additional Restricted Units but in no event later than two and one-half (2-1/2) months

following the end of the calendar year in which the restrictions lapse unless subject to a deferral of payment election as provided in Section 6. Any fractional Units shall be paid in cash.

5. **Additional Restricted Units.** In the case of cash dividends, the Company shall credit to your bookkeeping account, on each dividend payment date, an additional number of Restricted Units (“Additional Restricted Units”) equal to (a) divided by (b), where (a) equals the total number of unvested Restricted Units and Additional Restricted Units, if any, subject to this Agreement on such date multiplied by the dollar amount of the cash dividend paid per Share of Common Stock on such date, and (b) equals the Fair Market Value of a Share on such date. If a dividend is paid to holders of Common Stock in Shares, the Company shall credit to you, on such dividend payment date,

Additional Restricted Units equal to the total number of unvested Restricted Units subject to this Agreement on such date multiplied by the Share dividend paid per Share of Common Stock on such date. Additional Restricted Units are subject to the same restrictions, including but not limited to vesting, transferability and payment restrictions, that apply to the Restricted Units to which they relate.

6. **Deferral of Payment.** If you would like to defer payment on the Restricted Units, you may make a request to the Committee in writing in the form and at the time designated by the Committee. You must elect a payment schedule with the request for deferral on a form provided by the Committee for this purpose. The Committee may, in its sole discretion, determine whether to permit deferral of payment in the manner requested provided that permission shall not be granted if the deferral would, within the determination of the Committee, result in a violation of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations promulgated thereunder. If the Committee does not accept your proposed payment schedule, then payment will be made as provided in Section 4. You will earn Dividend Equivalents in an amount equal to the value of any cash or stock dividends paid by the Company upon one Share of Common Stock for each deferred Restricted Unit and Additional Restricted Unit that is credited to your bookkeeping account on a dividend record date. Such Dividend Equivalents will be paid in cash in a lump sum as soon as practicable following the dividend record date but in no event later than two and one-half (2-1/2) months following the end of the calendar year in which the Dividend Equivalents vest.
7. **Termination of Directorship.** If you cease to be a director of the Company for any reason other your death or Disability, any Restricted Units and Additional Restricted Units that have not vested as of the date of the termination of your directorship will immediately be forfeited, and your rights with respect to these Restricted Units and Additional Restricted Units will end.
8. **Death or Disability.** If you cease to be a director of the Company because of your death or Disability, any vesting restrictions on Restricted Units and Additional Restricted Units will lapse, and payment will be made in accordance with Section 4 or Section 6, as applicable. If you are deceased, the Company will make a payment to your estate only after the Committee has determined that the payee is the duly appointed executor or administrator of your estate.
9. **Change in Control.** In the event of a Change in Control, any restrictions on Restricted Units and Additional Restricted Units that have not lapsed or terminated as of the date of Change in Control will immediately lapse.
10. **Withholdings.** The Company shall have the power and the right to deduct or withhold, or require you to remit to the Company, prior to any issuance or delivery of Shares on Restricted Units, an amount sufficient to satisfy any taxes that might be imposed under the laws of any country, state, province, city or other jurisdiction, including but not limited to income taxes, capital gain taxes, transfer taxes, and social

security contributions that are required by law to be withheld as determined by the Company.

11. **Transfer of Award.** You may not transfer the Restricted Units, Additional Restricted Units or any interest in such Units except as permitted by Section 11 of the Plan. Any other attempt to dispose of your interest will be null and void.
12. **Restrictions on Payment of Shares.** Payment of Shares for your Restricted Units and Additional Restricted Units is subject to the conditions that, to the extent required at the time of exercise, (a) the Shares underlying the Restricted Units and Additional Restricted Units will be duly listed, upon official notice of redemption, upon the New York Stock Exchange, and (b) a Registration Statement under the Securities Act of 1933 with respect to the Shares will be effective. The Company will not be required to deliver any Common Stock until all applicable federal and state laws and regulations have been complied with and all legal matters in connection with the issuance and delivery of the Shares have been approved by counsel for the Company.
13. **Adjustments.** Any adjustments to the Restricted Units and Additional Restricted Units will be governed by Section 9 of the Plan.
14. **Disposition of Securities.** By accepting the Award, you acknowledge that you have read and understand the Company's policy, and are aware of and understand your obligations under applicable securities laws in respect of trading in the Company's securities. The Company will have the right to recover, or receive reimbursement for, any compensation or profit you realize on the disposition of Shares received for Restricted Units or Additional Restricted Units to the extent that the Company has a right of recovery or reimbursement under applicable securities laws.
15. **Plan Terms Govern.** The vesting and redemption of Restricted Units or Additional Restricted Units, the disposition of any Shares received for Restricted Units or Additional Restricted Units, the treatment of gain on the disposition of these Shares, and the treatment of Dividend Equivalents are subject to the provisions of the Plan and any rules that the Committee may prescribe. The Plan document, as may be amended from time to time, is incorporated into this Agreement. Capitalized terms used in this Agreement have the meaning set forth in the Plan, unless otherwise stated in this Agreement. In the event of any conflict between the terms of the Plan and the terms of this Agreement, the Plan will control. By accepting the Award, you acknowledge that the Plan and the Plan prospectus, as in effect on the date of this Agreement, have been made available to you for your review.
16. **Limitations.** Nothing in this Agreement or the Plan gives you any right to continue as a member of the Board of Directors of the Company or will prejudice the rights of the Board of Directors or shareowners of the Company with respect to your nomination and election. Payment of your Restricted Units and Additional Restricted Units is not secured by a trust, insurance contract or other funding medium, and you do not have any interest in any fund or specific asset of the Company by reason of this Award or the account established on your behalf. You have no rights as a shareowner of the

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Company pursuant to the Restricted Units or Additional Restricted Units until Shares are actually delivered to you.

17. **Incorporation of Other Agreements.** This Agreement and the Plan constitute the entire understanding between you and the Company regarding the Restricted Units. This Agreement supersedes any prior agreements, commitments or negotiations concerning the Restricted Units and the Additional Restricted Units.
18. **Severability.** The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the other provisions of the Agreement, which will remain in full force and effect. Moreover, if any provision is found to be excessively broad in duration, scope or covered activity, the provision will be

Company pursuant to the Restricted Units or Additional Restricted Units until Shares are actually delivered to you.

- 17. Incorporation of Other Agreements.** This Agreement and the Plan constitute the entire understanding between you and the Company regarding the Restricted Units. This Agreement supersedes any prior agreements, commitments or negotiations concerning the Restricted Units and the Additional Restricted Units.
- 18. Severability.** The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the other provisions of the Agreement, which will remain in full force and effect. Moreover, if any provision is found to be excessively broad in duration, scope or covered activity, the provision will be construed so as to be enforceable to the maximum extent compatible with applicable law.
- 19. Agreement Changes.** The Company reserves the right to change the terms of this Agreement and the Plan without your consent to the extent necessary or desirable to comply with the requirements of Code section 409A, the Treasury regulations and other guidance thereunder.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by the facsimile signature of its Chairman of the Board and Chief Executive Officer as of the day and year first above written. By consenting to this Agreement, you agree to the following: (i) you have carefully read, fully understand and agree to all of the terms and conditions described in this Agreement, the Plan and the Plan’s prospectus; and (ii) you understand and agree that this Agreement and the Plan constitute the entire understanding between you and the Company regarding the Award, and that any prior agreements, commitments or negotiations concerning the Restricted Units are replaced and superseded. You must accept this Award by signing the Agreement below and, by signing this Agreement, you will be deemed to consent to the application of the terms and conditions set forth in this Agreement and the Plan. If you do not wish to accept this Award, you must contact Honeywell International Inc., Executive Compensation/AB-1D, 101 Columbia Road, Morristown, NJ 07962 in writing within thirty (30) days of the date of this Agreement.

I Accept:

Signature

Date

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EXHIBIT 12

**HONEYWELL INTERNATIONAL INC.
STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**

	2008	2007	2006	2005	2004
	(In millions)				
Determination of Earnings:					
Income from continuing operations before taxes	\$ 3,801	\$ 3,321	\$ 2,798	\$ 2,296	\$ 1,623
Add (Deduct):					
Amortization of capitalized interest	22	22	22	22	24
Fixed charges	542	543	488	465	438

Equity income, net of distributions	(63)	(10)	(7)	(30)	(75)
Total earnings, as defined	<u>\$ 4,302</u>	<u>\$ 3,876</u>	<u>\$ 3,301</u>	<u>\$ 2,753</u>	<u>\$ 2,010</u>
Fixed Charges:					
Rents(a)	\$ 86	\$ 87	\$ 114	\$ 109	\$ 107
Interest and other financial charges	456	456	374	356	331
	542	543	488	465	438
Capitalized interest	26	22	22	17	18
Total fixed charges	<u>\$ 568</u>	<u>\$ 565</u>	<u>\$ 510</u>	<u>\$ 482</u>	<u>\$ 456</u>
Ratio of earnings to fixed charges	<u>7.57</u>	<u>6.86</u>	<u>6.47</u>	<u>5.71</u>	<u>4.41</u>

(a) Denotes the equivalent of an appropriate portion of rentals representative of the interest factor on all rentals other than for capitalized leases.

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

Name	Country or State of Incorporation	Percent Ownership
ADI-Gardiner Limited	United Kingdom	100%
AlliedSignal Aerospace Service Corporation	Delaware	100%
AlliedSignal Chemical Holding AG	Germany	100%
AlliedSignal Holdings B.V.	Netherlands	100%
Alsip Packaging, Inc.	Delaware	100%
Grimes Aerospace Company	Delaware	100%
Hand Held Products, Inc	Delaware	100%
Honeywell (China) Co., Ltd.	China	100%
Honeywell Aerospace GmbH	Germany	100%
Honeywell Aerospace UK	Canada	100%
Honeywell ASCa Inc.	Canada	100%
Honeywell Asia Holdings B.V.	Netherlands	100%
Honeywell Asia Pacific Inc.	Delaware	100%
Honeywell Automation India Limited	India	81%
Honeywell Avionics Systems Limited	United Kingdom	100%
Honeywell B.V.	Netherlands	100%
Honeywell Bermuda LP	Bermuda	100%
Honeywell Co., Ltd. (Korea)	Korea	100%
Honeywell Control Systems Limited	United Kingdom	100%
Honeywell Deutschland GmbH	Germany	100%
Honeywell Electronic Materials, Inc.	Washington	100%
Honeywell Europe NV	Belgium	100%
Honeywell Finance LP	Delaware	100%
Honeywell Garrett Italia S.r.l.	Italy	100%
Honeywell Garrett S.A.	France	100%
Honeywell Holdings Pty. Ltd.	Australia	100%
Honeywell International Sàrl	Switzerland	100%
Honeywell Japan Inc.	Japan	100%

Honeywell Korea Ltd.	Korea	100%
Honeywell Limited Honeywell Limitee	Canada	100%
Honeywell Luxembourg Finance SARL	Luxembourg	100%
Honeywell Luxembourg Holding S.a.r.l.	Luxembourg	100%
Honeywell Resins & Chemicals LLC	Delaware	100%
Honeywell Specialty Chemicals Seelze GmbH	Germany	100%
Honeywell spol s.r.o. (Czech Republic)	Czech Republic	100%
Honeywell Technical Services S.r.l.	Italy	100%
Honeywell Technologies Sarl	Switzerland	100%
Honeywell Technology Solutions Inc.	Delaware	100%
Honeywell Turbocharging Systems Japan Inc.	Japan	100%
Honeywell UK Limited	United Kingdom	100%
Life Safety Distribution AG	Switzerland	100%
Maxon Corporation	Indiana	100%
Metrologic Instruments, Inc.	New Jersey	100%
Norcross Safety Products, L.L.C.	Delaware	100%
Novar Controls Corporation	Delaware	100%
Novar ED&S Limited	United Kingdom	100%
Novar Limited	United Kingdom	100%
UOP LLC	Delaware	100%

The names of Honeywell's other consolidated subsidiaries, which are primarily totally-held by Honeywell, are not listed because all such subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 033-55425, 333-22355, 333-101455 and 333-141013), Form S-8 (No. 033-09896, 033-51455, 033-55410, 033-58347, 333-57515, 333-57517, 333-57519, 333-83511, 333-49280, 333-57868, 333-105065, 333-108461, 333-136083, 333-136086, 333-146932 and 333-148995) and on Form S-4 (No. 333-82049) of Honeywell International Inc. of our report dated February 12, 2009 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
 Florham Park, New Jersey
 February 12, 2009

Exhibit 24

POWER OF ATTORNEY

Each of the undersigned, as a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoints David M. Cote, Peter M. Kreindler, Katherine L. Adams, David J. Anderson, Talia M. Griep, Thomas F. Larkins and John J. Tus, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead in any and all capacities,

- (i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 2008,
- (ii) to sign any amendment to the Annual Report referred to in (i) above, and
- (iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney-in-fact and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

This Power of Attorney may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

/s/ Gordon M. Bethune
Gordon M. Bethune, Director

/s/ George Paz
George Paz, Director

/s/ Jaime Chico Pardo
Jaime Chico Pardo, Director

/s/ Bradley T. Sheares
Bradley T. Sheares, Director

/s/ D. Scott Davis
D. Scott Davis, Director

/s/ Eric K. Shinseki
Eric K. Shinseki, Director

/s/ Linnet F. Deily
Linnet F. Deily, Director

/s/ John R. Stafford
John R. Stafford, Director

/s/ Clive R. Hollick
Clive R. Hollick, Director

/s/ Michael W. Wright
Michael W. Wright, Director

Dated: December 12, 2008

POWER OF ATTORNEY

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- (a) on Form S-8 (or other appropriate form) for the registration of shares of the Company's Common Stock (or participations where appropriate) to be offered under the savings, stock or other benefit plans of the Company, its affiliates or any predecessor thereof, including the Honeywell Savings and Ownership Plan, the Honeywell Supplemental Savings Plan, the 1993 Stock Plan for Employees of Honeywell International Inc. and its Affiliates, the Stock Plan for Non-Employee Directors of Honeywell International Inc., the 2006 Stock Plan for Non-Employee

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(a) on Form S-8 (or other appropriate form) for the registration of shares of the Company's Common Stock (or participations where appropriate) to be offered under the savings, stock or other benefit plans of the Company, its affiliates or any predecessor thereof, including the Honeywell Savings and Ownership Plan, the Honeywell Supplemental Savings Plan, the 1993 Stock Plan for Employees of Honeywell International Inc. and its Affiliates, the Stock Plan for Non-Employee Directors of Honeywell International Inc., the 2006 Stock Plan for Non-Employee Directors of Honeywell International Inc., the 2003 Stock Incentive Plan of Honeywell International Inc. and its Affiliates, the 2006 Stock Incentive Plan of Honeywell International Inc. and its Affiliates, the 2007 Honeywell Global Employee Stock Plan (including any and all sub-plans), and any plan which is a successor to such plans or is a validly authorized plan pursuant to which securities of the Company are issued to employees, and

(b) on Form S-3 (or other appropriate form) for the registration of shares of the Company's Common Stock to be offered under the Dividend Reinvestment and Share Purchase Plan of the Company and any plan which is a successor to such plan.

I hereby grant to each such attorney-in-fact full power and authority to perform every act necessary to be done in connection with the foregoing as fully as I might do in person, hereby ratifying and confirming all that said attorneys-in-fact, or any of them or their substitutes, may lawfully do or cause to be done.

I hereby revoke any or all prior appointments of attorneys-in-fact to sign the above-described documents.

This Power of Attorney may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

/s/ Gordon M. Bethune
Gordon M. Bethune, Director

/s/ Jaime Chico Pardo
Jaime Chico Pardo, Director

/s/ D. Scott Davis
D. Scott Davis, Director

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Linnet F. Deily, Director

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Bradley T. Sheares, Director

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John R. Stafford, Director

/s/ Michael W. Wright
Michael W. Wright, Director

Dated: December 12, 2008

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Dated: December 12, 2008

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(i) debt securities of the Company, with such terms as may be from time to time specified in such registration statement or any amendment or post-effective amendment;

(ii) shares of the Company's common stock, par value, \$1.00 per share;

(iii) shares of the Company's preferred stock, without par value; and

(iv) such other securities of the Company, its subsidiaries, joint ventures or affiliates or another person or entity, as may be specified in any such registration statement or amendment, all in accordance with the Securities Act of 1933 and the rules and regulations thereunder;

I hereby grant to each such attorney-in-fact full power and authority to perform every act necessary to be done in connection with the foregoing as fully as I might do in person, hereby ratifying and confirming all that said attorneys-in-fact, or any of them or their substitutes, may lawfully do or cause to be done.

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Jaime Chico Pardo, Director

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D. Scott Davis, Director

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Linnet F. Deily, Director

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Clive R. Hollick, Director

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John R. Stafford, Director

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Michael W. Wright, Director

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Dated: December 12, 2008

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(ii) shares of the Company's common stock, par value, \$1.00 per share;

(iii) shares of the Company's preferred stock, without par value; and

(iv) such other securities of the Company, its subsidiaries, joint ventures or affiliates or another person or entity, as may be specified in any such registration statement or amendment, all in accordance with the Securities Act of 1933 and the rules and regulations thereunder;

I hereby grant to each such attorney-in-fact full power and authority to perform every act necessary to be done in connection with the foregoing as fully as I might do in person, hereby ratifying and confirming all that said attorneys-in-fact, or any of them or their substitutes, may lawfully do or cause to be done.

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/s/ David M. Cote

David M. Cote

Dated: December 12, 2008

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(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 2008,

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(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney-in-fact and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/ David M. Cote

David M. Cote

Dated: December 12, 2008

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(a) on Form S-8 (or other appropriate form) for the registration of shares of the Company's Common Stock (or

POWER OF ATTORNEY

I, David M. Cote, a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoint David J. Anderson, Peter M. Kreindler, Katherine L. Adams, Talia M. Griep, Thomas F. Larkins and John J. Tus, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact to sign on my behalf in my capacity as a director of the Company one or more registration statements, and to file the same together with all exhibits thereto, under the Securities Act of 1933, including any amendment thereto or to any registration statement heretofore or hereafter filed by the Company:

(a) on Form S-8 (or other appropriate form) for the registration of shares of the Company's Common Stock (or participations where appropriate) to be offered under the savings, stock or other benefit plans of the Company, its affiliates or any predecessor thereof, including the Honeywell Savings and Ownership Plan, the Honeywell Supplemental Savings Plan, the 1993 Stock Plan for Employees of Honeywell International Inc. and its Affiliates, the Stock Plan for Non-Employee Directors of Honeywell International Inc., the 2006 Stock Plan for Non-Employee Directors of Honeywell International Inc., the 2003 Stock Incentive Plan of Honeywell International Inc. and its Affiliates, the 2006 Stock Incentive Plan of Honeywell International Inc. and its Affiliates, the 2007 Honeywell Global Employee Stock Plan (including any and all sub-plans), and any plan which is a successor to such plans or is a validly authorized plan pursuant to which securities of the Company are issued to employees, and

(b) on Form S-3 (or other appropriate form) for the registration of shares of the Company's Common Stock to be offered under the Dividend Reinvestment and Share Purchase Plan of the Company and any plan which is a successor to such plan.

I hereby grant to each such attorney-in-fact full power and authority to perform every act necessary to be done in connection with the foregoing as fully as I might do in person, hereby ratifying and confirming all that said attorneys-in-fact, or any of them or their substitutes, may lawfully do or cause to be done.

I hereby revoke any or all prior appointments of attorneys-in-fact to sign the above-described documents.

/s/ David M. Cote

David M. Cote

Dated: December 12, 2008

EXHIBIT 31.1

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

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

1. I have reviewed this Annual Report on Form 10-K of Honeywell International Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 13, 2009

By:

/s/ David M. Cote

David M. Cote
Chief Executive Officer

EXHIBIT 31.2

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

I, David J. Anderson, Chief Financial Officer, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 13, 2009

By:

/s/ David J. Anderson

David J. Anderson
Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Honeywell International Inc. (the Company) on Form 10-K for the year ending December 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David M. Cote, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:

/s/ David M. Cote

David M. Cote
Chief Executive Officer

Date: February 13, 2009

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Honeywell International Inc. (the Company) on Form 10-K for the year ending December 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David J. Anderson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:

/s/ David J. Anderson

David J. Anderson
Chief Financial Officer

Date: February 13, 2009
