RESPONSE TO REQUEST FOR PROPOSALS NO. RFP-08-022-SW

ENERGY PERFORMANCE CONTRACTING SERVICES STATEWIDE

STATE OF HAWAI'I

PRESENTED BY

HONEYWELL BUILDING SOLUTIONS

JUNE 6, 2008

TABLE OF CONTENTS

A. TRANSMITTAL LETTER

June 6, 2008

Ms. Ruth Yamaguchi
Procurement Officer
State Procurement Office
1151 Punchbowl Street
Kalanimoku Building, Room 416
Honolulu, HI 96813

RE: Request for Proposals, No. RFP-08-022-SW, Energy Performance Contracting Services, Statewide

Dear Ms. Yamaguchi:

Honeywell Building Solutions is pleased to present our response to perform services associated with the referenced Request for Proposals (No. RFP-08-022-SW), and about the opportunity to work with the State of Hawaii, State Procurement Office in this effort. As you will note after reviewing our proposal, Honeywell possesses unsurpassed qualifications in every identified area of emphasis.

Honeywell Building Solutions (Honeywell) is a wholly owned subsidiary of Honeywell International Inc. (NYSE: HON). We are a corporation specializing in developing, designing, building, owning and financing energy infrastructure projects for industrial, federal, commercial, and institutional customers throughout the United States. With numerous offices across the U.S., Honeywell Building Solutions is one of the leading energy services companies in the nation assisting many organizations in optimizing their outsourcing strategy and operational decisions by integrating energy management solutions into their existing portfolios, as well as new construction projects. Honeywell has provided energy infrastructure development, design and engineering services for more than 28 years.

We have focused on presenting a high-performing team designed to deliver the greatest value to the facilities served by this program. Our experience in Energy Conservation Measure (ECM) Identification, Project Development, Construction Management, Project Delivery, Program Measurement, Verification & Monitoring and all other aspects of Energy Performance Contracting makes us uniquely qualified to provide services to the State of Hawaii. In addition, our experience in staging complex installations in sensitive state governmental environments further illustrates the capabilities of a team that can exceed your expectations. We are committed to developing a successful partnership with the State of Hawaii, and confident that we will meet and/or exceed the State of Hawaii's expectations for this critical project.

We are excited about the opportunity to provide services to the State of Hawaii, have reviewed the RFP, and agree to comply with the requirements, provisions, terms and conditions specified in this RFP if awarded a contract. However, Honeywell reserves the right to discuss and potentially negotiate the contract based upon our proposed response such that we can structure and complete terms and conditions satisfactory to both parties.

A. TRANSMITTAL LETTER

We acknowledge receipt of the following addenda:

- Addendum A, issued April 30, 2008
- Addendum B, issued May 1, 2008
- Addendum C, issued May 7, 2008
- Addendum D, issued May 23, 2008
- Addendum E, issued June 10, 2008

If you require any additional information, please do not hesitate to contact Christine DeTommaso at (808) 591-6704.

Sincerely,

Thomas Bowen, V.P. and General Manager
Honeywell Building Solutions SES
Six Centerpointe Drive, Suite 300
La Palma, CA 90623
Ph.: (714) 562-3150
Fax: (714) 562-3155
Thomas.Bowen@Honeywell.com

ENERGY PERFORMANCE CONTRACTING SERVICES
STATEWIDE
RFP-08-08-022-SW

Procurement Officer
State Procurement Office
State of Hawaii
Honolulu, Hawaii 96813

Dear Sir:

The undersigned has carefully read and understands the terms and conditions specified in the Specifications and Special Provisions attached hereto, and in the Attorney General's General Conditions, by reference made a part hereof and available upon request; and hereby submits the following offer to perform the work specified herein, all in accordance with the true intent and meaning thereof. The undersigned further understands and agrees that by submitting this offer, 1) he/she is declaring his/her offer is not in violation of Chapter 84, Hawaii Revised Statutes, concerning prohibited State contracts, 2) he/she is certifying that the price(s) submitted was (were) independently arrived at without collusion and 3) he/she is committed to the maximum mark-ups and fees for work provided in Offerors proposal package in response to this solicitation.

Offeror is:

☐ Sole Proprietor ☐ Partnership X *Corporation ☐ Joint Venture

X Other See Corporate Seal attached with Delegation of Authority

*State of incorporation: Delaware

Hawaii General Excise Tax License I.D. No. W20049926

Payment address (other than street address below): Building Solutions, 12490 Collections Center Drive
City, State, Zip Code: Chicago, IL 60693

Business address (street address): 250 Ward Avenue, S-100
City, State, Zip Code: Honolulu, HI 96814

Respectfully submitted:

Date: June 4, 2008

(x) [signature]
Authorized (Original) Signature

Telephone No. (808) 591-6705

Nicholas J. Navarre, Branch Manager
Name and Title (Please Type or Print)

Fax No.: (808) 591-6721

E-mail Address:
christine.detommaso@honeywell.com

** Honeywell International Inc.
Exact Legal Name of Company (Offeror)

**If Offeror is a "dba" or a "division" of a corporation, furnish the exact legal name of the corporation under which the awarded contract will be executed:

____

(Attached is the Honeywell Corporate Seal "Certificate of Secretary" with the Delegation of Authority, Policy 101 (2 pages) and Policy No. 101 (7 pages)

CERTIFICATE OF SECRETARY

I, Jennifer Eastman, do hereby certify that I am the duly elected and qualified Assistant Secretary of Honeywell International Inc., a corporation organized and existing under and by virtue of the laws of the State of Delaware, and that the following is a true and correct copy of certain resolutions duly adopted at a meeting of the Board of Directors thereof, convened and held in accordance with the law and the by-laws of said corporation, at the offices of the Company on the 3rd day of December, 1999, and that such resolutions are now in full force and effect:

REVISED APPROVAL LEVEL FOR ACQUISITIONS AND DISPOSITIONS

After discussion, on motion duly made and seconded, it was unanimously

RESOLVED: That the Board of Directors hereby approves an amendment to the Schedule of Executive Approvals attached to Policy 101 to increase the delegated authority levels of the Chief Executive Officer and any Chief Operating Officer under the headings "Acquisitions, Recapitalizations, Joint Venture Investments and Equity Investments" and "Disposals" to the following: Chief Executive Officer, $50,000,000; Chief Operating Officer, $10,000,000; and that pursuant to a resolution of the Board of Directors adopted on September 24, 1999, references to the Chief Executive Officer in the Schedule of Executive Approvals shall also apply to the Chairman of the Board.

I further certify that the attached Honeywell Policy 101, Delegation of Authority, is a true and correct copy of the Honeywell policy regarding signature authority and this policy is now in full force and effect.

I further certify that Nicholas J. Navarre, Branch Manager for the Honeywell Building Solutions business unit of Honeywell International Inc., has the authority to sign the bid and any resulting contract for RFP-08-022-SW Sealed Offers for Energy Performance Contracting Services Statewide State of Hawaii on behalf of Honeywell International Inc.

IN WITNESS WHEREOF, I have affixed my name as Corporate Secretary and have caused the corporate seal of this corporation to be hereunto affixed this 24th day of April 2008.

Jennifer Eastman /KB

Jennifer Eastman
Assistant Secretary

Honeywell		Title: Delegation of Authority	Policy
Supersedes: September 2003	Date: June 2004		Policy: **101**

General notes to the Schedule of Executive Approvals. (As approved by the Board of Directors and amended).

This Policy should be read in conjunction with the Schedule of Executive Approvals, and all other policies set forth in the Honeywell Policy Manual, each of which must be fully complied with wherever applicable.

NOTE: Any references to the Chief Executive Officer in Policy 101 and the Schedule of Executive Approvals shall also apply to the Chairman of the Board.

I. Authority Levels

The Board of Directors of the Corporation, through this Schedule of Executive Approvals, has delegated the indicated levels of authority directly to the Chief Executive Officer and others (as adjusted from time to time pursuant to Section IV). The authority granted under this Schedule includes both the authority to approve the terms of a particular transaction and the authority to bind the Corporation in any appropriate documentation for the transaction. The authority of any person holding a position shown in this Schedule applies only to that person's area of responsibility and represents the maximum authority of that person to commit the Corporation or to make recommendations to any domestic or foreign subsidiary, affiliate or joint venture of the Corporation with respect to the transactions referred to in this Schedule. A document that provides solely for performance by a wholly-owned subsidiary of the Corporation must be signed by the appropriate person on behalf of that subsidiary after all required approvals have been obtained. This is generally controlled by the by-laws of the subsidiary entity and will, for the most part, require identification of an officer of the subsidiary entity.

II. Further Delegation of Authority

The Chief Executive Officer, and any Corporate Functional Leader or SBG President, are each authorized, except where otherwise noted, to delegate (with right of further delegation) to any other officer, employee or agent of the Corporation all or part of the authority granted to them by this Schedule, and any such delegation may be general or specific and subject to such limitations and restrictions as the delegating officer shall determine. Each Corporate Functional Leader and SBG President, in exercising his or her power to delgate authority hereunder, may issue separate delegations for the authority to approve and the authority to bind if deemed appropriate, thereby limiting the number of individuals that can bind the Corporation.

Any delegation of authority made pursuant to this Schedule shall be made by a written instrument which shall state the authority delegated and any limitations and restrictions on such authority, one copy of which shall be delivered to the person to whom authority is delegated and another copy of which shall be delivered to the Corporate Controller.

III. Financing Authorization

The Chief Executive Officer, the Chief Financial Officer and the Treasurer of the Corporation are each authorized within their discretion to arrange financing for any capital appropriation approved pursuant to this Schedule, by borrowings, leasing transactions or otherwise, on such terms and conditions as they may consider appropriate, and to execute and deliver any documents relating to such financing which they may in their sole discretion deem necessary or advisable. Such officers are also each authorized to delegate (without the right of further delegation) their authority to arrange such financing to any other officer, employee or agent of the Corporation.

IV. Adjustments of Authority

The Chief Executive Officer is authorized to adjust the approval levels within this Schedule from time to time by written instrument, one copy of which shall be delivered to the person whose authority is adjusted and another copy of which shall be delivered to the Corporate Controller, provided that such adjusted levels shall not exceed the authority granted to the Chief Executive Officer.

V. Authority Regarding Other Matters

The Chief Executive Officer is authorized to take (or authorize others to take) such action as he deems appropriate in connection with any other matters within the general business of the Corporation which are not specifically described on this Schedule.

Honeywell		Title: Attachment to Policy No. 101 Schedule of Executive Approvals	**Policy**
Supersedes: October 2002	Date: September 2003		Policy: **101-Attachment**

This Schedule of Executive Approvals should be read in conjunction with Policy 101, Delegation of Authority, and all other policies set forth in the Honeywell Policy Manual, each of which must be fully complied with wherever applicable. This Schedule addresses only the internal Honeywell approval process in the categories shown. The final signatory of any document or contract should always be an individual duly authorized to sign on behalf of the particular legal entity involved.

See FAQ-1, FAQ-2 for further help in interpreting the Schedule.

	Corporate Functional Leader(1)	**SBG President (2)**	**Chairman and Chief Executive Officer**
Charitable Contributions:	(3)	(3)	$20,000,000
Memberships:			
A. Social, Athletic and Lunch Club Memberships(4)	(3)	(3)	$5,000,000
B. Industry and Trade Association(5)	$500,000	$1,000,000	$5,000,000
C. Professional	$500,000	$1,000,000	$5,000,000

1. Throughout this Schedule, the term "Corporate Functional Leader" refers to any corporate officer who has overall responsibility for a function within the Corporation and who reports directly to the Chairman and Chief Executive Officer. Each Corporate Functional Leader has the authority to sub-delegate within the given limits of authority unless otherwise noted. Information regarding sub-delegations should be maintained by the Corporate Functional Leader's office or a designee.

2. Throughout this Schedule, the term "SBG President" refers to any corporate officer who has overall responsibility for one of the Corporation's strategic business groups, currently Aerospace, Automation & Control Solutions, Specialty Materials, and Transportation & Power Systems. Each SBG President has the authority to sub-delegate within the given limits of authority unless otherwise noted. Information regarding sub-delegations should be maintained by the SBG President's office or a designee.

3. Only in accordance with a budget approved in advance by the Chairman and Chief Executive Officer. Regarding charitable contributions, this relates only to contributions outside of the Honeywell Foundation (which Foundation has a budget separately approved by the Chairman and Chief Executive Officer). Charitable contributions shall not include any contribution to a political candidate or political organization, which can only be made through the Honeywell International Political Action Committee.

4. Memberships are for specific individuals and not for positions and should be based solely upon achieving a business purpose. Sub-delegation of authority is

prohibited.

5. Requires approval of Cognizant Attorney. Throughout this Schedule, the term "Cognizant Attorney" refers to an attorney in the Law Department providing legal services for the business or function that is seeking approval for an expenditure or transaction hereunder, and/or in connection with the particular matter under consideration.

Third-Party Contracts/Services	**Corporate Functional Leader**	**SBG President**	**Chairman and Chief Executive Officer**
Consultants and Survey Organizations: (1) **In and Out of Plan**	$100,000	$500,000	Unlimited
Contract Employees/Services: (2) **In Plan**	Per AOP	Per AOP	Unlimited
Contract Employees/Services: (2) **Out of Plan**	$5,000,000 (3)	$5,000,000 (3)	Unlimited
Professional and IT Services: (4) **In and Out of Plan**	$10,000,000 (5)	$500,000	Unlimited
Outside Legal Counsel: **In and Out of Plan**	$5,000,000 (6)	None	Unlimited
Investment Banking Services: **In and Out of Plan**	$1,500,000 (7)	None	Unlimited

1. Determined on a per contract basis. "Consultants" are individuals or entities that provide expertise and/or services that are not available within the Corporation, and are generally retained to perform specified tasks for a set period of time, typically limited in duration, such as risk assessment, project development, technical analysis and/or engineering consulting, and short-term training/development assistance. This category, however, also includes any third party that will be authorized to solicit sales or promote the Corporation's products or services, such as sales representatives, and pre-sale or post-sale service providers, regardless of contract duration. Consultants may be retained only by written contract in the required form, with any changes thereto approved by a Cognizant Attorney. All foreign consultants must be required to adhere to Policy 111, governing Sales Representative, Consultant, Agent and Similar Agreements, and also to the Contingent Worker Policy, Policy 340. This category excludes Professional and IT Services, handled separately below.

2. Contract Employees and providers of Contract Services are third parties used to supplement the Corporation's workforce. This category includes the following distinct types of arrangements: (i) subcontract workers, (ii) on-site contract service providers, and (iii) off-site outsource service providers. Subcontract workers are used for non-supervisory work at Honeywell locations or at customer sites, to address short-term business needs, and are retained through the Corporation's designated primary supplier for the Managed Labor Program. On-site contract services and off-site outsource services are performed by non-employees, and may include overflow work or work outside the Corporation's core business competencies. Some examples in these latter two categories include search firm and outplacement arrangements, HR and other functional outsourcing

arrangements, filing service providers, and catalogue content management. All Contract Employee/Service work is subject to the Contingent Worker Policy, Policy 340. "AOP" shall mean the applicable Annual Operating Plan of the Function or SBG.

3. Aggregate amount for all contract employees or contracted services, per provider, on a per contract basis.

4. Determined on a per contract or per matter basis, using a reasonable estimate developed in accordance with policies established by the relevant functional group. Professional services shall be rendered by outside, third-party experts licensed in a given field, such as accounting firms or actuarial firms, that are used as a routine supplement to core competencies already existing within the Corporation, or for required services, such as audit services. Any and all services performed by the Corporation's independent audit firm must be approved in advance by the Audit Committee of the Board of Directors through a process established by the Controller's Group. See Corporate Controller's Manual Policy Introduction 6. IT services shall include installation, implementation and similar services, performed by third parties, related to software applications purchased and/or used by the Corporation.

5. Except that this authority in connection with IT services is only extended to the Chief Information Officer. The authority with respect to Professional services is extended to all Corporate Functional Leaders.

6. Aggregate amount per discrete matter on an annual basis, except that this authority is only extended to the General Counsel. Outside legal counsel may be retained only by a member of the Honeywell Law Department and in accordance with Policy 410 governing Outside Counsel. All invoices for legal services must be approved by a Cognizant Attorney.

7. Aggregate amount per discrete matter, except that this authority is only extended to the Chief Financial Officer.

	Corporate Functional Leader	**SBG President**	**Chairman and Chief Executive Officer**
Legal Settlements: (1)	$1,000,000 (2)	$1,000,000	(3)

1. Requires written or electronic approval of the Cognizant Attorney. Settlement "out" value, as shown above, is determined by the total cost of the settlement to the Corporation, including, but not limited to, monetary compensation, damages awards, provision of goods and/or services, and the payment of expenses and fees. Settlement "in" authority levels are triggered if either the estimated value of the initial claim or the total amount to be received by the Corporation in the settlement exceeds the number shown above.

2. The General Counsel may approve legal settlements up to an aggregate value of $10,000,000 per matter before obtaining approval from the Chairman and Chief Executive Officer.

3. The Chairman and Chief Executive Officer has the authority to settle any matter, except to the extent any such settlement is reasonably likely to be material to the Corporation's financial condition and/or results of operations, in which case the consent of the Board of Directors is required.

	Corporate Functional Leader	**SBG President**	**Chairman and Chief Executive Officer**
Acquisitions, Recapitalizations, Joint Venture Investments and Equity Investments: (1)(2)	$1,000,000	$1,000,000	$50,000,000
Disposals: (3)	$1,000,000	$1,000,000	$50,000,000
Real Estate Transactions: (4)	$5,000,000 (5)	$5,000,000	$50,000,000
Intellectual Property Licenses: (6)	$10,000,000 (7)	$5,000,000 (8)	Unlimited
Secrecy Agreements:	(9)	(9)	Unlimited

1. All acquisitions of businesses, product lines or companies, joint ventures, and other arrangements involving equity investments, capital contributions or changes in ownership. The cost of an acquisition is the purchase price plus the assumption of debt. For valuation of a joint venture investment, the anticipated cash outlay plus the assumption of debt, plus the fair market value or net book value of transferred assets, whichever is greater, should be used. Acquisitions, recapitalizations, joint ventures and equity investments and disposals must be coordinated with Corporate Planning and Development. Appropriate functional sign-offs are required from Corporate Human Resources, Environmental, Finance, Legal, Operations/Integrated Supply Chain and Information Technology functional leaders. All such transactions shall be subject to Policy 508, the Acquisition, Divestiture and Joint Venture Policy.

2. Board of Directors approval will be required for issuances of Corporation's stock unless the authority has been specifically delegated by Board resolution.

3. All disposals of businesses, product lines, companies, machinery and equipment, based upon fair market value or net book value, whichever is greater. All such transactions shall be subject to Policy 508, the Acquisition, Divestiture and Joint Venture Policy.

4. All acquisitions, leases and/or disposals of real property, based upon fair market value or net book value, whichever is greater, except in connection with a capital appropriation request, which is governed by the "Project Approval" section hereunder. The value of a lease is based on the sum of minimum rental payments over the initial term of the lease, plus rental payments for any forseeable renewal period(s). All real property leases are subject to Treasurer's Department approval for financing considerations, except for leases (i) with a term of one year or less or (ii) not subject to a "lease versus buy" decision such as in the lease of part of a building. All real estate transactions are governed by Policy 515, Real Estate, and require the approval of Global Real Estate Services, as well as either a Corporate Functional Leader or SBG President as the case may be. (See Policy No. 505 - Lease Financing for further details regarding other approval requirements). An acquisition or disposal of real property that occurs together with the acquisition or

disposal of other assets shall be treated as a single transaction (which may be governed by Policy 508, and the value of all such assets must be totaled, in determining approval authority.

5. The Chief Financial Officer may approve real estate transactions up to an aggregate value of $10,000,000 per transaction before obtaining approval from the Chairman and Chief Executive Officer.

6. Shall govern only a "license out" of Intellectual Property of the Corporation to a third party. Any such valuation shall be determined in consultation with the Cognizant Attorney and with the approval of an authorized representative of Honeywell Intellectual Properties Inc. ("HIPI"). Additionally, the Cognizant attorney must approve the license document, and the business lead on the license shall be required to review the license with any other potentially impacted business within Honeywell. All such licenses shall be governed by Policy 403, the Corporate Licensing Policy. It should be noted, however, that an exclusive "license out" of Intellectual Property may be deemed, in consultation with HIPI, to be a "disposal" of an asset by the Corporation, and may be governed by Policy 508. The accounting treatment for "license out" deals in excess of $10,000,000 must be approved by the Corporate Controller or Assistant Corporate Controller. The accounting treatment for "license out" deals below $10,000,000 must be approved by the relevant SBG Controller. A "license in," whereby the Corporation contracts to obtain the right to use third party Intellectual Property shall be governed by the section herein entitled "Purchase Commitments."

7. Except that this authority is only extended to the General Counsel.

8. With approval of a Cognizant Attorney

9. Strictly in accordance with Policy 406, governing Secrecy Agreements.

Project Approval (1)(2)	**Corporate Functional Leader**	**SBG President**	**Chairman and Chief Executive Officer**
In Plan (3)	$2,000,000	Unlimited where total fixed capital estimates on all current projects are in plan (4)	Unlimited except where fixed capital estimate on project exceeds plan by more than $25,000,000
In Excess of Total Plan	None	None	$25,000,000

1. Project Approval refers to authority to approve a capital appropriation request (including a request for the proportionate share of a capital appropriation by a joint venture and for capitalized software). Calculations are based on:

   a. Fixed capital estimate, and/or:

   b. The sum of all minimum rental payments under a lease, as well as rental payments for any foreseeable renewal period(s).

2. If preliminary expenditures of funds are necessary for outside services to assist in the preparation of an appropriation request or if advanced funds are needed to place orders on long lead time equipment, any SBG President or Corporate Functional Leader is authorized to commit advanced funds up to $3,000,000 and $500,000, respectively, which includes any cancellation charges if project approval is denied. The authority of the Chairman and Chief Executive Officer to commit advanced funds is subject to the same limitations as the project approval authority.

3. A project is "in plan" if it can be accomplished under the capital budget approved by the Board of Directors for the related business unit.

4. If not determined as part of the initial approval process for any Project Approval, lease renewal options should be evaluated separately at the time of renewal. All leases (machinery, equipment and real property) are subject to Treasurer's Department approval for financing considerations, except for leases (i) with a term of one year or less or (ii) not subject to a "lease versus buy" decision such as in the lease of part of a building. (See Policy No. 505 - Lease Financing for further details regarding the approval requirements).

	Corporate Functional Leader	**SBG President**	**Chairman and Chief Executive Officer**
Purchase Commitments: (1)	$10,000,000 Per Year	$100,000,000 Per Year	Unlimited

1. Purchase Commitments are contracts or other commitments with the Corporation's vendors and other suppliers of goods and services, unless defined more specifically herein as another category of contract or transaction.

2. A "license in" of Intellectual Property whereby the Corporation contracts to obtain the right to use third party Intellectual Property shall be governed by this section. It should be noted, however, that an exclusive "license in" of Intellectual Property may be deemed, in consultation with HIPI, to be an "acquisition" of an asset by the Corporation, and may be governed by Policy 508.

Bids, Proposals and Sale Agreements: (1)(2)(3)	**Corporate Functional Leader**	**SBG President**	**Chairman and Chief Executive Officer**
A. Sales (4) B. Front End Loss - Cumulative (5) C. Front End Loss - (Max. One Year) (5)	Not Applicable	$250,000,000 $25,000,000 $10,000,000	Unlimited Unlimited Unlimited

1. If a bid, proposal or sale agreement exposes the Corporation to potential uncapped liabilities in excess of $25 million, or to capped liabilities in an amount greater than the projected gross margin to be earned under the contract, and involves either a fixed price development contract or unusual terms and conditions, the approval of the Chief Executive Officer or the cognizant SBG

President, as well as the General Counsel, is required. Examples include any commitment which exposes the Corporation to potential uncapped liabilities in excess of $25 million and:

a. Is on a firm fixed price basis and includes an obligation to accomplish a design or performance objective which is a significant advancement in the Corporation's technology.

b. Establishes firm fixed prices for products to be delivered or services to be performed more than three years after date of contract award unless the contract includes an escalation clause providing for price increases based upon national, regional or local published indices (or contains product or service pricing based upon projected data from published national, regional or local indices which are used in the development and production of a product).

c. Contains significant foreign exchange exposures such as from customer collections, supplier payments, etc., unless it is hedged by foreign exchange contracts.

d. Includes an indemnification of the customer against losses for personal injury or property damage which either (1) arise out of the customer's own negligence or (2) are uninsured by the Corporation. Any bid, proposal or agreement which meets this condition must be reviewed by Corporate Risk Management and approved by Corporate Law prior to its execution and regardless of amount.

e. Includes a warranty provision which extends the Corporation's warranty obligations beyond those either generally prevailing in the industry or normally offered by the Corporation on the applicable product line.

2. The determination of whether any commitment has the potential to expose the Corporation to potential uncapped liabilities in excess of $25 million or to capped liabilities in an amount greater than the projected gross margin under the contract must be made with the approval of a Cognizant Attorney, after balancing the risks associated with the product and/or services to be provided by the Corporation, the time period covered, and the warranty and indemnity provisions in the contract. Any ability on the part of the customer to obtain consequential, incidental or punitive damages must be considered, as well as any provision in the contract providing for a high level or significant performance guarantee.

3. For bids or proposals which require capital appropriations, such appropriations would be governed by the "Project Approval" section of this Schedule.

4. Represents maximum authority for a single program during any five-year period.

5. Anticipated maximum front-end loss (pretax) on a program.

B. ESCO RESPONSE TO RFP

1.0 OVERVIEW OF APPROACH TO ENERGY PERFORMANCE CONTRACTING

Provide a stand-alone overview. For ESCOs selected for the as-needed list, this section will be posted on the SPO website www.spo.hawaii.gov as critical reading for participants to identify potential ESCOs to consider.

Maximum of 5 pages, using any order or format to present your company as you wish.

Include highlights from the below responses including company background and market sectors served. Also include your company's strengths, areas of expertise, and your general approach to performance contracting: typical phases for a project and ability to support each phase (Project Development, Energy Auditing, Performance/Savings Guarantee, Financing, Construction, Commissioning, Measurement and Verification, Client Staff/Occupant Training, Post-construction Maintenance Support).

Honeywell International Inc. is a global market leader in the Performance Contracting, Building Controls, Aerospace, Industrial Automation, and Chemicals and Automobile Components Industries. Founded in 1885, we currently operate worldwide from 454 locations in over 95 countries, more than 121 of these locations in North America. We are a 2007 Fortune 69 Corporation, with total sales exceeding $34.5 billion annually.

Honeywell Building Solutions (Honeywell) is a wholly owned subsidiary of Honeywell International Inc. (NYSE: HON). Honeywell is a corporation specializing in developing, designing, building, owning and financing energy infrastructure projects for industrial, federal, commercial, and institutional customers throughout the United States. Honeywell has executed over 5,000 energy efficiency projects globally providing guaranteed savings in excess of $5 billion.

Honeywell's Energy Performance Contracting (EPC) presence in **Hawaii includes over $30,000,000 in guaranteed energy savings**, implementing solutions including, but not limited to:

- Solar Hot Water Systems
- Solar Powered Attic Fans
- Solar Powered Daylighting
- Lighting Retrofits
- Water Conservation Measures
- Chiller and Boiler Retrofits
- Control Systems

Our **local Hawaii projects** include:

- Hickam Air Force Base
- Leeward Community College
- Honolulu Community College
- Kauai Community College
- County of Hawaii
- County of Kauai
- U.S. Coast Guard – Sand Island
- U.S. Coast Guard – Barbers Point

Honeywell is interested in providing services to all market sectors listed in Section 2.2.1 with all Agencies within the State of Hawaii.

Honeywell has been involved in the energy efficiency related business for 122 years, and has **provided performance contracting services for more than 28 years**. With the award of our very first Energy Services Contract in 1980, Honeywell pioneered and revolutionized the performance contracting business, coining the concept of "guaranteed savings" under a U.S. Department of Energy grant in 1984.

As shown in Figure 1 below, Honeywell's history is highlighted with significant energy milestones.

B. ESCO RESPONSE TO RFP

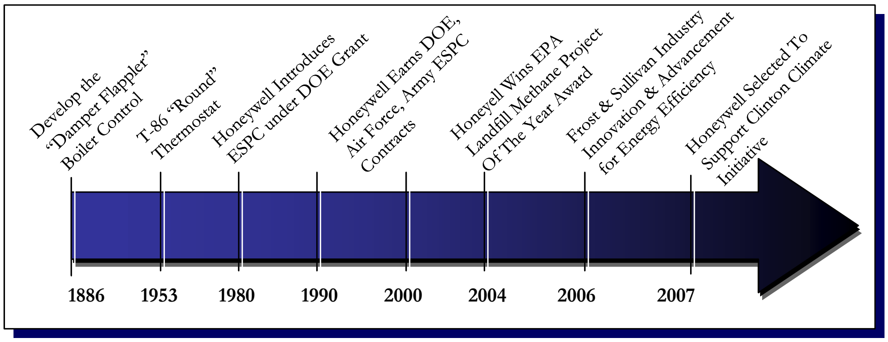


Figure 1: *Over 100 years of energy efficiency experience, plus more than 5,000 EPC projects completed-to-date.*

Honeywell will offer the State of Hawaii (Hawaii) all of the services that are needed to implement a high-quality, comprehensive energy conservation performance contracting project, including:

- Energy Auditing
- Utility Bill Analysis
- Design Engineering
- Project Management
- Construction Management
- M&V of Energy Savings
- Monitoring
- Continuous System Optimization
- Operations & Maintenance
- Training
- Safety
- Arrangement of Financing

General Approach to Energy Performance Contracting

Honeywell's approach to projects is comprehensive, and customer oriented. Our entire focus is on helping our customers meet their energy reduction and capital facilities renewal needs through paid-from-savings energy conservation projects. Honeywell's entire project will be directed by the individual facility's needs and objectives, and will be structured to achieve the State of Hawaii's desired blend between increased cash flow and investments in new equipment.

Hawaii will benefit from the approach that Honeywell has developed in the execution of multiple performance contracts throughout the United States. ***Hawaii will be treated as a business partner*** in all areas of the project from the evaluation and selection of energy conservation measures (ECMs) through their implementation; to reviewing and approving the designs; to approving equipment and contractors; and to final acceptance of completed work. Honeywell's management approach is customer-focused to meet the individual needs of their clients while paying attention to the details, schedule and overall cost control.

The management approach is based on five important tenets:

- Lessons learned from a proven record of managing complex, multi-subcontractor, multi-vendor contracts;
- Procedures developed during a long, successful history in implementing and verifying large scale energy saving programs;
- A proven set of procedures and tools for controlling and managing costs, schedules, and overall performance;
- A quality assurance program to guarantee that the work performed in the design, development, implementation and operation of each ECM is of the highest quality; and
- A system of interfaces that assures owner involvement in the decision making process.

B. ESCO RESPONSE TO RFP

Honeywell will use a full-time Project Manager (PM) who will oversee and be responsible for every aspect of the job. He/she will have direct, day-to-day contact with and reporting responsibilities to Hawaii. In addition, the PM will be responsible for scheduling all activities with the facility and modifying schedules to adapt to changes in facilities usage. He/she will draw from Honeywell's extensive past experience with developing work schedules that accommodate the specific needs of each facility. This means not only preventing disruptions to Hawaii operations and activities, but also maintaining good lighting, air temperature, air quality, and noise levels.

Each phase of Honeywell's work will be submitted to and approved by Hawaii. This begins with the investment grade energy audit and proposed ECMs, and continues through Hawaii's adoption of a financial structure for the project, approval of designs and major equipment, approval of work schedules, acceptance of the completed ECMs and acceptance of measurement and verification of the savings.

Honeywell's proposed approach can be summarized as a systematic evaluation of the facility, followed by the development of a comprehensive energy master plan, which, after approval from Hawaii, is fully implemented with Honeywell taking on the majority of the project risks. Honeywell incorporates a three-phase process for the implementation and operation of the performance contracting program. This process, which has proven successful in the execution of multiple programs throughout the United States, is outlined in the following chart.

Honeywell
Implementation and Deployment Process

Phase	Component
Project Development and Energy Master Plan Phase	• Investment Grade Audit • Savings Measurement & Verification Plan • Independent Third Party Review • M&V Pre-implementation Measurements • Conceptual Design • Cost Estimating • Financial Analysis and ECM Recommendations • Workshop to Finalize ECM Selection • Present Final Investment Grade Audit • Arrange Long-term Project Financing
Performance Contract Implementation Phase	• Engineering and Design • Construction Management • ECM Installation • Commissioning • Owner Training • Construction Close-out • M&V Post Installation Measurements • Energy Education Program *(optional)*
On-going Monitoring, Operation & Maintenance Phase	• Energy Savings Measurement & Verification • Energy Savings Guarantee • Equipment Operation & Maintenance *(optional)* • Continuous System Optimization *(optional)* • On-site Energy/Project Manager *(optional)*

B. ESCO RESPONSE TO RFP

Ability to Support Each Phase

Honeywell has sufficient resources available to support any project that arises as a result of our participation in the State of Hawaii RFP process. Our national performance contracting team has the following personnel available to support Hawaii projects:

- 72 Licensed Professional Engineers
- 25 Project Managers
- 100+ Performance Contracting Engrs.
- 30 Business Development Managers
- 39 Measurement & Verification Specialists (for M&V & energy analysis)
- 94 LEED Certified Professionals
- 18 Contract Specialists

The services of outside consultants and subcontractors are often used for professional engineering design and certification, and construction of energy and facility related improvements. We also use outside consultants and construction management specialists where expertise on a particular or specialized ECM is desired or required.

Project Development / Energy Auditing

Honeywell has extensive energy engineering expertise and has audited, analyzed, modeled, and developed creative energy saving strategies for hundreds of buildings of various types and their central plants. Honeywell has a wealth of in-house talent backed by years of experience, outstanding education credentials and industry certifications. Our experience enables us to furnish an expert analysis to optimize the best energy design for any situation.

Complementing our team of engineering and technical professionals are other team members forming the foundation behind Honeywell's design-build expertise. Honeywell excels at integrating the art of engineering with the practical implementation of large and complex projects.

We have on-staff estimators that are skilled in all areas of construction estimating with particular expertise in large scale energy infrastructure and central plant facilities. Our cost estimators have education credentials which include engineering and architecture and extensive contracting backgrounds.

Honeywell employs a highly collaborative process between engineering, cost estimating, construction, and financing partners throughout a project.

Performance/Savings Guarantee

Since the 1980's, our guaranteed performance contracts have saved customers more than $5 billion in energy and operation costs. The methodology for monitoring and verifying the energy savings for the installed ECMs will be based on the methods described in the International Performance Measurement and Verification Protocol (IPMVP). Honeywell's approach to M&V is directly consistent with the IPMVP. This protocol provides a framework for the most widely accepted and used M&V methods by the industry. A site specific M&V plan developed by Honeywell will be utilized to calculate the energy and savings guarantee.

Financing

Honeywell has its own captive finance company, Honeywell Global Finance (HGF). HGF has financed many large, complex energy-efficiency and central plant projects across the United States. HGF is able to work with its customers financial managers to help identify and implement the best financing plan for any retrofit or new plant development work.

B. ESCO RESPONSE TO RFP

Construction

Honeywell provides a full range of project management and construction management services. The Honeywell project and construction management team is comprised of individuals from engineering, construction, and/or contracting backgrounds, with many years experience in the execution of large, complex energy retrofit projects. Supporting the project and construction managers during a project are the project scheduler and cost estimators. Honeywell maintains a variety of tools such as Suretrack project scheduling software that is utilized to monitor project progress and resource allocation. The cost estimating function directly supports the project and construction managers throughout the project and is responsible for project cost development, supporting the bid process and subcontract negotiations, and change order review. Cost estimating draws upon industry standard costing databases, custom databases based on Honeywell's nationally negotiated pricing with major equipment manufacturers, local labor standards, and others. Throughout execution of a project through audit and through construction completion, the project and construction managers have the ability to draw upon a wide variety of internal resources available within Honeywell including accounting, legal, administrative, commodity, financial and other specialized professionals.

Commissioning

Honeywell develops an overall commissioning plan for each project that will identify the key sequence of events, measurements, and processes necessary to commission the total ECMs delivered on the project. Key to this plan is identifying the coordination activities that must occur between the agency, Honeywell, and its subcontractors to ensure the ECMs deliver the savings in accordance with the proposed M&V methodology and plan. In developing the commissioning plan, Honeywell will identify and review with the agency all operational, performance, and schedule risks and develop appropriate mitigation measures to ensure the project objectives are achieved.

Measurement and Verification

The Honeywell M&V team includes 39 employees consisting of M&V engineers, analysts, and monitoring and verification technicians. This team is fully conversant in the key global M&V guidelines, specifically the Federal Energy Management Program (FEMP) and the International Performance Measurement and Verification Protocol (IPMVP).

Client Staff/Occupant Training

Training on installed ECMs is essential to ensure the continued viability of each ECM and ensure that the optimal level of energy savings performance is achieved for the entire energy savings performance contract (ESPC) project. Honeywell has a dedicated team that is responsible for training customers. The training team will work with the on-site team and the customer to formulate an ECM-specific training program.

Post-construction Maintenance Support

Honeywell has extensive post-construction maintenance support experience on ESPC projects. Our experience encompasses being responsible for the operation and maintenance (O&M) of all installed ECMs and working with agencies to identify potential O&M risks and develop a risk mitigation plan to ensure all risks are adequately addressed. Risk evaluation and mitigation is a key tenant of our Six Sigma methodology, on which all technical employees are trained and certified. The Six Sigma methodology includes tools, such as the Failure Modes Effects Analysis, that provide a vehicle for evaluating risk.

B. ESCO RESPONSE TO RFP

2.0 PROJECT HISTORY

2.1 Market Sector Involvement

Describe your company's expertise in each of the following market sectors.

Since the 1980s, Honeywell has completed more than 5,000 energy-efficiency projects in facilities across the globe. Below, we have provided a representative project list demonstrating expertise in each market sector.

2.1.1 Schools districts – small (1-5 schools) or rural over 2 hours from major metropolitan area

Project Name	Location	Project $ Amount
Akron R-1 School District	Akron, CO	$432,385
Catoosa Public School	Catoosa, OK	$627,299
Centerville-Abington Elementary School	Centerville, IN	$1,877,800
Danville Community High School	Danville, IN	$995,425
East Richland High School	Olney, IL	$4,880,000
Lawrenceburg School	Lawrenceburg, IN	$758,200
North Knox School District	Bicknell, IN	$1,115,358
Rosebud-Lott School District	Rosebud, TX	$409,440
Salem School District	Salem, IL	$507,500
Sherman Indian High School	Riverside, CA	$2,512,159
Stilwell School District	Stilwell, OK	$477,479
Westville School District	Westville, OK	$477,810

2.1.2 Schools districts – large

Project Name	Location	Project $ Amount
Atlanta Public Schools	Atlanta, GA	$3,220,851
Houston Independent School District	Houston, TX	$12,600,000
Lockport City School District	Lockport, NY	$4,183,648
Ogdensburg City School District	Ogdensburg, NY	$3,211,188
Pleasanton Unified School District	Pleasanton, CA	$6,500,000
Poway Unified School District	Poway, CA	$1,500,000
Scotia-Glenville Central School District	Scotia, NY	$2,638,504
St. Lawrence-Lewis BOCES	Ogdensburg, NY	$1,779,181
Stockton Unified School District	Stockton, CA	$10,138,341
Twin Falls School District, Phase I	Twin Falls, ID	$5,067,369
Twin Falls School District, Phase II	Twin Falls, ID	$3,900,000

B. ESCO RESPONSE TO RFP

2.1.3 Higher education facilities – universities and major colleges

Project Name	Location	Project $ Amount
Arizona State University, East Campus	Mesa, AZ	$2,367,000
Butler University	Indianapolis, IN	$4,300,000
Eastern Illinois University	Charleston, IL	$18,143,484
Edinboro University	Edinboro, PA	$9,785,339
Northeastern State University	Tahlequah, OK	$7,500,000
Rice University	Houston, TX	$2,400,000
Southeastern Louisiana University	Hammond, LA	$6,723,349
Spring Arbor University	Spring Arbor, MI	$3,258,369
State University of New York at Old Westbury	Old Westbury, NY	$12,679,469
State University of New York at Stony Brook	Stony Brook, NY	$26,401,937
University of Colorado Denver, Health Sciences Center	Aurora, CO	$44,000,000
West Chester University	West Chester, PA	$20,249,234

2.1.4 Higher education facilities – community colleges and small/rural colleges

Project Name	Location	Project $ Amount
Austin Community College	Austin, TX	$2,831,716
Honolulu Community College	Honolulu, HI	$1,567,901
Johnson College	Scranton, PA	$421,844
Kauai Community College	Lihue, HI	$1,230,000
Leeward Community College	Pearl City, HI	$922,619
Long Beach City College	Long Beach, CA	$1,402,976
Mott Community College	Flint, MI	$6,675,764
Northeast Wisconsin Technical College	Green Bay, WI	$1,564,911
Paine College	Augusta, GA	$1,179,181
Southwestern Indian Polytechnic Institute	Albuquerque, NM	$3,702,987

B. ESCO RESPONSE TO RFP

2.1.5 Cities/Counties – large

Project Name	Location	Project $ Amount
City of Buffalo	Buffalo, NY	$4,532,111
City of Euclid	Euclid, OH	$798,856
City of Flint	Flint, MI	$1,476,881
City of Huntington Beach	Huntington Beach, CA	$2,886,893
City of Reno	Reno, NV	$1,233,234
City of Tallahassee	Tallahassee, FL	$5,400,000
Hawaii County	Hilo, HI	$460,169
Hawaii County, Phase 1	Hilo, HI	$387,000
Hawaii County, Phase 2	Hilo, HI	$930,281
Jefferson County	Jefferson County, TX	$5,017,568
Kauai County	Lihue, HI	$495,000
Maricopa County	Maricopa County, AZ	$3,984,794
Pennington County	Rapid City, SD	$3,694,447
Solano County	Solano County, CA	$8,067,832

2.1.6 Cities/Counties – small

Project Name	Location	Project $ Amount
City of Ada	Ada, OK	$4,860,000
City of Cathedral City	Cathedral City, CA	$2,753,000
City of Muskogee	Muskogee, OK	$9,851,400
City of Perris	Perris, CA	$5,802,791
City of Ponca City	Ponca City, OK	$15,700,000
City of Rifle	Rifle, CO	$842,500
City of Rowlett	Rowlett, TX	$5,200,000
City of Walla Walla	Walla Walla, WA	$350,000

B. ESCO RESPONSE TO RFP

2.1.7 Medical/Hospital facilities

Project Name	Location	Project $ Amount
Albany Medical Center	Albany, NY	$7,600,000
Baylor All Saints Medical Center	Fort Worth, TX	$4,000,000
Baylor Medical Center	Dallas, TX	$6,000,000
Conemaugh Memorial Hospital	Johnstown, PA	$13,500,000
Denver VA Medical Center	Denver, CO	$2,416,659
J.L. Pettis VA Memorial Hospital	Loma Linda, CA	$8,000,000
Mount Auburn Hospital	Cambridge, MA	$655,418
Polly Ryon Memorial Hospital	Richmond, TX	$2,200,000
San Diego VA Healthcare System	San Diego, CA	$19,500,000
Southeast Regional Medical Command	GA, SC, AL	$12,800,000
St. Anthony's Healthcare	St. Petersburg, FL	$5,800,000
Veteran's Integrated Service Network (VISN) 8	FL, PR	$28,500,000

2.1.8 State Department of Defense/Military facilities

Project Name	Location	Project $ Amount
Department of Defense Center, Monterey Bay	Seaside, CA	$2,182,582
Fort Bragg Task Order #'s 1-26	Fort Bragg, NC	$65,310,031 (All Task Orders)
Fort Leonard Wood Task Order #'s 1, 2	Fort Leonard Wood, MO	$3,268,732 (TO1) $2,535,923 (TO2)
Hickam Air Force Base Task Order #'s 1-3	Hickam AFB, HI	$6,478,201 (All Task Orders)
Hill Air Force Base Task Order #'s 1-7	Ogden, UT	$20,521,816 (All Task Orders)
Kirtland Air Force Base	Kirtland AFB, NM	$18,300,000
Luke Air Force Base	Phoenix, AZ	$23,200,000
Presidio of Monterey	Monterey, CA	$1,905,204
Savannah River Site, Task Order #'s 1, 3, 4	Aiken, SC	$1,655,849 (TO1) $3,769,867 (TO3) $9,539,767 (TO4)
U.S. Coast Guard – Barbers Point	Honolulu, HI	$1,515,374
U.S. Coast Guard – Sand Island	Honolulu, HI	$1,800,280
Vandenberg Air Force Base, Task Order #'s 1, 2	Vandenberg AFB, CA	$725,829 (TO1) $5,041,193 (TO2)

B. ESCO RESPONSE TO RFP

2.1.9 Correctional facilities

Project Name	Location	Project $ Amount
California Dept. of Corrections and Rehabilitation – Ironwood State Prison	Blythe, CA	$1,000,000
City of Taylor (incl. Jail)	Taylor, MI	$4,340,000
Jackson Correctional	Black River Falls, WI	$176,677
Jefferson County (incl. Correctional Facilities)	Jefferson County, TX	$5,017,568
Lebanon Correctional Institute	Lebanon, OH	$1,326,661
Maricopa County (incl. Jail)	Maricopa County, AZ	$3,984,794
New York Dept. of Correctional Services – Attica & Wyoming Facilities	NY	$11,031,900
Pennington County (incl. Jail)	Rapid City, SD	$3,694,447
Redford Township	Redford, MI	$1,200,000
San Fernando Valley Juvenile Hall	Sylmar, CA	$2,100,000
Snohomish Co. Municipal Buildings (incl. Jail)	Everett, WA	$3,058,968

2.1.10 Transportation facilities (airport, harbor, highways, parking structure)

Project Name	Location	Project $ Amount
Austin Airport	Austin, TX	$5,087,586
City of Cathedral City (incl. Parking Garage)	Cathedral City, CA	$2,753,000
City of Perris (incl. Carports)	Perris, CA	$5,802,791
City of Ponca City (incl. Highway Dept.)	Ponca City, OK	$15,700,000
City of Tallahassee (incl. Airport)	Tallahassee, FL	$5,400,000
Jefferson County (incl. Airport)	Jefferson County, TX	$5,017,568
Pennington County (incl. Highway Dept.)	Rapid City, SD	$3,694,447
Sky Harbor International Airport	Phoenix, AZ	$6,000,000
Solano County (incl. Busports)	Solano County, CA	$8,067,832

B. ESCO RESPONSE TO RFP

2.1.11 Sport complexes, stadiums, arenas, etc.

Project Name	Location	Project $ Amount
24 Hour Fitness	AZ, CA, KS, MO, NE, NV, TX	$1,082,144
Astrodomain / Reliant Park	Houston, TX	$25,000,000
City of Huntington Beach (incl. Civic Center)	Huntington Beach, CA	$2,886,893
Escambia County Civic Center	Escambia County, FL	$1,167,000
Lewis & Clark College Pamplin Sports Center	Portland, OR	$1,200,000
Meadowlands	East Rutherford, NJ	$44,000,000
Millennium Stadium	Cardiff, Wales	$6,300,000
Pennington County (incl. Events Center)	Rapid City, SD	$3,694,447
Seoul World Cup Stadium	Seoul, Korea	$840,000
The Frankenstadion	Nuremberg, Germany	$630,000
Wembley Stadium	London, England	$26,400,000

2.1.12 Other government entities – recreation centers, libraries districts, data/communication centers, etc.

Project Name	Location	Project $ Amount
Broward County Libraries	Broward County, FL	$2,647,840
City of Ada (incl. Libraries)	Ada, OK	$4,860,000
City of Huntington Beach (incl. Library)	Huntington Beach, CA	$2,886,893
City of Ponca City (incl. Libraries)	Ponca City, OK	$15,700,000
City of Rowlett (incl. Libraries)	Rowlett, TX	$5,200,000
City of Tallahassee (incl. Community Centers)	Tallahassee, FL	$5,400,000
Frank Hagel Federal Building	Richmond, CA	$2,557,903
GSA-Birmingham Property Management Center	AL, TN, KY, MS	$2,034,785
GSA Boston-J.W. McCormack Building Post Office Square	Boston, MA	$1,065,936
GSA-Federal Research Center at White Oak	Silver Spring, MD	$83,000,000
Montrose Library District	Montrose, CO	$274,272

B. ESCO RESPONSE TO RFP

2.1.13 Multifamily buildings – high-rise or large buildings

Project Name	Location	Project $ Amount
Columbiana Housing Authority	East Liverpool, OH	$1,295,000

2.1.14 Multifamily buildings – smaller scale multi-plex buildings

Project Name	Location	Project $ Amount
Brunswick Housing Authority	Brunswick, GA	$6,700,000
Columbus Metropolitan Housing Authority	Columbus, OH	$3,570,000
Cookeville Housing Authority	Cookeville, TN	$2,042,000
Crestview Housing Authority	Crestview, FL	$1,714,197
Reading Housing Authority	Reading, PA	$8,200,000
Winder Housing Authority	Winder, GA	$2,000,000

2.1.15 Multifamily buildings – mix of building types

Project Name	Location	Project $ Amount
Allegheny County Housing Authority	Pittsburgh, PA	$10,356,898
Chattanooga Housing Authority	Chattanooga, TN	$9,997,000
Denver Housing Authority	Denver, CO	$14,500,000
Harrisburg Housing Authority	Harrisburg, PA	$8,316,000
Housing Authority of the County of Dauphin	Steelton, PA	$3,343,000
Inkster Housing Authority	Inkster, MI	$3,500,000

2.1.16 Community-wide efforts – multiple entities in partnership, or other example

Honeywell is one of the charter members selected to participate in the Clinton Climate Initiative (CCI) (see Appendix 1 for Honeywell's executed Memorandum of Understanding with the Clinton Foundation and Press Release). As a Fortune 100 company, celebrating 122 years of innovation and over 120,000 employees worldwide, we are committed to assisting the Clinton Climate Initiative achieve its goals of making municipal buildings more energy efficient and reducing greenhouse gas emissions, worldwide. Nearly 50% of Honeywell's products and services, company-wide, are linked to energy efficiency.

Honeywell is also a Platinum Sponsor of the American College and University Presidents Climate Commitment (ACUPCC). By partnering with the ACUPCC as an

B. ESCO RESPONSE TO RFP

official sponsor, Honeywell is providing both technical and financial support to help the organization create a learning community for its members. The shared goal of both the ACUPCC and Honeywell is to educate universities and colleges on the available approaches, resources and technologies that will enable them to meet the environmental goals of the Presidents Climate Commitment.

With our capability, experience and commitment, Honeywell is committed to the Energy Efficiency and Environmental business and supportive of the goals of the CCI and ACUPCC. As a pioneer in developing the Energy Performance Contracting concept over 28 years ago, we believe CCI and ACUPCC goals are a natural fit with our long standing energy services philosophy.

In addition, Honeywell is also an ESCO Member of the Energy Services Coalition (ESC). ESC is a national nonprofit organization composed of a network of experts from a wide range of organizations working together at the state and local level to increase energy efficiency and building upgrades through energy savings performance contracting.

2.1.17 Judicial facilities

Project Name	Location	Project $ Amount
City of Ada (incl. Municipal Courts)	Ada, OK	$4,860,000
City of Ponca City (incl. Municipal Courts)	Ponca City, OK	$15,700,000
City of Rowlett (incl. Municipal Courts)	Rowlett, TX	$5,200,000
City of Tallahassee (incl. Courthouses)	Tallahassee, FL	$5,400,000
GSA-Birmingham Property Management Center (incl. Courthouses)	AL, TN, KY, MS	$2,034,785
GSA-Federal Courthouse	Gulfport, MS	$1,913,842
Hampden County Courthouse	Springfield, MA	$2,753,504
Jefferson County (incl. Municipal Courts)	Jefferson County, TX	$5,017,568
Maricopa County (incl. Downtown Court Complex)	Maricopa County, AZ	$3,984,794
Pennington County (incl. Courthouse)	Rapid City, SD	$3,694,447

B. ESCO RESPONSE TO RFP

2.2 Project Summary

List all Energy Performance Contracting projects developed and implemented by your firm within the past five years. Only include projects where work was directly conducted by your company. If it is relevant to list projects performed under contract to another firm, clearly identify the firm with overall responsibility for that project and the project's relevance to this RFP response.

With approximately 750 Performance Contracting projects in the last 5 years, providing a list of all projects would exceed reasonable space limitations of this response; instead, we are pleased to present the following list of projects as representative of our experience with the type of projects we anticipate will result from participation in this program.

Project Name	Facility Type	City & State	Project Size (Dollars)	Project Size (Square Feet)	Year Completed	Term of ESPC
City of Ada	Municipal	Ada, OK	$4,860,000	170,000	2007	15 years
City of Cathedral City	Municipal	Cathedral City, CA	$2,753,000	94,800	2005	10 years
City of Ponca City	Municipal	Ponca City, OK	$15,700,000	440,000	In progress	18 years
City of Rifle	Municipal	Rifle, CO	$842,500	unknown	2006	10 years
City of Rowlett	Municipal	Rowlett, TX	$5,200,000	220,000	2005	15 years
City of Tallahassee	Municipal	Tallahassee, FL	$5,400,000	732,053	2005	13 years
Denver VA Medical Center	Federal Healthcare	Denver, CO	$2,416,659	740,000	2003	18 years
Fort Bragg Task Order #'s 1-26	Federal	Fort Bragg, NC	$65,310,031 (All Task Orders)	30,000,000	In progress	18 years
Fort Leonard Wood Task Order # 2	Federal	Fort Leonard Wood, MO	$2,535,923	13,000,000	2005	13 years
Frank Hagel Federal Building	Federal Administration	Richmond, CA	$2,557,903	526,050	2007	13 years, 1 month
GSA-Federal Courthouse	Federal	Gulfport, MS	$1,913,842	220,000	2003	17 years

B. ESCO RESPONSE TO RFP

Project Name	Facility Type	City & State	Project Size (Dollars)	Project Size (Square Feet)	Year Completed	Term of ESPC
GSA-Federal Research Center at White Oak	Federal Research Center	Silver Spring, MD	$83,000,000	3,200,000	2004 (ESPC I) 2007 (ESPC II) 2009 (estimated – ESPC II Mod. Phase)	23 years
Hickam Air Force Base	Federal	Hickam AFB, HI	$6,478,201	2,000,000	2000 (TO1) 2004 (TO2) 2007 (TO3)	15 years
Honolulu Community College	Higher Education	Honolulu, HI	$1,567,901	unknown	2001	6 years
Jefferson County	Municipal	Jefferson County, TX	$5,017,568	1,200,000	2004	15 years
Kauai Community College	Higher Education	Lihue, HI	$1,230,000	unknown	2001	6 years
Leeward Community College	Higher Education	Pearl City, HI	$922,619	413,000	2005	10 years
Long Beach City College	Higher Education	Long Beach, CA	$1,402,976	640,953	2003	8 years
Luke Air Force Base	Federal	Phoenix, AZ	$61,923,233 (All Task Orders)	5,050,000	2006	20 years
Memorial Hospital of Sweetwater County	Healthcare	Rock Springs, WY	$1,730,000	140,000	In progress	10 years
Montrose Library District	Municipal	Montrose, CO	$274,272	40,000	2006	10 years
New York Dept. of Correctional Services, Attica & Wyoming Facilities	State Correctional Facilities	NY	$11,031,900	1,154,368 (Attica) 756,635 (Wyoming)	In progress	15 years

B. ESCO RESPONSE TO RFP

Project Name	Facility Type	City & State	Project Size (Dollars)	Project Size (Square Feet)	Year Completed	Term of ESPC
Northeastern State University	Higher Education	Tahlequah, OK	$7,500,000	1,100,000	2005	20 years
Pennington County	Municipal	Rapid City, SD	$3,694,447	sq.ft – unknown 14 Buildings	2007	10 years
San Diego VA Healthcare System	Federal Healthcare	San Diego, CA	$19,500,000	1,030,000	2005	10 years
Savannah River Site, Task Order #'s 3, 4	Federal Facility	Aiken, SC	$3,769,867 (TO3) $9,539,767 (TO4)	2,900,000	2004 (TO3) In progress (TO4)	13 years (TO3) 9 years (TO4)
St. Lawrence-Lewis BOCES	K-12 Schools	Ogdensburg, NY	$1,779,181	215,594	2003	15 years
Southwestern Indian Polytechnic Institute	Higher Education	Albuquerque, NM	$3,702,987	360,000	2003	24 years
State University of New York at Old Westbury	Higher Education	Old Westbury, NY	$12,679,469	900,000	2007	15 years
State University of New York at Stony Brook	Higher Education	Stony Brook, NY	$26,401,937	8,000,000	2007	15 years
Stockton Unified School District	K-12 School	Stockton, CA	$10,138,341	sq.ft. - N/A (42 schools)	In progress	10 years
Twin Falls School District, Phase I	K-12 School	Twin Falls, ID	$5,067,369	818,859	2005	15 years
Twin Falls School District, Phase II	K-12 School	Twin Falls, ID	$3,900,000	unknown	2006	10 years
U.S. Coast Guard – Barbers Point	Federal	Honolulu, HI	$1,515,374	90,488	2008	11 years
U.S. Coast Guard – Sand Island	Federal	Honolulu, HI	$1,800,280	248,439	2008	11 years

B. ESCO RESPONSE TO RFP

Project Name	Facility Type	City & State	Project Size (Dollars)	Project Size (Square Feet)	Year Completed	Term of ESPC
Veteran's Integrated Service Network (VISN) 8	Federal Healthcare	Bay Pines, FL; Gainesville, FL; Lake City, FL; Miami, FL; Orlando, FL, San Juan, PR; Tampa, FL; West Palm Beach, FL	$28,500,000	6,700,000	2004	18 years
West Chester University	Higher Education	West Chester, PA	$20,249,234	2,400,000	In progress	15 years

B. ESCO RESPONSE TO RFP

2.3 Project References

For each project listed in Section 2.2, provide detailed information on Energy Performance Contracting projects your firm completed that can be used for references. Expand on the information provided in the previous section to give details on individual projects. Include the following information on each project as a minimum:

***Project Identification**: Owner Name, city/state, facility type (hospital, school, college, city, county, etc.)*

***Contact Information**: Names and contact information of owners(s) representatives who can serve as references. Include phone numbers, email address, and any other means that can be used to contact representatives serving as references.*

***Project Type**: Energy Performance Contract or other type*

***Project Size**: Number of buildings and total project square footage*

***Project Dollar Amount**: Total contract amount and the total project capital expenditure amount*

***Source of Funding**: A description of the source of funding used for the project and the company's role (if any) in securing that funding*

***Project Dates**: Actual dates of audit start and acceptance; Actual construction starting and ending dates*

***Contract terms**: A description of the type of contract, financing arrangement, and contract term*

***Project Personnel**: A list of the name(s) of individuals involved in the project, their role(s) and if these personnel will be assigned to Hawaii projects*

***Project Schedule**: Indicate if project was completed on schedule and an explanation if not*

***List of Improvements**: The types of retrofits and operational improvements implemented related to energy, water and other cost savings*

***Project Performance**: The amounts of projected annual savings, guaranteed annual savings, and actual annual savings for each project in a table as shown below. Note that the project name must correspond with the project name listed in the Section 2.2 table*

Project Name:							
Units	*Projected Annual Energy Savings*	*Guaranteed Annual Energy Savings*	*Actual Energy Savings Year 1*	*Actual Energy Savings Year 2*	*Actual Energy Savings Year 3*	*Actual Energy Savings Year 4*	*Actual Energy Savings Year 5*
kWh							
kW							
MMBTU							
Gallons							
Other							

***Measurement and Verification**: A brief description of the M&V approach for each project including which savings were stipulated, if any*

***Performance Guarantee**: A description of the savings guarantee for each project and, if the guaranteed savings were not achieved, how the company compensated the facility owner for any annual shortfall (e.g. pay funds to meet the guarantee, etc.)*

***Additional Comments**: Comments on any special features, services, conditions, creative approaches, special needs of customer, etc. that may be relevant to Hawaii State and County Agencies.*

B. ESCO RESPONSE TO RFP

Project Identification:	**HICKAM AIR FORCE BASE** Owner: U.S. Air Force City/State: Hickam AFB, Hawaii Facility Type: Federal
Contact Information:	Mr. Bryan Young, Energy Manager Ph: (808) 448-2350 bryan.young@hickam.af.mil
Project Type:	Energy Performance Contract
Project Size:	50 Buildings; 2,000,000 sq.ft.
Project Dollar Amount:	Total Contract Amount: $6,478,201 (Task Order #'s 1-3)
Source of Funding:	Army 46 State and DOE-West ESPC IDIQ
Project Dates:	Task Order 1: Completed 2000 Task Order 2: Completed 2004 Task Order 3: Completed 2007
Contract Terms:	15-Year Performance Contract
Project Personnel:	Jeff Stringfield, Solutions Development Leader
Project Schedule:	Project completed on schedule.
List of Improvements:	▪ Installation of solar power attic fans on 77 Military Family Housing (MFH) units ▪ Installation of reflective insulation in 21 MFH units ▪ Lighting upgrades to industrial, clinic, and office buildings ▪ Lighting controls ▪ Installation of energy management control system (EMCS) in clinic and office buildings ▪ HVAC improvements ▪ Installation of water conservation fixtures in industrial, clinic, office buildings and MFH ▪ Irrigation retrofits ▪ Solar daylighting
Project Performance:	See table below.

Project Name: Hickam Air Force Base, Task Order #1

Units	Projected Annual Energy Savings	Guaranteed Annual Energy Savings	Actual Energy Savings				
			Year 1	*Year 2*	*Year 3*	*Year 4*	*Year 5*
kWh	1,056,494	1,016,030	1,199,532	1,157,086	1,155,906	1,155,946	1,155,946
kW	269	259	288	275.6	275.1	275.2	275.2
MMBTU	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gallons	854,646	821,913	854,061	854,061	854,061	854,061	854,061

B. ESCO RESPONSE TO RFP

Project Name: Hickam Air Force Base, Task Order #2

Units	Projected Annual Energy Savings	Guaranteed Annual Energy Savings	Actual Energy Savings				
			Year 1	*Year 2*	*Year 3*	*Year 4*	*Year 5*
kWh	2,746,206	2,746,206	3,247,093	3,247,093	3,247,093	3,247,093	
kW	300	300	452	452	452	452	
MMBTU	N/A	N/A	N/A	N/A	N/A	N/A	
Gallons	5,747,286	5,747,286	2,711,000	2,711,000	2,711,000	2,711,000	

Project Name: Hickam Air Force Base, Task Order #3

Units	Projected Annual Energy Savings	Guaranteed Annual Energy Savings	Actual Energy Savings				
			Year 1	*Year 2*	*Year 3*	*Year 4*	*Year 5*
kWh	3,628,880	3,583,308					
kW	523	523					
MMBTU	N/A	N/A					
Gallons	6,434,000	6,434,000					

Actual savings are unavailable at this time.
Project is currently in first year of performance phase.

Measurement and Verification:	Honeywell's M&V process is directly consistent with the International Performance Measurement and Verification Protocol (IPMVP). This protocol provides a framework for the most widely accepted and used M&V methods by the industry.
Performance Guarantee:	The guaranteed annual energy savings is $950,228 per year for the three task orders.

B. ESCO RESPONSE TO RFP

Project Identification:	**U.S. COAST GUARD – SAND ISLAND** Owner: U. S. Coast Guard City/State: Honolulu, Hawaii Facility Type: Federal
Contact Information:	Jeffrey Stringfield, Solutions Development Leader Ph: (214) 755-3024
Project Type:	Energy Performance Contract
Project Size:	56 Buildings; 248,439 sq.ft.
Project Dollar Amount:	Total Contract Amount: $1,800,280 Capital Expenditure Amount: $ 0
Source of Funding:	Hannon Armstrong secured by Honeywell
Project Dates:	Implementation Phase: 1st Quarter 2007 through 1st Quarter 2008 Performance Phase: 1st Quarter 2008
Contract Terms:	11-Year Performance Contract
Project Personnel:	Jeffrey Stringfield, Lead Performance Contracting Engineer Dan Foster, Project Manager
Project Schedule:	1st Quarter 2007 through 1st Quarter 2008
List of Improvements:	▪ Lighting Retrofits ▪ Water Retrofits ▪ Solar Thermal ▪ HVAC ▪ EMCS
Project Performance:	See table below.

Project Name: U.S. Coast Guard – Sand Island, HI

Units	Projected Annual Energy Savings	Guaranteed Annual Energy Savings	Actual Energy Savings				
			Year 1	*Year 2*	*Year 3*	*Year 4*	*Year 5*
kWh	4,671,839	4,266,240					
kW	436	398					
MMBTU	816	745					
Gallons	8,918,000	8,143,759					

Actual savings are unavailable at this time.
Project is currently in first year of performance phase.

Measurement and Verification:	Honeywell's M&V process is directly consistent with the International Performance Measurement and Verification Protocol (IPMVP). This protocol provides a framework for the most widely accepted and used M&V methods by the industry.
Performance Guarantee:	$320,173 guaranteed dollars

B. ESCO RESPONSE TO RFP

Project Identification:	**U.S. COAST GUARD, BARBERS POINT** Owner: U. S. Coast Guard City/State: Honolulu, Hawaii Facility Type: Federal
Contact Information:	Jeffrey Stringfield, Solutions Development Leader Ph: 214-755-3024
Project Type:	Energy Performance Contract
Project Size:	16 Buildings; 90,488 sq.ft.
Project Dollar Amount:	Total Contract Amount: $1,515,374 Capital Expenditure Amount: $ 0
Source of Funding:	Hannon Armstrong secured by Honeywell
Project Dates:	Implementation Phase: 1st Quarter 2007 through 1st Quarter 2008 Performance Phase: 1st Quarter 2008
Contract Terms:	11-Year Performance Contract
Project Personnel:	Jeffrey Stringfield – Lead Performance Contracting Engineer Dan Foster – Project Manager
Project Schedule:	1st Quarter 2007 through 1st Quarter 2008
List of Improvements:	▪ Lighting Retrofits ▪ Chiller Replacement ▪ Solar Thermal ▪ HVAC ▪ EMCS
Project Performance:	See table below.

Project Name: US Coast Guard Sand Island, HI

Units	Projected Annual Energy Savings	Guaranteed Annual Energy Savings	Actual Energy Savings				
			Year 1	*Year 2*	*Year 3*	*Year 4*	*Year 5*
kWh	758,125	739,580					
kW	55	54					
MMBTU	2,653	2,588					
Gallons	405,000	395,093					

Actual savings are unavailable at this time.
Project is currently in first year of performance phase.

Measurement and Verification:	Honeywell's M&V process is directly consistent with the International Performance Measurement and Verification Protocol (IPMVP). This protocol provides a framework for the most widely accepted and used M&V methods by the industry.
Performance Guarantee:	$129,584 Annual Guarantee

B. ESCO RESPONSE TO RFP

Project Identification:	**LEEWARD COMMUNITY COLLEGE** Owner: University of Hawai'i City/State: Pearl City, Hawai'i Facility Type: Higher Education
Contact Information:	Mr. Doug Hill Ph: (808) 455-0462 Fax: (808) 453-6728
Project Type:	Energy Performance Contract
Project Size:	15 Buildings; 413,000 sq.ft.
Project Dollar Amount:	Total Contract Amount: $922,619
Source of Funding:	Self-funded through the State of Hawai'i
Project Dates:	Implementation Phase: July 2004 – January 2005 Performance Phase: 2005 –2015
Contract Terms:	10-Year Performance Contract
Project Personnel:	Bill Johnston, Business Development Manager Glenn Vosberg, Project Manager Michael Harrison, Performance Contracting Engineer
Project Schedule:	Project completed on schedule.
List of Improvements:	▪ Chiller replacement ▪ VFDs for chilled water pumps and AHUs ▪ Control system upgrade
Project Performance:	See table below.

Project Name: Leeward Community College

Units	Projected Annual Energy Savings	Guaranteed Annual Energy Savings	Actual Energy Savings				
			Year 1	*Year 2*	*Year 3*	*Year 4*	*Year 5*
kWh	531,686	531,686	543,545				
kW	70	70	112				
MMBTU	N/A	N/A	N/A				
Gallons	N/A	N/A	N/A				
Dollars	$49,564	$45,594	$55,337				

Measurement and Verification:	Honeywell's M&V process is directly consistent with the International Performance Measurement and Verification Protocol (IPMVP). This protocol provides a framework for the most widely accepted and used M&V methods by the industry.
Performance Guarantee:	$45,594 Annual Energy Guarantee

B. ESCO RESPONSE TO RFP

Project Identification:	**KAUAI COMMUNITY COLLEGE** Owner: University of Hawaii City/State: Lihue, Hawaii Facility Type: Higher Education
Contact Information:	Mr. Gary Nitta, Director of Administrative Services Ph: (808) 245-8230
Project Type:	Energy Performance Contract
Project Dollar Amount:	Total Contract Amount: $1,230,000 ($162,369 rebate received from Kauai Electric)
Project Dates:	Implementation Phase: November 1999 – March 2000
Contract Terms:	6-Year Performance Contract
Project Schedule:	Project completed 37 days ahead of schedule.
List of Improvements:	▪ Replacement of two (2) existing R-11 chillers with high efficiency models ▪ Installation of Power Factor Correction on the main electrical feed to the campus ▪ Conversion of all existing pneumatic controls to direct digital controls (DDC) ▪ Installation of a campus-wide energy management system ▪ Implementation of variable chilled water pumping and controls, and removal of existing secondary pumps ▪ Application for available Kaua'i Electric rebates ▪ Full Coverage Maintenance Program on installed equipment & existing equipment on the chill water system
Project Performance:	See table below.

Project Name: Kauai Community College

Units	Projected Annual Energy Savings	Guaranteed Annual Energy Savings	Actual Energy Savings					
			Year 1	*Year 2*	*Year 3*	*Year 4*	*Year 5*	*Year 6*
kWh	94,350	94,350	290,387	349,010	253,974	295,790	157,899	284,549
kW	-51	-51	Included above with kWh.					
MMBTU	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gallons	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dollars	$39,112	$39,112	$90,767	$106,611	$49,189	$48,375	$44,205	$86,307

B. ESCO RESPONSE TO RFP

Measurement and Verification:	Honeywell's M&V process is directly consistent with the International Performance Measurement and Verification Protocol (IPMVP). This protocol provides a framework for the most widely accepted and used M&V methods by the industry.
Performance Guarantee:	$39,112 Annual Energy Guarantee
Additional Comments:	Subcontractors: • Cedric Chong & Associates • Heide & Cook • T&T Electric

B. ESCO RESPONSE TO RFP

Project Identification:	**HONOLULU COMMUNITY COLLEGE** Owner: University of Hawaii City/State: Honolulu, Hawaii Facility Type: Higher Education
Contact Information:	Mr. Ken Kato, Director of Administrative Services Ph: (808) 845-9123
Project Type:	Energy Performance Contract
Project Dollar Amount:	Total Contract Amount: $1,567,901 (includes $89,000 Utility Rebate)
Project Dates:	Implementation Phase: December 2000 – June 2001
Contract Terms:	6-Year Performance Contract
Project Schedule:	Project completed on schedule.
List of Improvements:	▪ Replaced four (4) existing centrifugal chillers with two (2) new 400-ton variable frequency drive centrifugal chillers ▪ Changed the existing constant volume primary/booster chilled water system into a de-coupled primary/secondary chilled water loop with constant primary and variable secondary pumping ▪ Replaced four (4) existing 10 hp chilled water pumps with two (2) new 10 hp pumps that serve as primary constant flow chilled water pumps ▪ Installed two (2) new variable frequency drives to secondary booster pumps ▪ Two-way valve conversion, the main modulating bypass and valves for each building were modified to act as two-way valves ▪ Installed new HVAC occupancy sensors on 116 existing window mounted air conditioning units. ▪ Installed chemical-free, unpowered electrostatic rod system, cooling tower water treatment technology ▪ Energy management control system upgrade ▪ Installed two (2) variable frequency drives to existing cooling tower motors
Project Performance:	See table below.

Project Name: Honolulu Community College

Units	Projected Annual Energy Savings	Guaranteed Annual Energy Savings	Actual Energy Savings				
			Year 1	*Year 2*	*Year 3*	*Year 4*	*Year 5*
kWh	740,256	740,256	744,000	482,000	434,138	352,000	200,000
kW	150	150	Included above with kWh.				
MMBTU	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gallons	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dollars	$70,260	$70,279	$83,414	$70,657	$78,760	$79,640	$84,197

B. ESCO RESPONSE TO RFP

Measurement and Verification:	Honeywell's M&V process is directly consistent with the International Performance Measurement and Verification Protocol (IPMVP). This protocol provides a framework for the most widely accepted and used M&V methods by the industry.
Performance Guarantee:	$70,279 Annual Energy Guarantee
Additional Comments:	Subcontractors: • Mechanical Engineers of Hawaii Corporation • Heide & Cook • T&T Electric

B. ESCO RESPONSE TO RFP

Project Identification:	**COUNTY OF HAWAII** Owner: County of Hawaii City/State: Hilo, Hawaii Facility Type: Municipal
Contact Information:	Mr. Ray Carr Ph: (808) 961-8497
Project Type:	Energy Performance Contract
Project Size:	Two-story Office Building with Basement
Project Dollar Amount:	Total Contract Amount: $460,169
Project Dates:	Implementation Phase: September 1996 – March 1997 Performance Phase: 1997 - 2007
Contract Terms:	10-Year Performance Contract
Project Schedule:	Project completed on schedule.
List of Improvements:	▪ Replacement of two existing R-11 chillers ▪ Conversion of chiller piping from series to parallel ▪ Replacement of chilled water pumps and chiller controls ▪ Modification of AHU controls ▪ Replacement of fluorescent and incandescent lamps and ballasts ▪ Installation of reflectors ▪ Replacement of selected fixture lenses Retrofits of the municipal building are expected to yield the county 32% reduction in consumption.
Project Performance:	See table below.

Project Name: County of Hawaii

Units	Projected Annual Energy Savings	Guaranteed Annual Energy Savings	Actual Energy Savings				
			Year 1	*Year 2*	*Year 3*	*Year 4*	*Year 5*
kWh	405,594	405,594	356,515	354,339	355,382	300,762	323,706
kW	456	456	558	998	1,285	1,328	1,252
MMBTU	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gallons	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dollars			$67,406	$62,322	$65,336	$63,069	$63,767

B. ESCO RESPONSE TO RFP

Units	Actual Energy Savings				
	Year 6	*Year 7*	*Year 8*	*Year 9*	*Year 10 (Partial – Building demolished)*
kWh	N/A	472,762	395,877	385,953	214,332
kW	N/A	2,726	2,702	2,690	1,357
MMBTU	N/A	N/A	N/A	N/A	N/A
Gallons	N/A	N/A	N/A	N/A	N/A
Dollars	$85,104	$100,779	$95,865	$109,852	$66,066

Measurement and Verification:	Honeywell's M&V process is directly consistent with the International Performance Measurement and Verification Protocol (IPMVP). This protocol provides a framework for the most widely accepted and used M&V methods by the industry.
Performance Guarantee:	Total guaranteed savings amount is $737,500. The guarantee period began in April 1997. Actual project-to-date savings are 121% of the guaranteed amount.
Additional Comments:	***Winner of the Hawai'i Electric Company, Inc. (HELCO) 2001 Energy Project of the Year*** Subcontractors: • Mechanical Engineers of Hawaii • T&T Electric • Hilo Mechanical • Lanikai Lighting

B. ESCO RESPONSE TO RFP

The County of Hawaii project listed below does not include all the RFP requested information; however, we have chosen to include it to demonstrate our local Hawaii project experience.

Project Identification:	**COUNTY OF HAWAII** Owner: County of Hawaii City/State: Hilo, Hawaii Facility Type: Municipal
Contact Information:	Mr. Ray Carr Ph: (808) 961-8497
Project Type:	Energy Performance Contract
Project Size:	Approximately 100 County-owned Buildings
Project Dollar Amount:	Total Contract Amount, Phase I: $387,000
Project Dates:	Implementation Phase: July 1999 – February 2000 Guaranteed Savings Phase: On-going
Project Schedule:	Project completed on schedule.
List of Improvements:	Project involved lighting and HVAC retrofits throughout all County facilities. Phase 1 consisted of lighting retrofits and fixture replacements in 27 Police and Fire Stations, as well as the switching of exit signs from fluorescent to LED. Retrofits on the police and fire stations alone are expected to yield the county 28% reduction in consumption.
Project Performance:	Total guaranteed savings amount for Phase I is $536,500.
Subcontractors:	ELT Inc. T&T Electric Lighting Services Inc.
Additional Comments:	***Winner of the Hawai'i Electric Company, Inc. (HELCO) 2001 Energy Project of the Year***

B. ESCO RESPONSE TO RFP

The County of Kauai project listed below does not include all the RFP requested information; however, we have chosen to include it to demonstrate our local Hawaii project experience.

Project Identification:	**COUNTY OF KAUAI** Owner: County of Kauai City/State: Lihue, Hawaii Facility Type: Municipal
Contact Information:	Mr. Glenn Sato Ph: (808) 241-6390 gsato@kauai.gov
Project Type:	Energy Performance Contract
Project Size:	20 County-owned Buildings
Project Dollar Amount:	Total Contract Amount: $495,000
Project Dates:	Implementation Phase: December 1997 – March 1998
Project Schedule:	Project completed on schedule.
List of Improvements:	▪ Replacement of fluorescent and incandescent lamps and ballasts ▪ Installation of reflectors and delamping in certain areas ▪ Replacement of selected fixture lenses ▪ Installation of an energy management system ▪ Replacement of selected motors with energy efficient motors
Project Performance:	Total guaranteed savings amount is $789,540. Actual project-to-date savings are 101% of the guaranteed amount.
Subcontractors:	Mechanical Engineers of Hawaii R-Electric

B. ESCO RESPONSE TO RFP

Project Identification:	**FRANK HAGEL FEDERAL BUILDING** Owner: General Services Administration (occupied by Social Security Administration) City/State: Richmond, California Facility Type: Federal Administration Building
Contact Information:	Mr. David Rouggly, Facilities Team Leader Ph: (510) 970-4111 david.a.rouggly@ssa.gov
Project Type:	Energy Performance Contract
Project Size:	1 Building; 526,050 sq.ft.
Project Dollar Amount:	Total Contract Amount: $3,549,011 Capital Expenditure Amount: $2,557,903
Source of Funding:	Third Party Financing Honeywell's Role: Competitively selected third party financier; savings guarantee by Honeywell helped provide collateral.
Project Dates:	Implementation Phase: May 2005 – June 2007 Performance Phase: July 2007 – February 2020
Contract Terms:	13-Year, 1-Month Performance Contract
Project Personnel:	Dave Croker, Construction Manager Jim Reese, Project Engineer Aamer Athar, M&V
Project Schedule:	No deadline for completion was in effect. Approximate 5 month construction delay occurred because customer incorrectly certified existing boiler equipment as asbestos-free; and utility company construction delay in processing cogeneration unit application.
List of Improvements:	▪ 17kW photovoltaic electrical generating system ▪ Lighting retrofit ▪ Chilled water system optimization ▪ Optimize outside air ventilation ▪ Convert chilled water system to variable flow ▪ Install 260 kW cogeneration system ▪ Convert steam boiler to high efficiency hot water boiler
Project Performance:	See table below.

B. ESCO RESPONSE TO RFP

Project Name: Frank Hagel Federal Building							
Units	**Projected Annual Energy Savings**	**Guaranteed Annual Energy Savings**	**Actual Energy Savings**				
			Year 1	*Year 2*	*Year 3*	*Year 4*	*Year 5*
kWh	1,632,996	1,596,200					
kW	285	279					
MMBTU	-7,366	-7,200					
Gallons	N/A	N/A					
Dollars	$163,989	$160,294					

Actual savings are unavailable at this time.
Project is currently in first year of performance phase.

Measurement and Verification:	Honeywell's M&V process is directly consistent with the International Performance Measurement and Verification Protocol (IPMVP). This protocol provides a framework for the most widely accepted and used M&V methods by the industry.
Performance Guarantee:	$160,294 total
Additional Comments:	At the customer's request, we designed "expandability" into the initial photovoltaic system installation with additional conduits from the roof; currently, the customer has requested a proposal to expand the system to double or triple its current capacity. To date, the system is producing above projected output.

B. ESCO RESPONSE TO RFP

Project Identification:	**SAN DIEGO VA HEALTHCARE SYSTEM** Owner: Veteran's Administration City/State: San Diego, California Facility Type: Federal Healthcare Facility
Contact Information:	Mr. Tom Olson, Chief Engineer Ph: (858) 552-7593 tom.olson@med.va.gov
Project Type:	Energy Performance Contract
Project Size:	4+ Buildings; 1,030,000 sq.ft.
Project Dollar Amount:	Total Contract Amount: $16,961,755 Capital Expenditure Amount: $12,099,917
Source of Funding:	ESPC Federal Financing Honeywell's Role: Competitively selected third party financier; savings guarantee by Honeywell helped provide collateral.
Project Dates:	Implementation Phase: 2004 –2005 Performance Phase: 2005 –2015
Contract Terms:	10-Year Performance Contract
Project Personnel:	Mike Moriarty, Project Manager Jim Kerr, Construction Manager Jim Reese, Project Engineer Aamer Athar, M&V
Project Schedule:	Project completed on schedule.
List of Improvements:	▪ Installation of new 4.6 MW Mercury 50 gas turbine to replace existing 880Kw unit. Installation also includes HRSG and 438-ton absorption chiller and cooling tower. ▪ Installation of VFDs of air handlers throughout the Hospital ▪ Installation of new medical, dental, and facility air systems in central plant ▪ Reduction of site emissions for which we will broker ERCs (Emission Reduction Credits) approx. $4,000,000 to help offset capital costs ▪ Cooling tower installation ▪ Absorption chiller installation
Project Performance:	See table below.

B. ESCO RESPONSE TO RFP

Project Name: San Diego VA Healthcare System							
Units	Projected Annual Energy Savings	Guaranteed Annual Energy Savings	Actual Energy Savings				
			Year 1	*Year 2*	*Year 3*	*Year 4*	*Year 5*
kWh	26,105,755	25,455,602	26,105,755	26,105,755	26,105,755		
kW	4,259	4,153	4,259	4,259	4,259		
MMBTU	-209,568	-204,349	-209,568	-209,568	-209,568		
Gallons	N/A	N/A	N/A	N/A	N/A		
Dollars	$1,555,126	$1,494,587	$1,555,126	$1,620,162	$1,643,253		

Measurement and Verification:	Honeywell's M&V process is directly consistent with the International Performance Measurement and Verification Protocol (IPMVP). This protocol provides a framework for the most widely accepted and used M&V methods by the industry.
Performance Guarantee:	Year 1: $1,494,587; Achieved: $1,555,126 Year 2: $1,547,492; Achieved: $1,620,162 Year 3: $1,602,329; Achieved: $1,643,253
Additional Comments:	This project was unique for the following reasons: 1. The installation of the 1st Solar Turbines Mercury 50 gas turbine. The unit installed under this ESPC was a beta unit. 2. Honeywell was able to generate 40 tons of NOx (nitrogen oxides) ERCs (emissions reductions credits) and broker them for $4.2M. This money was used as a buy-down for the project. 3. The original design called for two (2) 2MWe CAT engines for use in the cogen application. After award, Honeywell engineers, at the request of SDVA, changed the prime mover to a GT while not allowing the schedule to slip. 4. The revised design generated a $1M credit back to SDVA. These funds were utilized for the installation of a 500-ton double effect absorber and new cooling tower yard. 5. Savings from the GT allowed for infrastructure improvements that had no savings component. The design and installation of medical, dental, and facility air compressors was critical in allowing SDVA to have these systems brought up to code. 6. The VFDs for the fans were installed to control air flow and reduce energy costs. Care had to be taken not to impact the operation of negatively pressurized containment areas. The project finished six (6) months ahead of schedule and without a single Change Order by Honeywell. The systems have been up and running for three (3) years and has met the guarantee every year. The project has received the Energy Star Certificate.

B. ESCO RESPONSE TO RFP

Project Identification:	**TWIN FALLS SCHOOL DISTRICT, PHASE I** Owner: Twin Falls School District City/State: Twin Falls, Idaho Facility Type: K-12 School District
Contact Information:	Dr. Wiley Dobbs, Superintendent Ph: (208) 733-6900
Project Type:	Energy Performance Contract
Project Size:	10 Schools, 1 Administration Building; 818,859 sq.ft.
Project Dollar Amount:	Total Contract Amount: $5,067,369
Source of Funding:	First Municipal Credit Corporation
Project Dates:	Implementation Phase: April 2005 – September 2005 Performance Phase: 2005 – 2015
Contract Terms:	10-Year Performance Contract
Project Personnel:	Brett Lichtenthaler, Account Manager Carol Thompson, Project Manager Mary Wyand, Performance Contracting Engineer Kevin Cross, Performance Contracting Engineer
Project Schedule:	Project completed on schedule.
List of Improvements:	▪ Roofing replacements at four (4) schools ▪ Upgraded geothermal system at one school, replacing heat pumps, a cooling tower and water treatment equipment to take advantage of stable temperature below the earth's surface ▪ Lighting retrofits at all ten (10) schools and administration building ▪ Boiler tune-up at one (1) school ▪ Installed VFDs and electric motors ▪ Installed evaporative coolers, dual duct air handling unit ▪ Installed heat wheel, duct furnaces ▪ Installed DDC controllers and control system modifications in all school buildings
Project Performance:	See table below.

Project Name: Twin Falls School District, Phase I

Units	Projected Annual Energy Savings	Guaranteed Annual Energy Savings	Actual Energy Savings				
			Year 1	*Year 2*	*Year 3*	*Year 4*	*Year 5*
kWh	1,636,389	1,636,389	2,242,841	*			
kW	4,325	4,325	5,260	*			
MMBTU	2,297	2,297	2,340	*			
Gallons	N/A	N/A	N/A	N/A			
Dollars	$104,407	$104,407	$123,422	*			

B. ESCO RESPONSE TO RFP

Measurement and Verification:	Honeywell's M&V process is directly consistent with the International Performance Measurement and Verification Protocol (IPMVP). This protocol provides a framework for the most widely accepted and used M&V methods by the industry.
Performance Guarantee:	Year 1: $104,407; Achieved: $123,422 *Year 2: The M&V contract was cancelled effective 2007, for budgetary reasons and because results were in-line with expectations.
Additional Comments:	Complete installation and post-installation M&V in 111 days.

B. ESCO RESPONSE TO RFP

Project Identification:	**FEDERAL RESEARCH CENTER AT WHITE OAK** Owner: General Services Administration City/State: Silver Spring, Maryland Facility Type: Federal Research Center
Contact Information:	Mr. Harry Debes, Project Executive Ph: (202) 260-9583
Project Type:	Energy Performance Contract
Project Size:	1 Building; 3,200,000 sq.ft.
Project Dollar Amount:	Total Contract Amount: $ 305,041,200 Capital Expenditure Amount: $74,699,658 – $24.6M (completed, financed) – $3.7M (completed, direct funded) – $46.4M (under construction)
Source of Funding:	Purchase of Receivables Honeywell's Role: Secured third-party financing for customer with Hannon Armstrong.
Project Dates:	Implementation Phase: July 2002 – July 2004 (ESPCI) May 2005 – Feb. 2007 (ESPC II Base Phase) Sept. 2006 – June 2009 (estimated) (ESPC II All Options Mod. Phase) Performance Phase: 2004 – 2027
Contract Terms:	23-Year Performance Contract
Project Personnel:	Craig Johansen, Project Manager Tim Gorman, Project Engineer James Munoz, Engineering
Project Schedule:	Completion milestone was completed on original schedule. However, some miscellaneous site construction activities are currently being finished.
List of Improvements:	▪ Central Utility Plant construction that includes a 5.8 MW dual fuel engine driven generator ▪ 2,000 kW standby diesel generator ▪ Two (2) 1,130-ton absorption chillers (lead machine) ▪ Two (2) 1130-ton high-efficiency electric centrifugal chillers ▪ Three (3) 10 MMBtu/hr hot water boilers ▪ All plant controls ▪ Renovation of an on-site electric substation ▪ 3,000 SF photovoltaic array ▪ Three (3) 4.5MW natural gas fired turbine-generators ▪ Three (3) 2000-ton high-efficiency electric centrifugal chillers ▪ Installation of all ancillary plant equipment (cooling towers, pumps, switchgear, etc.) ▪ Procurement of AHUs for Engineering Physics Lab w/integral enthalpy wheels and VFDs ▪ Hydronic and electric distribution systems into the plant and from the plant to the supported buildings

B. ESCO RESPONSE TO RFP

Project Performance:	See table below.

Project Name: GSA-Federal Research Center at White Oak

Units	Projected Annual Energy Savings	Guaranteed Annual Energy Savings	Actual Energy Savings				
			Year 1	*Year 2*	*Year 3*	*Year 4*	*Year 5*
kWh	37,133,186	36,221,033	35,445,992	35,962,768	36,454,531		
kW	N/A	N/A	N/A	N/A	N/A		
MMBTU	-202,600	-197,623	-193,395	-196,214	-198,897		
Gallons	N/A	N/A	N/A	N/A	N/A		
Diesel	9,898	9,655	9,448	9,586	9,717		
Dollars	$938,694	$938,694	$938,694	$1,034,105	$3,847,009		

Measurement and Verification:	Honeywell's M&V process is directly consistent with the International Performance Measurement and Verification Protocol (IPMVP). This protocol provides a framework for the most widely accepted and used M&V methods by the industry.
Performance Guarantee:	Year 1: $938,694; Achieved: $938,694 Year 2: $995,333; Achieved: $1,034,105 Year 3: $3,918,628; Achieved: $3,847,009
Additional Comments:	The Federal Research Center at White Oak is a state-of-the-art 3 million square foot, $900 million Food & Drug Administration office and lab compound built by the General Services Administration. The campus is located on the site formerly occupied by the Naval Surface Warfare Center. The final build-out of the campus will be comprised of five groups of interconnected buildings and their shared infrastructure. Honeywell's involvement is to construct a central utilities plant to support the campus development. The central plant, which is a combined heating and power facility, is augmented with a photovoltaic array; and the plant is designed to be expandable to meet the power, heating, and cooling needs of the entire campus at full build-out. Honeywell will also provide full building operation and maintenance services to the campus in addition to managing and operating the central plant.

B. ESCO RESPONSE TO RFP

3.0 QUALIFICATIONS

3.1 History and Focus of Company

3.1.1 Structure and Evolution of the Firm

Provide information on how your company evolved, how long it has been in business under its current and any former names, and its corporate structure (corporation, partnership, sole proprietorship, joint venture, etc.) including identification of branch offices. For joint ventures include the structure of the joint venture and historical information of each member.

Type of Firm, Location and Division Name

Honeywell International Inc. is a corporation headquartered at 101 Columbia Road, Morristown, New Jersey. The division that would be responsible for the State of Hawaii projects is Honeywell Building Solutions, a wholly owned subsidiary of Honeywell International Inc.

Current and Former Names

Honeywell International Inc. was founded in 1885 in Minneapolis, Minnesota and has existed under the following names:

2000 – Present	Honeywell International Inc.
1963 – 1999	Honeywell, Inc.
1927 – 1963	Minneapolis -Honeywell Heat Regulator Company
1916 – 1927	Minneapolis Heat Regulator Company
1893 – 1916	Electric Heat Regulator Company
1885 – 1893	Butz Thermo-Electric Regulator Company

Branch Offices

Honeywell's regional corporate office is located at 250 Ward Avenue, Honolulu, Hawaii, and will be the primary resource office for the State of Hawaii projects. Additional Honeywell resources will be provided by our La Palma, California, San Diego, California, and Houston, Texas branch offices.

3.1.2 Years in the Energy Business

State the number of years the company has been involved in the energy-efficiency related business.

Honeywell has been involved in the energy efficiency related business for 122 years, beginning with the invention of the very first furnace regulator and alarm in 1885 by an inventor named Albert Butz. He formed the Butz Thermo-Electric Regulator Company in 1886, and a few weeks later invented what he called a "damper flapper" – now better known as the thermostat.

In the 122 years since, Honeywell has introduced a vast number of energy products, technologies and services to the marketplace, with the thermostat remaining the most common, popular and highly visible member of our product line.

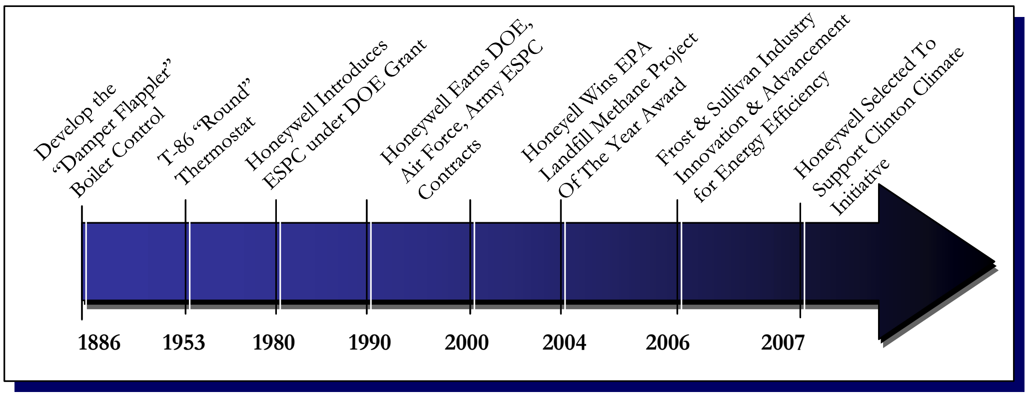
B. ESCO RESPONSE TO RFP

3.1.3 Years in Performance Contracting

State the number of years the company has offered energy performance contracting services.

Honeywell has provided performance contracting services for more than 28 years. With the award of our very first Energy Services Contract in 1980, Honeywell pioneered and revolutionized the performance contracting business, coining the concept of "guaranteed savings" under a U.S. Department of Energy grant in 1984.

As shown in the following figure, Honeywell's history is highlighted with significant energy milestones.



Over 100 years of energy efficiency experience, plus more than 5,000 Energy Savings Performance Contract (ESPC) projects completed-to-date.

3.1.4 Number of Performance Contracting Projects

State the number of performance contracting projects completed by the company: Number under $1 million in project cost; Number over $1 million.

Since the 1980s, Honeywell has successfully implemented over 5,000 energy-efficiency projects at the federal, state, and local levels including K-12 schools, government facilities, medical facilities, college campuses, general office buildings, and industrial facilities – all across the globe. We currently maintain an estimated $180 million in annual energy guarantees with K-12, Federal, State, Municipal and Commercial customers across North America.

Of the roughly 750 contracts we have executed in the last five years, 320 were valued at under $1 Million, with the remaining 430 valued at over $1 Million each. Past and present clients include local, State and Federal government, colleges and universities, K-12 school districts, medical facilities, and retail/commercial/ industrial organizations.

B. ESCO RESPONSE TO RFP

*3.1.5 **Summary listing of judgments or pending lawsuits or actions against; adverse contract actions, including termination(s), suspension, imposition of penalties, or other actions relating to failure to perform or deficiencies in fulfilling contractual obligations against your firm.***

If none, so state.

Honeywell is a Fortune 100 company with businesses in the United States and abroad; as a company that engages in a multitude of businesses throughout the world, we are party to legal action on a variety of matters. We have inquired into legal actions in the United States related to performance contracting to which the Honeywell Building Services business unit has been a party over the last five years and have identified the following:

Case Name	Venue	Status	Description
Alpha Industries v. Honeywell	NJ	Settled	Claim over energy savings guarantee and alleged non-performing equipment
Beauregard Parish School Board	LA	Pending	Dispute over performance contract guarantee
Central School District #108	MN	Settled	Dispute over enforceability of energy savings contract provisions
Grant Joint Union High School	CA	Settled	Breach of contract action regarding energy savings guarantee
Hamblen County Board of Education	TN	Settled	Breach of contract action regarding energy savings guarantee and maintenance obligations
Jemez Valley Schools	NM	Declaratory judgment entered in Honeywell's favor	Action by contractors associations against school district to void Honeywell's performance contract with the district
North St. Francois Schools	MO	Settled	Suit over alleged defective work and shortfall of energy savings guarantee
Pasco County Schools	FL	Settled	Lawsuit over energy savings guarantee and alleged faulty construction
Rochester Community Schools Corp.	IN	Pending	Lawsuit over energy savings contract
Wakulla County	FL	Settled	Breach of contract action regarding energy savings guarantee

At no time has Honeywell been suspended or disbarred from providing performance contracts as a result of the above cases.

B. ESCO Response to RFP

3.2 Financial Soundness and Stability of the Company

3.2.1 Financial Soundness

A description of the financial soundness and expected stability of the company. Include Moody's and/or Dun and Bradstreet rating.

Honeywell International Inc. is a Fortune 69 Corporation, with total sales exceeding $34.5 billion in 2007, and is traded on the New York, London, Chicago and Pacific Stock Exchanges.

As a diversified products and services business, it is not subject to the sudden volatility or business closures of many of the other utility-owned Energy Service Companies (ESCOs) on the market.

Honeywell's credit rating as reported by Dun and Bradstreet is currently 5A2.

3.2.2 Profitability

A description of the company's profitability with supporting documentation covering the past three years.

Honeywell has been profitable for each of the last three years as shown in the table below and documented in the "Consolidated Statement of Operations" from our 2007 audited annual report included in Appendix 2:

Year	Net Income (dollars in millions)
2007	$2,444
2006	$2,083
2005	$1,638

3.2.3 Financial Reports

3.2.3.1 Financial statements and footnotes (audited preferred) for the Proposer for the last completed accounting year within six (6) months of June 30, 2007.

A copy of Honeywell's most recent full year audited financial statements for calendar year 2007 are provided in Appendix 2.

The preparer is:
PricewaterhouseCoopers, LLP
400 Campus Drive
Florham Park, NJ 07932
(973) 236-4000

3.2.3.2 Interim financial statements for the accounting period from the last audited financial statements to February 29, 2008 if the company's year end is other than December 31st.

N/A

B. ESCO RESPONSE TO RFP

3.2.3.3 Solvency ratios (Quick ratio, Current ratio, Current debt to equity, Debt to equity, Fixed assets to net worth, and working capital).

Quick Ratio: (Current Assets – Inventory) / Current Liabilities
(13,685 – 3,861) / 11,941 = 0.82
Current Ratio: Current Assets / Current Liabilities
13,685 / 11,941 = 1.15
Working Capital: Current Assets – Current Liabilities
13,685 – 11,941 = 1,744M

3.2.3.4 Profitability ratios (Profit margin and Return on assets).

Profit Margin: 4,654M or as % of Sales, 4,654 / 34,589 = 13.5%
Debt to Equity: Debt / Equity……. 24,583 / 9,222 = 2.67
Return on Assets: Net Income / Avg Total Assets…… 2,444 / ([33,805 + 30,941] / 2) = 0.08
Fixed Assets to Net Worth: PP&E / Total Equity…… 4,985 / 9,222 = 0.54

3.2.3.5 Access to financing (Lines of credit and Letters of loan commitment).

Honeywell maintains 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. 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. Honeywell had no borrowings outstanding or letters of credit issued under the credit facility at December 31, 2007.

3.2.4 Bonding: *Include responses to the following:*

3.2.4.1 Current bonding rating

A+ (Superior) XV ($2 Billion or greater)

3.2.4.2 Current bonding capacity

$30,000,000 Single / $200,000,000 Aggregate

3.2.4.3 Amount or percentage of bonding capacity currently obligated

$67,584,871

3.2.4.4 Current bonding rate

$4.50 per thousand

3.2.4.5 Confirmation that the company is bondable for 100% of a payment bond on a project

Honeywell is bondable for 100% of a payment bond on all projects.

B. ESCO RESPONSE TO RFP

3.2.4.6 Confirmation that the company is bondable for 100% of a performance bond on a project

Honeywell is bondable for 100% of a performance bond on all projects.

3.2.4.7 Letter from a licensed surety as evidence of ability to bond for payment and performance

A bonding capacity letter from Travelers Casual and Surety Company of America is provided in Appendix 3.

3.3 Industry Accreditations

Provide information on any accreditations by any industry organizations, such as the National Association of Energy Service Companies (NAESCO). Provide information on any pre-qualifiers for your firm, such as work through the U.S. Departments of Energy or Defense for federal projects. Briefly describe the relevance or importance to the work proposed in this RFP for State of Hawaii clientele.

NAESCO

Honeywell is an active member and one of the earliest charter members of the National Association of Energy Service Companies (NAESCO), the country's premier energy services trade organization, and is one of only eleven companies nationwide that has consistently met NAESCO's rigorous accreditation requirements. As a senior and respected member of this prestigious association, Honeywell has worked diligently to promote customer interests in legislative and policy making bodies nationwide, including but not limited to, advising on enabling legislation and the development of Measurement & Verification protocols. Many of the Honeywell team of energy professionals have participated in national speaking engagements for NAESCO events as well.

Membership verification site:

http://www.naesco.org/organizations/companies.aspx?CatID=3


NAESCO ACCREDITED ENERGY SERVICE COMPANY

Certificate of Accreditation

This is to certify that

Honeywell International, Inc.

has participated in the Accreditation Program and Review and has been recognized by the National Association of Energy Service Companies to be an Accredited ESCO.

S. Lynn Sutcliffe
NAESCO President

Terry E. Singer
Executive Director

November 2005
Certification of Reccreditation covers a period of 36 months from date of issuance.

B. ESCO RESPONSE TO RFP

Department of Energy/Defense

Honeywell is on the pre-qualified list for both the Department of Energy (DOE) and the Department of Defense (DOD). Inclusion on this list represents an acknowledgement that Honeywell is a pre-qualified and preferred provider of energy performance contracting services for Federal government facilities.

Membership verification site:

http://www1.eere.energy.gov/femp/financing/superespcs_doeescos.html

Energy Services Coalition

Honeywell is also an ESCO Member of the Energy Services Coalition (ESC). ESC is a national nonprofit organization composed of a network of experts from a wide range of organizations working together at the state and local level to increase energy efficiency and building upgrades through energy savings performance contracting.

U.S. Green Building Council

Additionally, we are a member of the U.S. Green Building Council (USGBC), a community of professionals who share the similar goal of advancing sustainable building practices. Many of the engineers and professionals on the team are LEED® Accredited Professionals. The LEED® (Leadership in Energy and Environmental Design) Green Building Rating System® is a voluntary, consensus-based national standard for developing high-performance, sustainable buildings.

We believe that the above accreditations and pre-qualifiers are indicative of our long-term commitment to the energy performance contracting (EPC) business, our ability to provide solutions that will meet and/or exceed the expectations of the State of Hawaii, and our demonstrated desire to work with clients like the State of Hawaii to market and deliver successful EPC projects.

3.4 General Scope of Services

Provide a brief comment (25 words or less is preferred) for each of the items listed to illustrate the company's capability in each area.

3.4.1 Energy systems in buildings:

3.4.1.1 Lighting systems: Indoor and outdoor

Typical examples of lighting measures Honeywell has performed include conversion from incandescent to fluorescent lamps, energy efficient ballast technology, conversion from high bay sodium fixtures to HID, automated lighting control, traffic light LEDs, parking lot HIDs, etc.

3.4.1.2 Daylighting

Identifying and implementing opportunities for cost-effective application of automatic daylighting control strategies is a standard approach in all of our energy performance contracts (EPCs). Honeywell has implemented several hundred of these applications across our portfolio of prior EPCs.

B. ESCO RESPONSE TO RFP

3.4.1.3 Heating systems

Projects performed range from simple forced air systems to complex district heating plants, including steam and hot water with cogen, waste heat recovery and geo-thermal. Honeywell has capabilities for most air and hydronic HVAC heating systems, as well as process heating applications for water/wastewater treatment, research and manufacturing facilities.

3.4.1.4 Ventilation systems

Honeywell assesses ventilation requirements and compliance with ventilation standards and, where appropriate, offers and delivers integrated and energy efficient solutions for these systems.

3.4.1.5 Indoor air quality

As referenced above, assessment, design and implementation of comprehensive ventilation improvements is central to all of our EPCs. All work performed will meet appropriate codes and standards and, where appropriate, improve IAQ in the process.

3.4.1.6 Cooling systems

Our cooling system expertise ranges from the relatively low tech application of direct expansion cooling to complex district cooling plants and dual-fired dual effect water chillers. We have designed, furnished, installed and upgraded a broad cross-section of HVAC and process cooling systems on our EPCs.

3.4.1.7 Control and building automation systems

As a major manufacturer of temperature control and building automation systems and products, Honeywell has extensive knowledge and expertise in this area to help our EPC clients. However, it should be noted that our EPC business is not dependant on the Honeywell Control business. Our EPC team is totally vendor-neutral with respect to the selection and application of control and building automation system products on our projects.

3.4.1.8 Water-consuming systems

Our experience includes replacement or retrofit of inefficient water-consuming plumbing fixtures such as toilets, urinals, and faucet aerators with new water conserving lower-flow fixtures, devices and controls. Honeywell also automates irrigation systems and use advanced water filtration systems to allow for recycled use of sewer streams for gray water applications, such as outside irrigation.

3.4.1.9 Solid waste, e.g., paper, plastic, glass, aluminum, recycling

To the extent possible, and in an on-going effort to meet the building standards of the USGBC's LEED program, we attempt to use recycled materials in the construction of our work and recycle all construction waste material that leaves the project.

B. ESCO RESPONSE TO RFP

3.4.1.10 Renewables (solar-electric, solar thermal, geothermal, wind, biomass)

Honeywell has demonstrated experience in the application of photovoltaic (PV) power generation, solar (thermal) heating and hot water systems, cogeneration power plants and wind turbine based power generation. Honeywell has also designed and installed several bio-mass-to-energy projects and forest bio-mass gasification systems.

3.4.1.11 Distributed generation

Cogeneration projects, including internal combustion engines, gas turbines and microturbines have been installed by Honeywell. Photovoltaic installations based on either direct owner purchase of the asset or unique power purchase agreements (PPA) wherein we own the asset and sell the output to the client as a service.

3.4.1.12 Central plants

Our experience encompasses recommissioning, retrofit/upgrade and replacement of individual facility and district central heating and cooling plants; decentralizing plants when optimum system efficiency dictates due to changes in use or mission.

3.4.1.13 Kitchens, laundry

Kitchen – Conversion of electric cooking appliances to natural gas; waste heat recovery from kitchen exhaust systems; ventilation optimization; water conservation; refrigeration system improvements
Laundry – .Conversion from electric to natural gas for dryers; make-up air optimization; .convert conventional washer-extractor with a continuous-batch system; rinse water reclamation and treatment

3.4.1.14 Laboratories

Energy-efficient design solutions in laboratories determine the potential of a minimized load and match the load with flexible, adjustable electrical and mechanical conditioning system(s). VAV applications for fume hood and laboratory pressurization are typical solutions.

3.4.1.15 Swimming pools and recreational facilities

Control evaporative heat loss and pool temperature; aquatic center humidity control; pressurization control; conversion from chlorine to ozone based water treatment; waste heat recovery; reduce the number of drains and fills of swimming pools through better water quality control; manual and automatic pool covers to reduce unoccupied period evaporative water loss, chemical treatment for make-up water and energy waste.

3.4.1.16 Fuel switching

Fuel selection sensitivity analysis; real time switching of fuel sources on heating and process boilers; use of steam absorption vs. electric centrifugal

B. ESCO RESPONSE TO RFP

chillers to avoid peak demand charges; dual fuel dual effect chillers; biomass opportunity assessment.

3.4.1.17 Energy management

Provide an integrated and systematic plan to manage energy; measure energy consumption and determine benchmarks for existing facilities; provide objectives, accountability, education, metrics, and monitor continuous improvement.

3.4.1.18 Transportation – fleet fuel management, etc.

Vehicle and equipment assessments; clean strategies for fleet types; fuel and emissions reduction analysis; fuelling and infrastructure evaluation; alternative fuels considerations.

3.4.2 Project Development and Implementation:

3.4.2.1 Energy auditing (identify potential energy-saving measures, determine savings projection based on standard energy engineering principles; estimate project costs; present package of measures with cash flow)

We have a clearly defined process and demonstrated in-house expertise to complete all of the necessary and listed energy audit activities, including a flexible and comprehensive nine-step audit process:

1. Education and interviews with key owner stakeholders.
2. Identifying the owner's project related needs, goals and expectations. In order to do this, it is important that we gather meaningful data from all of the decision makers and key influencers; make the goals clear, achievable and measurable, including specific financial, technical and operational goals that must be met for the project to be considered a success; and confirm alignment and buy-in.
3. Conducting energy consumption and cost inventory as part of baseline development and benchmarking actual against similar facilities and/or processes. This typically includes some form of normalization to make the comparisons meaningful and relevant.
4. Developing detailed inventory in the following areas:
    a. Energy consuming mechanical and electrical equipment and systems
    b. Any unique research, manufacturing or production processes
    c. Current use/needs vs. methods of operation
    d. Assessment of operations and maintenance procedures
    e. Cost of operations/maintenance/repairs
5. Conducting walk-through audits to determine if real-time data collection appropriate (using data loggers, etc.) and documenting visual observations.
6. Doing an end-use energy and water/wastewater analysis for each building, special building subsystem and/or campus.

B. ESCO RESPONSE TO RFP

7. Developing preliminary scope, cost and savings model(s).
    a. Potential scope items, including first cost, energy savings, O&M impact & on-going cost(s)
    b. Provide recommendations for operations and maintenance procedures
    c. Develop and use an interactive financial ("shopping list") model for client preliminary selection and packaging of project scope
8. Reviewing the information with appropriate decision makers and stakeholders & fine tuning accordingly.
9. Preparation of the final audit deliverable document, including the use of the final version of the interactive financial ("shopping list") model referenced above. This allows for client final packaging of the project scopes based on firm or guaranteed maximum pricing and guaranteed savings figures. We generally present all of this information in a workshop to the appropriate decision makers and stakeholders. Develop alignment around subsequent activities.

We conduct workshops with each client throughout the project development effort to ensure full understanding and alignment around program objectives, recommendations, etc.:

1. Preliminary project scope review and selection based on budget cost and savings using the interactive Excel financial model
2. Final project scope review and selection based on guaranteed maximum or fixed cost pricing and guaranteed savings figures
3. Measurement and verification protocols and plan for selected improvements
4. Training needs assessment and plan
5. Construction plan review
6. O&M and service plan
7. Financing
8. Audit deliverable and final scope selection, using the updated final version of the interactive Excel financial model.

3.4.2.2 System design engineering: mechanical, electrical, etc.

We have 72 licensed professional engineers on our team, with the vast majority having the design-build experience necessary to provide turnkey in-house engineered solutions. We also subcontract to locally (State) qualified licensed professional engineering firms with specific technical or facility type experience to supplement these capabilities and to assist with the permitting and certification effort on our projects.

B. ESCO RESPONSE TO RFP

3.4.2.3 Procurement, bidding

Pre-screened and pre-qualified subcontractors and suppliers are invited to participate in a value-based competitive selection process to ensure quality and cost-effective work will be performed on our projects.

3.4.2.4 Construction

We have managed well in excess of $4B of EPCs and as such, have developed standard tools and processes to ensure that our project managers are able to complete their projects on-time, in-budget and to the satisfaction of their clients with minimum disruption to the normal activities that occur in the existing buildings that we are working in.

3.4.2.5 Commissioning of projects and retro-commissioning of existing buildings

We have 94 LEED NC and LEED EB certified professionals on our staff. The standards for commissioning and re-commissioning on our EPCs are defined by these individuals for each project and then delivered by trained Honeywell service personnel or our subcontractors and managed by the EPC project manager.

3.4.2.6 Project management

Honeywell provides a full range of project management services. We have 25 project managers on our performance contracting team, all of which have received extensive training and are experienced in the management of complex multi-discipline EPCs.

3.4.2.7 Identification of asbestos and other hazardous materials and abatement, recycling or disposal as applicable

The vast majority of our prior projects have occurred in existing and older buildings and, as a result, we have had extensive experience dealing with asbestos containing building materials (ACBMs) and other commonly applied hazardous building materials.

During the detailed energy study, Honeywell's on-site project team will meet with the owner's designated representative, as well as facility personnel in each building, to determine if any records exist of hazardous material audits having been performed. We will also report any suspicions or evidence of ACBMs they encounter.

Should any previously unidentified ACBMs be discovered during construction activities, we typically cease all work in the affected area to avoid disturbing the asbestos and consult with our client on the best way to mitigate the conditions.

B. ESCO RESPONSE TO RFP

3.4.3 Continuing Support Services (Post Construction):

3.4.3.1 Performance guarantee for every year of the financing term

With a complete in-house staff of Measurement and Verification Specialists, we are able to provide the level and duration of performance guarantees requested by clients. We have the demonstrated financial stability and performance contracting track record to ensure that we can and will meet our long-term guarantee obligations for all State of Hawaii facilities that participate in the EPC program, as well as all of our other EPC clients.

3.4.3.2 Insurance

Honeywell is insured by ACE American Insurance Company and Indemnity Insurance Company of North America. Our insurance will provide the required coverage.

MEMORANDUM OF INSURANCE **Date: 04/01/08**

This memorandum is issued as a matter of information only to authorized viewers for their internal use only and confers no rights upon any viewer of this Memorandum. This Memorandum does not amend, extend or alter the coverage described below. This Memorandum may only be copied, printed and distributed within an authorized viewer and may only be used and viewed by an authorized viewer for its internal use. Any other use, duplication or distribution of this Memorandum without the consent of ABD Insurance & Financial Services is prohibited. "Authorized Viewer" shall mean an entity or person which is authorized by the insured named herein to access this Memorandum via http://places.honeywell.com/moi. The information contained herein is as of the date referred to above. ABD Insurance & Financial Services shall be under no obligation to update such information.

Producer:
ABD Insurance & Financial Services
For questions please contact: honeywellmoi@abdi.com

Insured:
HONEYWELL INTERNATIONAL INC.
P. O. BOX 1219
101 COLUMBIA ROAD
MORRISTOWN, NJ 07962

INSURERS AFFORDING COVERAGE

Insurer	A	ACE American Insurance Company
Insurer	B	Indemnity Insurance Company of North America
Insurer	C	
Insurer	D	

Coverages

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTHWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS MEMORANDUM MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED BELOW IS SUBJECT TO ALL THE TERMS, CONDITIONS AND EXCLUSIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LTR	Type of Insurance	Policy Number	Policy Effective Date	Policy Expiration Date	Limits	
A	**General Liability** ☒ Commercial General Liability ☐ Claims Made ☒ Occur. Gen'l Aggregate Limit Applies Per ☒ Policy ☐ Project ☐ Loc	CGOG23738338	4/1/2008	4/1/2009	Each Occurrence Damage to Rented Premises Med Exp (Any one person) Personal & Adv Injury General Aggregate Products – Comp/Op.	$ 5,000,000 $ 5,000,000 $ 50,000 $ 5,000,000 $ 5,000,000 $ 5,000,000
A	**Automobile Liability** ☒ Any Auto ☐ All Owned Autos ☐ Scheduled Autos ☒ Hired Autos ☒ Non-Owned Autos	SCA H0824117A	4/1/2008	4/1/2009	Combined Single Limit Bodily Injury (Per Person) Bodily Injury (Per Accident) Property Damage	$ 5,000,000 $ $ $
	Excess/Umbrella Liability ☐ Occurrence Reported ☐ Claims Made ☐ Occur. ☐ Deductible ☐ Retention $				Each Occurrence Aggregate	$ $
B A B A	**Workers' Compensation and Employers' Liability** (Insured States)	WLR C44345730 WLR C44345857 RSC C44345778	4/1/2008	4/1/2009	xx Statutory Limits E.L. Each Accident E.L. Disease – Each Employee E.L. Disease – Policy Limit	 $ 5,000,000 $ 5,000,000 $ 5,000,000
A	**Excess Workers' Compensation and Employers' Liability** Self-insured States only (AZ,WA,OH,NM)	WCU C4434578A (AZ, OH, WA) WCU C4434581A - NM	4/1/2008 4/1/2008	4/1/2009 4/1/2009	Excess Workers' Compensation statutory limits excess of $1,000,000. Employers' Liability: $5 million for each accident or each employee for disease	

This Memorandum of Insurance serves solely to list insurance policies, limits and dates of coverage. Any modifications hereto are not authorized. Any party with which the named insured is contractually required to include special status is automatically granted such status. However, coverage under the policy only applies to the extent of the coverage required by such contractual requirement and for the limits of liability specified in such contractual requirement, but in no event for insurance not afforded by the policy nor for limits of liability in excess of the applicable limits of liability of the policy. Any questions on this form may be referred via email to the ABD Insurance & Financial Services email address noted above.

B. ESCO RESPONSE TO RFP

MEMORANDUM OF INSURANCE **Date: 1st April, 2008**

This memorandum is issued as a matter of information only to authorized viewers for their internal use only and confers no rights upon any viewer of this Memorandum. This Memorandum does not amend, extend or alter the coverage described below. This Memorandum may only be copied, printed and distributed within an authorized viewer and may only be used and viewed by an authorized viewer for its internal use. Any other use, duplication or distribution of this Memorandum without the consent of ABD Insurance & Financial Services is prohibited. "Authorized Viewer" shall mean an entity or person which is authorized by the insured named herein to access this Memorandum via http://places.honeywell.com/moi. The information contained herein is as of the date referred to above. ABD Insurance & Financial Services shall be under no obligation to update such information.

Producer:
ABD Insurance & Financial Services
For questions please contact: honeywellmoi@abdi.com

Insured:
HONEYWELL INTERNATIONAL INC. AND/OR
ITS SUBSIDIARY COMPANIES
P. O. BOX 1219
101 COLUMBIA ROAD
MORRISTOWN, NJ 07962

INSURERS AFFORDING COVERAGE		
Insurer	A	ACE American Insurance Company
Insurer	B	
Insurer	C	
Insurer	D	

Coverages

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTHWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS MEMORANDUM MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED BELOW IS SUBJECT TO ALL THE TERMS, CONDITIONS AND EXCLUSIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LTR	Type of Insurance	Policy Number	Policy Effective Date	Policy Expiration Date	Limits	
	General Liability ☐ Commercial General Liability ☐ Claims Made ☐ Occur. Gen'l Aggregate Limit Applies Per ☐ Policy ☐ Project ☐ Loc				Each Occurrence	$
					Damage to Rented Premises	$
					Med Exp (Any one person)	$
					Personal & Adv Injury	$
					General Aggregate	$
					Products – Comp/Op.	$
	Automobile Liability ☐ Any Auto ☐ All Owned Autos ☐ Scheduled Autos ☐ Hired Autos ☐ Non-Owned Autos				Combined Single Limit	$
					Bodily Injury (Per Person)	$
					Bodily Injury (Per Accident)	$
					Property Damage	$
	Excess/Umbrella Liability ☐ Occurrence Reported ☐ Claims Made ☐ Occur. ☐ Deductible ☐ Retention $				Each Occurrence	$
					Aggregate	$
	Workers' Compensation and Employers' Liability (Insured States)				xx Statutory Limits	
					E.L. Each Accident	$
					E.L. Disease – Each Employee	$
					E.L. Disease – Policy Limit	$
	Excess Workers' Compensation and Employers' Liability					
A	**Global Professional Liability**	HDCG23738363	1st April 2008	1st April 2009	**US $5,000,000 Ea. Occ** **US $5,000,000 Agg**	

This Memorandum of Insurance serves solely to list insurance policies, limits and dates of coverage. Any modifications hereto are not authorized. Any party with which the named insured is contractually required to include special status is automatically granted such status. However, coverage under the policy only applies to the extent of the coverage required by such contractual requirement and for the limits of liability specified in such contractual requirement, but in no event for insurance not afforded by the policy nor for limits of liability in excess of the applicable limits of liability of the policy. Any questions on this form may be referred via email to the ABD Insurance & Financial Services email address noted above.

*3.4.3.3 Equipment and material warranties**

**Equipment and Material Warranties – contractor will be responsible for new equipment and material and modified existing equipment for length of warranty.*

Honeywell warrants that equipment and materials shall be free from defects in materials and workmanship, including installation and setup, for a period of one (1) year from the date of completion of the equipment installation and the acceptance of beneficial use by the owner.

B. ESCO RESPONSE TO RFP

In some cases, warranties are available beyond the standard 1-year period. In all cases, we will transfer these to the owner after the expiration of the initial 1-year warranty period.

3.4.3.4 Financing partner with ability to provide a municipal, tax-exempt lease purchase

Honeywell provides a wide range of financing options to its performance-based contract customers. These include State and Municipal Lease Purchase Agreements through our wholly owned captive finance company, Honeywell Global Finance LLC (HGF). As a single investor finance company, HGF is both the underwriter and the investor in your project. It is HGF's intent to hold your finance contract for the full term of the agreement, thereby giving Honeywell a vested interest in the success of your project.

Honeywell has dedicated finance personnel who understand the municipal lease market and are able to deliver some of the lowest finance rates in the industry, thereby increasing the amount of available cash flow to pay for your energy conservation measures. We fund numerous energy conservation projects within the public sector which gives us the ability to provide the lowest possible finance rates.

Please note that we also have access to numerous other qualified financing sources and, at the direction of the State of Hawaii, would be happy to invite or substitute other firms to participate in the competition for financing on each project.

3.4.3.5 Hazardous material handling

As stated above, identification of asbestos and other hazardous materials is a normal occurrence on many of the retrofit projects we perform. Our process is generally outlined below:

- During the detailed energy study, Honeywell's on-site project team will meet with the owner's designated representative, as well as facility personnel in each building, to determine if any records exist of hazardous material audits having been performed. We will also report any suspicions or evidence hazardous materials they encounter.
- Asbestos is typically dealt with through the owner's staff or qualified third party asbestos abatement firms.
- PCB containing ballasts or transformers and mercury containing lights are disposed of by our lighting subcontractor in accordance with current EPA and local or State waste handling guidelines.
- Any other hazardous materials will be dealt with on a case-by-case basis, in close collaborations with the owner and in such a way as to minimize the cost and impact on the performance contract construction schedule.

B. ESCO RESPONSE TO RFP

3.4.3.6 Measurement and verification of savings

All of our active EPCs include the application of the widely adopted International Performance Measurement and Verification Protocols (IPMVP) for the measurement and verification of savings. We utilize our in-house staff of (39) measurement & verification specialists and (100+) performance contracting engineers to develop and manage to M&V standards that are easily understood by our clients and auditable by independent outside consultants when appropriate.

3.4.3.7 Training: maintenance staff and occupants

Staff and occupant training needs are identified during the audit phase by experienced Honeywell staff to help establish:

1. Each owner's unique goals for the use of in-house vs. outside, or subcontracted, O&M services.
2. Ability of the owner's in-house staff to execute the tasks that the owner desires to perform with in-house labor.
3. A training plan to ensure that owner will be ready to accept O&M responsibility for items they want to perform in-house at the completion and acceptance of the construction period.
4. A training plan for 3rd party service organizations at the request of each owner if they want to use an outside firm(s) to supplement their in-house O&M staff.

Actual training is then provided by Honeywell in three areas during the construction phase:

1. Operations and maintenance of measures we implement.
2. Operations and maintenance of other non-Honeywell impacted energy consuming HVAC systems that the owner desires training on.
3. Occupant (facility user) training around the nature of the improvements we are making and the expected impact these will have on the quality and the "Standards of Service and Comfort" that we will help the owner develop during the audit phase.

On-going professional training is also available through Honeywell's Professional Development Center for continued development of our client's employees. The Professional Development Center is the home base for Honeywell training programs and offers extensive training programs in cities across the country. Our offerings include workshops and seminars covering energy management, temperature controls, mechanical and refrigeration systems, and building control systems. Much of our training is structured around lab exercises to give the participants hands-on experience and practice along with lab theory, thus increasing the effectiveness of instruction.

3.4.3.8 Long-term maintenance services on energy systems

We develop post construction long-term maintenance/support plans collaboratively with our clients during the audit phase. These plans typically include a listing and description of:

B. ESCO RESPONSE TO RFP

1. Energy consuming systems that typically require some level of maintenance to maintain optimal indoor environmental conditions and operating cost efficiencies.
2. Tasks that the owner will be performing with in-house labor for each of the listed systems and/or equipment.
3. Tasks that the owner desires to perform with outside resources and the identification of the likely provider.
4. Minimum maintenance requirements or standards that need to be followed to maintain the cost savings and indoor environmental outcome guaranteed by Honeywell.

Honeywell does not require that clients purchase support services from the local Honeywell Branch in order to provide a guarantee on a project, although we do believe that the maintenance of installed systems is key to equipment efficiency, occupant comfort and indoor air quality and should be performed. We work closely with our clients to identify the optimal sourcing plan (in-house vs. outside firms) to ensure that the necessary and desired service tasks completed and documented.

The only required service that each owner must buy from Honeywell to maintain the guarantees is the provision of measurement and verification services. These services are provided by our national M&V team and are not delivered through, nor connected with, the local Honeywell branch offices. The scope and costs for these services are identified during the audit phase.

The local Honeywell Branch offices are also capable of providing a range of on-call, scheduled preventive maintenance and repair services on HVAC equipment and systems, temperature controls, energy management systems, fire alarm systems and security systems.

3.4.3.9 Application for an Energy Star Label and LEED certification

Energy Star Label

Buildings that earn the EPA's ENERGY STAR are the top performers for energy efficiency nationwide and use about 35 percent less energy than average buildings. More than 3,200 buildings in all 50 states representing almost 575 million square feet have earned the ENERGY STAR. Honeywell has the in-house expertise and knowledge, along with the experience using the free tools and guidelines offered by ENERGY STAR, to help interested and qualified client buildings earn the ENERGY STAR label.

The Honeywell engineers that work on EPCs have a variety of certifications, including Professional Engineer licenses, Certified Energy Manager (CEM), LEED Accredited Professional, Certified Indoor Air Quality Professional (CIAQP), Certified Lighting Efficiency Professional (CLEP), Certified Demand-Side Management Professional (CDMP), and EPA Green Lights Ally. These skill sets and experience help our clients with both their overall energy efficiency efforts as well as the application process for Energy Star building labeling.

B. ESCO RESPONSE TO RFP

LEED Certification

Honeywell is an active member of the U.S. Green Building Council, and has enthusiastically embraced the environmentally responsible approach to design. Currently 94 Honeywell employees carry the LEED Accreditation and we have a goal to have 120 of our business development and engineering personnel LEED trained and accredited by the end of this calendar year.

Honeywell has been involved with obtaining LEED listings for the following projects:

- **Capitol East, Sacramento, California**
  LEED Certified
- **Cal-Trans Building, Los Angeles, California**
  LEED Silver
- **Donald Bren School of Environmental Science and Management, Santa Barbara, California**
  LEED Platinum
- **Austin City Hall, Austin, Texas**
  LEED Gold
- **Hearst Tower, New York City, New York**
  LEED Gold (Pending)
- **NASA Johnson Space Center, Houston, Texas**
  LEED Silver
- **U.S. Federal Courthouse, Jackson, Mississippi**
  LEED NC Silver
- **McCoy Federal Building, Jackson, Mississippi**
  LEED EB Silver
- **GSA Federal Research Center at White Oak, Silver Springs, Maryland**
  LEED NC Gold and Platinum (multiple buildings)
- **Honeywell Canadian Headquarters, Toronto Canada**
  LEED Silver (pending)
- **Chicago Fire Facility #'s 18, 70, 102, Chicago, Illinois**
  LEED Silver
- **Dulles Discovery Center**
  LEED Silver

3.4.3.10 Calculation and reporting of emissions reductions

Honeywell will typically use the National Institute of Science's (NIST) Building Life-Cycle Cost (BLCC) computer program for computations of reductions in air pollution emissions related to conservation investments in buildings and building systems. BLCC computes reductions in CO_2, SO_2, and NOx emissions based on the building's use of electricity, distillate and residual fuel oils, natural gas, LPG, and coal. Reductions in these emissions are reported in kilograms per year and kilograms over the life-cycle of the building system being evaluated. However, no dollar amounts are placed on these emission reductions; rather, they are reported as additional information

B. ESCO RESPONSE TO RFP

that may be of use when selecting among alternative buildings or building systems or local emission factor files.

3.4.3.11 Assistance to the facility owner with preparing annual reports for the Hawaii Energy Performance Contracting Program

This information will be included in annual reports for all of our State of Hawaii energy performance contracting (EPC) customers. We will also provide a separate hard and soft copy of the specific information that the State facility requests.

We will work with the State of Hawaii to establish the desired format for data reporting and then incorporate this as a standard for all of our State facility clients.

B. ESCO RESPONSE TO RFP

4.0 TECHNICAL APPROACH

4.1 Samples: Preliminary Technical Energy Audit (TEA) and Final Investment Grade Audit (IGA)

Under separate cover, provide representative SAMPLE audits of a preliminary TEA and a final IGA that is applicable for an energy performance contracting project in a government facility. (See RFP for proper delivery media.)

In response to this section, provide a brief description of the audits, including energy and economic calculations, and verification that the sample audits were conducted by current members of the company's team proposed for the DAGS Energy Performance Contracting Program (HEPCP). Provide a description of the process your company uses for typical audits (TEA and IGA) in the types of facilities that will participate in the program. Note any changes that will be made to comply with requirements for the program. (Provide the SAMPLE audits under separate cover with an introduction repeating the response for this section.)

Sample Audits

Please refer to separate attachments for our Sample Technical Energy Audit and Sample Investment Grade Audit submitted to the Frank Hagel Federal Building, which includes detailed energy and economic calculations. The Audits were directed and supervised by Mike Moriarty and Dave Croker, who are also members of the team proposed for the State of Hawaii projects.

(Note: On April 6, 2006, Honeywell International Inc. acquired Sempra Energy Services Company, naming our new team "Honeywell Building Solutions SES". The Frank Hagel Federal Building Audits were performed prior to this acquisition under our previous name of Sempra Energy Services Company.)

Preliminary Project Proposal

Honeywell will take a comprehensive approach to designing the State of Hawaii's energy conservation measures (ECMs) and will closely involve the State of Hawaii's staff in each phase of project development. The project development phases include:

- Preliminary Audit Phase
- Detailed Energy Audit
- Construction Phase

During the Preliminary Audit Phase, Honeywell's engineering team will perform an initial audit of the buildings and utility infrastructure. During this process, Honeywell will gain an understanding of existing building energy consumption, equipment, operating sequences and similar performance issues. Honeywell will then identify opportunities for energy-efficiency improvements and work to develop each project in more detail. The ECMs proposed by the engineering team will ensure:

1. The ECM can be implemented with minimal disruption, using high quality equipment with a history of proven performance and reliability;
2. The ECM will not negatively impact the ability of the existing systems to perform their intended functions;

B. ESCO RESPONSE TO RFP

3. The proposed systems will perform as specified and ensure that the projected energy savings can be achieved; and
4. The control sequences and operating procedures required to implement the ECM are complete and cover all contingencies necessary to ensure reliable operations.

Honeywell's engineers will seek input from the State of Hawaii's operations and maintenance staff throughout the project. However, in the early stages, Honeywell will carefully consider input from the on-site staff to ensure the needs of each individual site is best addressed. Once Honeywell develops a portfolio of possible ECMs, the following work is performed:

- Initial scope development including preliminary equipment selection, and sizing
- Project conceptual layout
- Initial energy savings estimates using spreadsheets or more simplified energy models
- Budgetary cost estimates
- Preliminary financial analysis
- Proposed Measurement & Verification Plan

The result of the preliminary audit is to provide the State of Hawaii with a proposal of sufficient detail to understand energy-efficiency opportunities available, approximate implementation costs and savings, typically to +/- 10% accuracy, and other approximate parameters such as implementation schedule, financial terms, and approach for on-going measurement and verification of energy savings. This study will provide the State of Hawaii a tool for deciding if further investment in a final study appears prudent.

Detailed Energy Audit

The Investment Grade Energy Audit is perhaps the most important aspect of an energy savings performance project since it provides the basis for the energy savings that will ultimately pay for implementation of the recommended energy conservation projects and other facility capital improvements. Honeywell's detailed energy audit process can be subdivided into eight basic steps. A general overview of each step follows.

1. Detailed Field Data Collection
2. Data Analysis
3. Design Development
4. Cost Estimating
5. Energy Modeling / Calculation of Savings
6. Financial Analysis and ECM Recommendations
7. Workshop with Owner to Finalize ECM Selection
8. Final Investment Grade Audit Report

1. Detailed Field Data Collection

The first step is collection of field data of greater detail than that obtained during the preliminary proposal. When the audit team arrives on-site, a kick-off meeting is held to coordinate the activities of on-site data collection process. Since this often involves deployment of data loggers in occupied spaces (such as for lighting loggers), or interface

B. ESCO RESPONSE TO RFP

with mechanical or electrical equipment, it is important to plan this phase of work in detail with the on-site facilities staff.

The work performed during this detailed data collection phase includes:

- Identification and inventory of all energy consuming equipment.
- Collection of "nameplate" data for all energy consuming equipment. This information can be used to determine how a piece of equipment was designed to operate.
- Review of historical trends in energy consumption from utility bills.
- Measurement of pertinent operating parameters for the energy consuming equipment such as temperature, pressure, rpm, kWh, run-hours, light levels, etc.
- Observation of how a piece of equipment or system responds to changes in demand.
- Observation of how the equipment and system are performing.
- Interviews of maintenance personnel to gain an understanding of how they feel the system operates.
- Interviews of the end-user to gain an understanding of how they feel the system operates.

It is important for Honeywell to establish a meaningful audit report by obtaining a comprehensive understanding of existing operations. As such, Honeywell's audit teams go to great lengths to collect all meaningful data relevant to the operation of the systems and supplement this with measured data to quantify the existing conditions and performance of energy consuming equipment and systems.

At the end of the visit, a closeout meeting will be held to report initial findings and discuss the potential areas for final ECM development.

2. Data Analysis

In the second step, all data collected in the field is entered into appropriate databases or spreadsheets and checked by the auditor to ensure completeness and accuracy. With the data compiled, review and analysis is performed to ensure that it is consistent with the operating characteristics of the equipment installed and to sort out any anomalies that would be indicative of problems or lack of complete understanding of how the existing systems are functioning.

By comparing the field data to known equipment designs, a profile of existing operating characteristics and energy consumption is generated. If the collected data is correct and there are no significant anomalies, the energy consumption patterns demonstrated in historical utility bills will match those developed from the audit information.

With the baseline energy consumption profiles established, it is then possible to start identifying ECM opportunities and alternatives for further evaluation. Each of the proposed ECMs must produce a quantifiable change from existing operations in order to produce a savings estimate for that ECM.

B. ESCO RESPONSE TO RFP

3. Design Development

The third step is to develop ECMs and conceptual designs for all ECMs or other work that may be included in the project. At this stage, the audit engineers and the design engineers work together to:

- Identify equipment sizes and performance criteria,
- Determine new system operating parameters,
- Produce engineering sketches,
- Select proposed material and equipment upgrades, and
- Identify obstacles to implementation.

In an energy conservation project, it is not the energy savings alone that determines the viability of an ECM. It is also the long-term economic value to the State of Hawaii that justifies the ECM.

4. Cost Estimating

The fourth step is preparation of a cost estimate for implementation of each proposed ECM. With years of experience in the construction industry, Honeywell's managers are well qualified to provide accurate and detailed implementation cost projections based on their knowledge of the construction industry and significant experience installing similar projects. The parameters set forth in the conceptual design phase are reviewed again to ensure that material and equipment proposed will perform as projected and that realistic cost estimates are developed for inclusion in the financial model. This is necessary to evaluate the economic return of each ECM.

5. Calculation of Savings

The fifth step is to calculate the savings that will be available to pay for the cost of the ECMs. Savings are calculated according to the protocols of the Federal Energy Management Programs (FEMP) and International Measurement and Verification Protocols (IMVP). Honeywell is capable of using a variety of calculation methodologies including computer modeling with such accepted programs as DOE-2, Trane TRACE, and/or mathematical spreadsheet modeling using accepted engineering equations, etc. By using the savings calculations prescribed by FEMP and IMVP, Honeywell is able to propose calculation methodologies that the State of Hawaii can be confident have received thorough review and acceptance by their peers.

6. Financial Analysis and ECM Recommendations

The sixth step includes financial analysis of the project based on selection of the best ECMs, from Honeywell's point of view. A financial model, incorporating all costs and savings projections, is prepared. This model illustrates all aspects of the financial arrangements that were agreed to in contract development including annual savings projections, incentive funds applied to the project, lease payments, Honeywell's compensations, and monetary benefit to the State of Hawaii. At this stage, a draft Audit Report may be presented to the State of Hawaii to allow a final opportunity for selection of proposed ECMs.

B. ESCO RESPONSE TO RFP

7. Workshop with Owner to Finalize ECM Selection

Before finalizing the list of ECMs for implementation, Honeywell will present the findings to the State of Hawaii. A number of financial pro-formas will be prepared to illustrate various combinations of ECMs. Honeywell will look to the State of Hawaii for guidance on which ECMs they would like to include in the various scenarios. Financing terms (i.e., 10, 15 or 20 years) can be modeled and compared as well. Quick payback ECMs can be combined with long payback capital improvements to see the effect on the financing term and saving-to-cost ratio. The outcome of this step is to finalize the package of ECMs for implementation.

8. Audit Report

Based on the outcome of the workshop with the State of Hawaii, Honeywell will modify the draft detailed energy audit report to incorporate the selected ECMs. The report is a compilation of data collection and analysis performed in the initial stages of the audit. It presents the:

- Findings of existing operations,
- Analysis procedures used to establish the baseline energy consumption,
- ECMs and alternatives developed and evaluated,
- Conceptual design information, and
- Cost estimates and financial analysis.

The results will be in a report format that allows the State of Hawaii to evaluate each step of the audit and have the information required to make an informed decision as to how to proceed with the project.

4.2 Standards of Comfort

A description of the standards of comfort the company generally uses for light levels, space temperatures, ventilation rates, etc. in the facilities intended for this RFP and any flexibility for specific Facility Owner needs. Note any changes that will be made to comply with requirements.

During the audit phase, we will work with State facilities personnel to understand and determine the exact standards of comfort, as well as the operational settings and equipment performance standards for the proposed ECMs. We present representative samples from other similar facilities and projects and collaborate closely with each client to establish standards that they believe are most appropriate for their unique situations.

In all cases, we will design to the relevant State Building Codes, State of Hawaii standards, the Illuminating Engineering Society of North America/IESNA for light levels, and ASHRAE documents.

Where applicable and different from these published standards, we will modify the standards of comfort and design criteria as required to meet any consent decrees that have been issued to Hawaii for ventilation rates, air discharge velocities at vents, air and HVAC system noise levels and light levels.

The agreed upon standards of comfort will be detailed in the contract documents between Honeywell and the customer for each ECM and site, and will become part of the on-going

B. ESCO RESPONSE TO RFP

M&V assessment, consulting and reporting. We are totally flexible in terms of modifying these standards on an ECM-by-ECM and facility-by-facility basis as long as we are allowed to track the impact of these changes and are not penalized for any identified energy cost increase that might occur as a result.

4.3 Baseline Calculation Methodology

A detailed description of the methodology normally used by the company to compute the baseline of energy, water and solid waste, etc. use for a facility. Include a discussion of how the Facility Owner is engaged for development of and agreement on the baseline. Note any changes that will be made to comply with requirements for this RFP.

Two different approaches are used to establish the baseline, depending on whether the energy is measured at the meter (the Whole Building Approach) or at the individual system level (the Retrofit Isolation Approach). Usually, both methods are used in a performance contract as the data collected will be used to decrease the uncertainty in the estimate of the proposed savings. In addition, the collection of both types of data will later allow for the evaluation and selection of a range of different measurement and verification strategies.

The Whole Building Approach

The Whole Building Approach utilizes data obtained directly from actual utility meters or utility bill histories. A minimum of two consecutive years of data is collected, summarized, graphed, and analyzed to observe trends in usage, demand, cost, fuel adjustment charges, penalties, estimated bills, seasonal variability, base load, and any anomalies that might need to be explained.

If more than two consecutive years worth of data is available, Honeywell will analyze up to five years of history to better understand the changes in facility operation that directly impact the utility bills. Data collected during the facility audit is used as input to the model, with results compared to the baseline information derived from the utility billing histories and analysis as described above.

The Retrofit Isolation Approach

Major systems that consume energy and other utilities that can be isolated (analyzed independently from other facility systems) are identified during the comprehensive detail audit of the facility. Examples include individual lighting circuits, a steam distribution system, an air-handling unit, and a domestic hot water distribution loop.

Although many of these systems are dependent on other building systems, data can be collected that is used to create a baseline for the system in isolation. Diversity effects (interdependence of building systems) are considered, but the energy usage and cost allocations for individual facility systems are quantified using the Retrofit Isolation Approach. The baseline is calculated from spreadsheet calculations and standard engineering formulas accepted in the industry. This ensures consistency between the pre-retrofit and post-retrofit evaluation of each ECM.

B. ESCO RESPONSE TO RFP

4.4 Adjustments to Baseline

A discussion of typical factors that can impact the calculated baseline and the company's general approach to adjusting the calculated baseline if one or more of these factors are present. Include how the Facility Owner is involved for agreement on any adjustments. Note any changes that will be made to comply with requirements for the RFP.

The baseline energy model is adjusted for any factors that significantly affect the energy use. These factors include changes in weather, occupancy or other load factors, operating schedule, equipment modifications, decommissioning of buildings, etc. The use of a detailed hourly baseline model allows the impact of each operational change to be accounted for. Changes in weather are adjusted using a regression model developed for energy use as a function of outside weather. This model has been developed based on guidelines from the DOE Federal Energy Management Program (FEMP).

If an adjustment to a baseline is necessary, the most important step is communication between Honeywell and the client. This allows for early detection of major changes in the facility or early correction of energy wasting practices. If a major change in the facility or operation is detected, Honeywell determines the magnitude of the modification. A modification consists of a number of units to be applied, a time period to apply the units, and a description of why the modification is being applied. Modifications are made only with client's explicit approval.

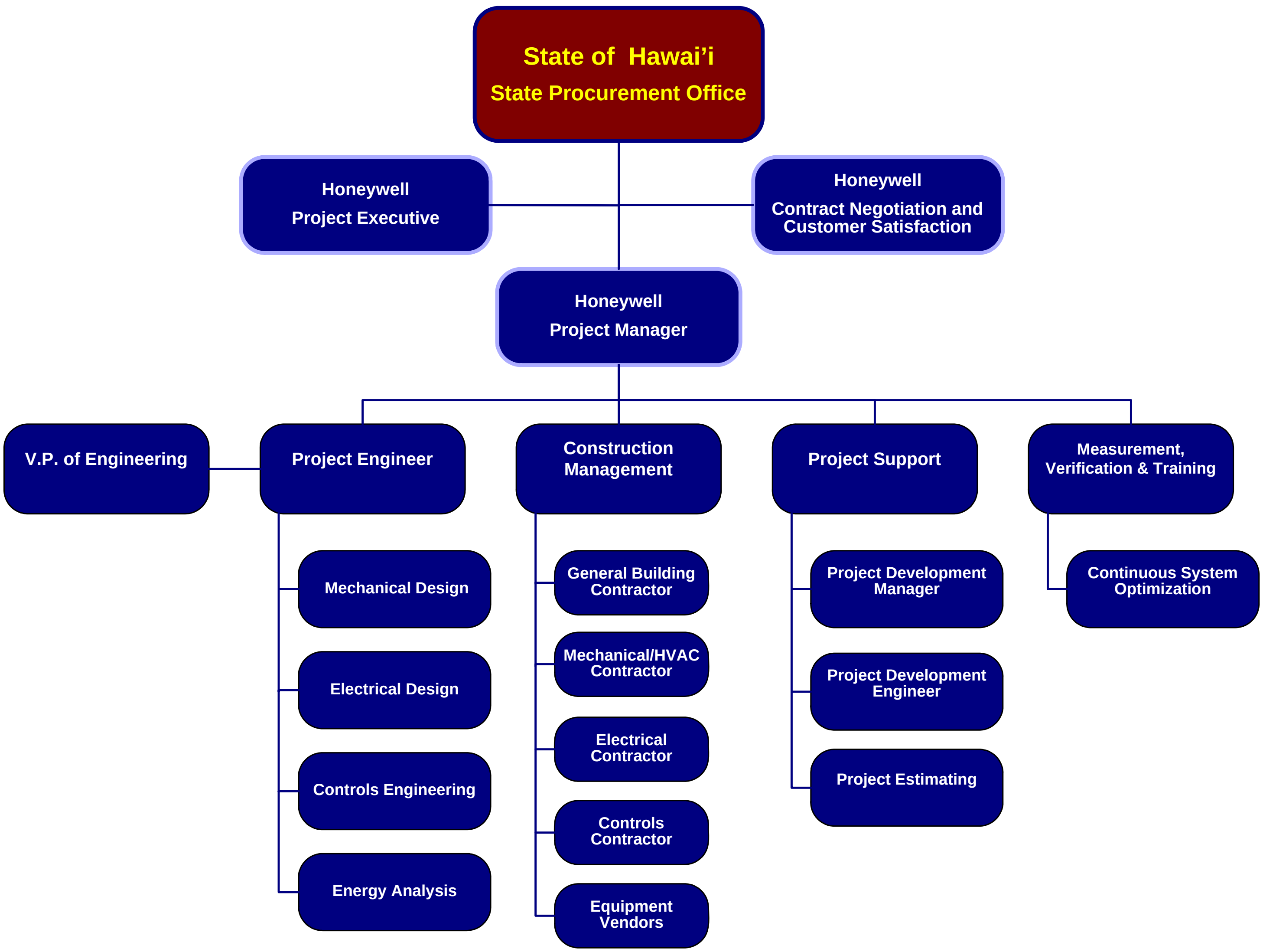
B. ESCO RESPONSE TO RFP

5.0 MANAGEMENT APPROACH

5.1 Project Management and Coordination

5.1.1 Organizational Structure

Show a typical/generic organization chart for implementing and managing a project.



B. ESCO RESPONSE TO RFP

5.1.2 Local Staffing and Support

List the office location (city and state) for personnel proposed for projects under this RFP. Describe the extent of local staffing and support for each phase of a typical project.

Honeywell's regional corporate office is located at 250 Ward Avenue, Honolulu, Hawaii, and will be the primary resource office for the State of Hawaii projects.

Local staffing and their associated summary job descriptions will include, at a minimum:

- **Honeywell Project Manager**
  The PM will engage with Hawaii during the RFP process, and then as individual sites and projects begin in the audit phase, the PM will have project team leadership responsibility all the way through the completion of each project's warranty period. The PM will assist in the development of bid documents, bid solicitation, and selection of the subcontractor(s). The PM will have responsibility for executing the work according to the bid documents, and will provide day-to-day oversight of the subcontractors, interface with facility staff, and coordinate field-support by engineering and other support groups within Honeywell. The PM will oversee and approve all testing, measurement and verification, and administration of subcontracts. The PM will also perform quality control inspections, and ensure that all work performed is accurately reflected in the "as-built" documents.
- **Account Development Manager**
  The Account Development Manager will serve as the primary point of contact with Hawaii at the outset of the process, having overall responsibility for establishing and documenting customer expectations, core business goals and challenges, and their perception regarding facilities needs, goals and challenges. The Account Development Manager will ultimately develop and negotiate each site-related contract with Hawaii, facilitate third party financing and be responsible for overall client satisfaction. The Account Development Manager will closely monitor the project as Hawaii's "voice of the customer" to ensure that client expectations are met.
- **District Branch Manager**
  The District Manager has overall responsibility for all Honeywell business conducted in the state. His responsibilities include both business growth and our overall operations in Hawaii. The District Branch Manager and his management team have complete oversight of all resources used on the State of Hawaii projects, along with overall project success from the business and customer satisfaction perspectives.

We also have the ability to draw on the resources of the Honeywell district offices in La Palma, California, San Diego, California, and Houston, Texas. Honeywell's National Performance Contracting Team is staffed with over 550 full-time, experienced personnel with offices nationwide. These additional resources can be leveraged throughout our organization at any given time to guarantee a successful project.

B. ESCO RESPONSE TO RFP

To the extent that local qualified subcontractors, consultants and service providers are available to participate in the process, it is our intent to engage them to assist with individual Hawaii sites and projects.

The combination of the primary Hawaii-based team, the availability of support from the three referenced Honeywell offices and our desire and willingness to engage local firms will allow us to:

- Overcome any potential weather and/or travel related support issues that might otherwise compromise a single site/single locations firm's ability to provide timely and cost-effective construction, warranty and service support.
- Keep as much business as possible in the local community, maintaining and/or enhancing each Hawaii facility's credibility with local residents, businesses and politicians.

5.1.3 Approach to Subcontracting

Describe the types of services (both professional and construction services) that your company offers in-house and the services typically offered through subcontractors.

The following table illustrates those services that will be provided by Honeywell full-time employees and services that we intend to subcontract to local companies:

	Services Performed By	
Services	**Honeywell**	**Subcontractor**
Investment Grade Energy Audit	X	
Project Management	X	
Direct Purchase of Major Equipment	X	
Engineering Design	X	
Construction Management	X	
Equipment Installation		X
Commissioning	X	
Owner Training	X	X
Savings Measurement & Verification	X	
On-going Maintenance	X	X
Continuous System Optimization	X	

Local Subcontractors – Minority, Small, Woman-owned Business Enterprises

Honeywell recognizes that Minority Business Enterprises (MBE), Small Business Enterprises (SBE) and Women-owned Business Enterprises (WBE) are essential contributors to our social and economic communities. Therefore, Honeywell is committed to procuring goods and services from MBE, SBE and WBE businesses wherever possible. Honeywell has developed a formal small business program to maximize such opportunities. It is the policy and intent of Honeywell to fully honor and implement any and all requirements governing the participation of MBE, SBE and

B. ESCO RESPONSE TO RFP

WBE contractors and suppliers, with target percentage usage ranging between 5% and 30%.

MBE/SBE/WBE Participation

Selection of MBE, SBE and WBE participants will occur during the normal course of subcontractor selection. The optimum level of outsourcing is determined project by project based on the scope of work defined during the conceptual engineering stage. This will be done in a collaborative fashion with the State of Hawaii on an as-needed basis.

Honeywell's Project Manager, with assistance and support from our Project Engineer, is responsible for implementing the subcontractor plan. The Honeywell Project Manager, in partnership with the State of Hawaii's Project Manager, will develop a list of potential suppliers and subcontractors. Honeywell will ensure that all potential suppliers and subcontractors have the opportunity to compete on an equal basis for the work of all subcontracts. The State of Hawaii will have final approval of all subcontractors recommended by Honeywell.

Having been **located on the island of Oahu for over 45 years,** Honeywell understands well the need for partnering with local MBE, SBE and WBE participants, and the benefits that come to all parties when such business relationships are formed. Locally, Honeywell has previously worked with the following Hawaii subcontractors:

- ✓ **LT Electric**
- ✓ **Quality Electric**
- ✓ **Pascual Electric**
- ✓ **Custom Electric**
- ✓ **Lighthouse Electric**
- ✓ **Hawaii Tech Plumbing** (Plumber & Solar Contractor)
- ✓ **Elite Mechanical** (HVAC/Mechanical – chiller replacement, installing new ventilation fans in restrooms, design and installation roof top fan.)
- ✓ **Superior Sweepers** (Irrigation: Design and Install)
- ✓ **Gellert Company** (Air Compressors)
- ✓ **All Solar** (Daylighting)
- ✓ **Beachside Roofing LLC** (Solar Roofing Company)
- ✓ **BirdBusters** (Pest Control Company)
- ✓ **Inter-Island Solar** (Supply House)

B. ESCO RESPONSE TO RFP

5.2 Personnel and Staffing

Provide a table to show your personnel pool of individuals who will potentially be assigned responsibility for each task and phase of a project under this RFP. Also include any added expertise and capability of staff available through other branch offices, subcontracts, etc., that can provide back-up strengths.

Potential Role: technical analysis, engineering design, construction management, construction, training, post-construction measurement and verification, support, and other services.
Level of Expertise: years in industry or other brief description
Base Location: Permanent office in Hawaii; on assignment from other state; out-of-state support

Name	Title	Staff or Subcontractor	Potential Role	Academic/ Professional Qualifications	Level of Expertise	Base Location
Tom Bowen	Vice President and General Manager	Staff	Contract Negotiations Support	MBA, Marketing and Finance, Wake Forest University, Babcock Graduate School of Management BA, Organizational Communications, California State University, Long Beach	High level of expertise; more than 16 years experience in the energy industry.	La Palma, CA
Christine DeTommaso	Account Manager and Project Lead	Staff	Contract Negotiations Business Development Account Management Support	Six Sigma – Green Belt Certification Novell–Systems Admin. Certification Member: General Contractors Association of Hawaii; BOMA Hawaii and NFPA	High level of expertise; more than 29 years with Honeywell, as well as 29 years experience in the energy industry	Honolulu, HI
Nicolas Navarre	District Branch Manager	Staff	Local Management Business Development Support	BA, Wayne State University Principal RME for Honeywell Hawaii Plumbing&A/C	High level of expertise; 25 years mechanical contracting in Hawaii	Honolulu, HI

B. ESCO RESPONSE TO RFP

Name	Title	Staff or Subcontractor	Potential Role	Academic/ Professional Qualifications	Level of Expertise	Base Location
Andrew Pong, PE	Service Sales Representative	Staff	Contract Negotiations Business Development Account Management Support	BS, Mechanical Engineering, California State Polytechnic University, Pomona Registered Professional Engineer in Hawaii and California Member: ASHRAE, AEE	High level of expertise; more than 10 years experience in the energy industry	Honolulu, HI
Dan Foster	Project Manager	Staff	Technical Analysis Engineering Design Construction Management Training Support	MA,: Organizational Management, University of Phoenix BA, Excelsior College, NY NAVSEA Project Management College Master Training Specialist – U.S. Navy Six Sigma – Green Belt Certification	High level of expertise; more than 25 years experience in the project management, maintenance and operation with 5 years experience specifically in the energy industry	Honolulu, HI
Mike Belles	Project Manager	Staff	Technical Analysis Engineering Design Construction Management Training Support	MBA, Chaminade University of Honolulu BS, Mechanical Engineering (with Merit), U.S. Naval Academy	High level of expertise; more than 17 years experience in the energy and facilities industries.	San Diego, CA

B. ESCO RESPONSE TO RFP

Name	Title	Staff or Subcontractor	Potential Role	Academic/ Professional Qualifications	Level of Expertise	Base Location
					Hawaii experience: Pearl Harbor – 3 yrs. Regional Officer In Charge of Contracts, U.S. Navy Hickam AFB – 5 yrs. Project Manager, Housing Maint. Contract, govt. service contractor	
Mike Hill, PE	Vice President Engineering	Staff	Technical Analysis Engineering Design Support	BS, Electrical Engineering, The University of Texas Registered Professional Engineer Member: ASHRAE, IEEE, AEE	High level of expertise; 35 years experience in the energy industry.	Houston, TX
Mike Moriarty, PMP	Regional Director Project Delivery	Staff	Technical Analysis Engineering Design Construction Management Training Support	BS, Computer Science, Chapman University B General Contractor License C-10 Electrical Contractor Project Management Professional Certification (PMI) Project Management Institute (PMI) Member	High level of expertise; 25 years experience in the energy industry.	San Diego, CA

B. ESCO RESPONSE TO RFP

Name	Title	Staff or Subcontractor	Potential Role	Academic/ Professional Qualifications	Level of Expertise	Base Location
John Luoma	Performance Contracting Engineer	Staff	Technical Analysis Engineering Design Training Post-construction M&V Support	MS, Mechanical Engineering, University of Portland BS, Mechanical Engineering, University of Portland Engineer-in-Training (EIT) AEE Member	High level of expertise; more than 20 years experience in the energy industry.	La Palma, CA
Jimmy Quilinderino	Construction Manager	Staff	Construction Management Construction Training Support	Controls Trainer/Teacher Local 675 17 Years Experience with Honeywell in Mechanical Service and Installation Currently General Foreman for 20-Man Shop Licensed in A/C and Control Electricity	High level of expertise; more than 17 years experience in the energy industry.	Honolulu, HI
Dave Croker, CEM	Construction Manager	Staff	Construction Management Construction Training Support	AS, Electrical and Mechanical Technology, Community College of the Air Force Certified Energy Manager (AEE) Certified Building Commissioning Professional (AEE) OSHA 30-Hour Certification	High level of expertise; more than 24 years experience in the energy industry.	La Palma, CA

B. ESCO RESPONSE TO RFP

Name	Title	Staff or Subcontractor	Potential Role	Academic/ Professional Qualifications	Level of Expertise	Base Location
Aamer Athar, PE	Director of M&V	Staff	Post-construction M&V Support	MS, Mechanical Engineering, Texas A&M University BS, University of Engineering & Tech., Lahore, Pakistan Registered Professional Engineer ASHRAE Member	High level of expertise; 15 years experience in the energy industry.	Houston, TX
Mustafa Abbas. PE, CEM	M&V Commissioning Engineer	Staff	Post-construction M&V Support	MBA, Business Administration, Pittsburgh State University MS, Mechanical Engineering, Texas A&M University BS, Mechanical Engineering, N.E.D. University of Eng. & Tech., Karachi, Pakistan Registered Professional Engineer Certified Energy Manager ASHRAE Member	High level of expertise; more than 10 years experience in the energy industry.	Houston, TX

B. ESCO RESPONSE TO RFP

6.0 COST AND PRICING

The Hawaii State Procurement Office intends to establish acceptable maximum audit costs, markups, and fees for use in all projects that result from the use of this vendor list of pre-qualified ESCOs by State and County Agencies. These will be the maximums that may be applied in any Investment Grade Energy Audit and Project Development Contract or Energy Performance Contract developed and executed under this RFP. Each responding company shall provide its proposed maximum cost for performing an Investment Grade Energy Audit as well as schedules illustrating proposed maximum project markups and fees for pre-defined categories.

ESCO audit costs, markups, and fees for individual Energy Performance Contract projects shall not exceed the maximums established in the ESCO Contract.

6.1 Markups

Provide your company's proposed maximum allowable markups in the schedule below for each category listed on the schedule. This format is required and must be completed in its entirety.

Markups represent a percentage added to the base cost for the project (the use of margins in lieu of markups is not acceptable). Use only the categories provided. Ranges for markups are not acceptable.

MARK-UP

CATEGORY OF MARK-UP	MARK-UP APPLICATION	% MARK-UP
Overhead	Applied to all our direct costs of delivering goods & services to each customer. Cost categories are as outlined below.	15%
Profit	Applied to all our direct costs of delivering goods & services to each customer + overhead. Cost categories are as outlined below.	10%
Labor - Internal	Overhead + profit are applied at the rates listed to our direct labor costs, including salary and benefits	+ 15% Overhead (O/H) + 10% Profit
Equipment Purchased	Overhead + profit are applied at the rates listed to our direct invoice cost, including shipping and handling to job site.	+ 15% O/H + 10% Profit
Materials Purchased	Overhead + profit are applied at the rates listed to our direct invoice cost, including shipping and handling to job site.	+ 15% O/H + 10% Profit
Subcontract Labor	Overhead + profit are applied at the rates listed to our direct invoice cost, including subcontractor's overhead & profit.	+ 15% O/H + 10% Profit
Subcontract Material	Overhead + profit are applied at the rates listed to our direct invoice cost, including subcontractor's overhead & profit.	+ 15% O/H + 10% Profit

Please note that the percentage of mark-up values listed above are negotiable at the customer's request on a project-by-project basis and may be impacted (downward) by factors such as potential economies of scale for larger projects, intergovernmental agreements between different entities that essentially allow us to "bundle" projects for multiple local firms and site accessibility (travel time). With Energy

B. ESCO RESPONSE TO RFP

Performance Contracts, which Honeywell guarantees both performance and savings results, consistent overhead and profit percentage are applied to all aspects of the project.

Clearly describe how self-performed work will be charged (billed hourly, billed as a markup of equipment and labor costs, etc.). If self-performed work will be billed hourly, include markups proposed to be applied to the hourly rate.

Up-front cost estimates for all non-fee based, self-performed work will be performed by the project manager prior to presenting project costs to the owner. This total cost estimate will be presented in an open book pricing format similar to our direct costs for subcontractors and suppliers and then marked up at the contract stipulated overhead and profit rates.

If a proposal is from a joint venture partnership, include proposed maximum allowable markups in the schedule format above for each participating company.

This proposal is provided solely by Honeywell and will not be based on a joint venture partnership.

6.2 Maximum Fees

Provide your company's proposed maximum allowable fees in the schedule below for each category listed on the schedule. This format is required and must be completed in its entirety. Use only the categories provided. Ranges for fees are not acceptable. If a proposal is from a joint venture partnership, provide proposed maximum allowable fees in the schedule format below for each participating company.

FEES

CATEGORY OF FEE	HOW DETERMINED AND USED	YEARS APPLIED (One-time, Annual, etc.)
Investment Grade Energy Audit and Project Development	▪ $ 0.10 per square foot for K-12, higher education schools and State and local government buildings – no O/H & profit applied ▪ $ 0.12 per square foot for hospitals & correctional facilities – no O/H & profit applied	One time
Solicit & Evaluate Project Financing Proposals	No fee – done for free.	N/A
Design	9% of the customer's installed cost of the project including Honeywell O/H & profit.	One time
Contingency	6% of the customer's installed cost of the project including Honeywell O/H + profit.	One time
Permits	Costs driven by local requirements. Direct costs will be passed through @ Honeywell's direct cost + O/H & profit at the rate agreed to in the project.	One time

B. ESCO RESPONSE TO RFP

CATEGORY OF FEE	HOW DETERMINED AND USED	YEARS APPLIED (One-time, Annual, etc.)
Performance Bond	$4.50 per $1,000 of the customer's total installed cost of the project plus Honeywell O/H & profit.	One time
Project Management	7% of the customer's installed cost of the project including Honeywell O/H & profit.	One-time
Commissioning	2% of the customer's installed cost of the commissioned measures plus Honeywell O/H & profit.	One time
Training	There is no additional training cost to the client for standard training on newly installed measures. Additional costs for customized training beyond will be established based on a detailed estimate of Honeywell cost + course fees + expenses marked up at the contract O/H & profit rates.	May be one time or on-going at the customer's discretion
Monitoring and Verification	To be established for each client/project based on the specific project M&V plan. This is generally in the range of 2% - 5% of annual savings and is not less than $2,500 per year.	On-going for every year of the guarantee
Warranty Service	Cost for warranty service is included in the installation quotes we receive from subcontractors and suppliers. The only possible added cost would be for any customer requested warranty service outside of normal business hours or beyond the manufacturer's standard warranty term. If this is requested, it will be passed through from the subcontractor or supplier at the rate quoted plus Honeywell O/H & profit.	One time
Maintenance on Installed Measures	As this is not required to be performed by Honeywell, there are no fees associated with this category. Actual costs for each client's desired services will be developed and negotiated per the project development maintenance plan.	On-Going if Selected by Customer

B. ESCO RESPONSE TO RFP

Provide the proposed maximum fee for Investment Grade Energy Audit and Project Development projects on a cost per square foot basis. The company agrees that the proposed maximum fees shall incorporate its responsibility to adhere to and complete the full scope of work as presented in investment grade audit and energy performance contracts.

The unit cost per square foot for the audit will be $0.10 or $0.12 depending on the type of facility. Honeywell understands the fee requirement stipulated by the RFP, and will comply.

For each fee category listed on the schedule describe how that fee is determined, how the fee is charged to the project and when it is applied. For example, fees might be based on a percentage of project cost. Markups on fees are not allowable under this RFP.

Per the RFP, we agree that there will not be markups on identified fees; please see explanations provided in the above table for more information.

6.3 Contingency

Describe your company's typical level of contingency budget for lighting, electrical, mechanical, controls projects, and other projects and how it proposes to apply contingency to cover changes in work scope and subcontractor change orders. Note that all unused contingency funds will revert to the Facility Owner or be applied to additional work scope through a change order approved by the Facility Owner.

The contingency budget is established to cover unanticipated construction costs, such as accessibility to work areas. The contingency budget is reserved first for these items, with any remaining contingency dollars available to be used by the owner for increases in scope.

Honeywell does not use contingency to cover errors and/or omissions in the project development and design process. Any costs that occur as a result of this will be absorbed by Honeywell at no additional cost to the owner and will not use contingency dollars.

We typically apply a uniform contingency percentage of 6% to all estimated direct project costs (both subcontracted equipment and services, and Honeywell in-house costs).

We understand and agree that all unused contingency funds will revert to the owner or be applied to additional work scope through a change order approved by the owner.

6.4 Equipment/Labor Cost Competition

Describe your company's process to solicit bids on equipment/labor or to ensure price/cost competition and the best value for the Facility Owner.

In the traditional method, Honeywell will prepare and distribute a bid package consisting of all the necessary information concerning the site and ECMs to each of the pre-qualified subcontractors and suppliers, and invite them to participate in a site walk-through. Proposals and/or bids will be received and evaluated based on multiple criteria including experience, thoroughness of bid, implementation schedule, and pricing.

In the case of any control system upgrades, energy management system expansions, etc. we will author an open protocol performance based specification and solicit bids from pre-qualified firms. We encourage the owner to receive these sealed bids on our behalf to avoid

B. ESCO RESPONSE TO RFP

any appearance of preferential treatment for Honeywell product solutions that may be proposed by the local Honeywell controls office.

6.5 Open Book Pricing

Open book pricing is full disclosure by the contractor to the Facility Owner of all costs and markups for materials, labor, and services received during the project development, implementation, and performance period phases.

Open book pricing will be required such that all costs, including all costs of subcontractors and vendors, are fully disclosed. Describe your company's approach to open book pricing and its method for maintaining cost accounting records on authorized work performed under actual costs for labor and material, or other basis requiring accounting records.

It has been Honeywell's practice to provide open book pricing to our performance contracting customers. Our ability and willingness to provide open book pricing for the Hawaii projects is best illustrated by the work we have done for the various Federal government agencies. Honeywell provides more performance contracting services to the U.S. Federal Government, which requires open book pricing on all projects, than any other ESCO.

Our estimating method breaks out the major portions of a project, itemizing each cost for easy determination of price. We routinely share our labor and equipment estimates, as well as major subcontractor quotes and pricing details, with our clients. This allows us to provide equipment options from a wide variety of manufacturers without bias for or against one brand or manufacturer over another; it is your choice and decision.

Project costs are determined using a bottom-up method, identifying all items directly attributable to the project. Firm subcontract and material/equipment supplier quotes are added to our estimates for direct in-house labor and expense costs. These costs are then subtotaled and multiplied by the associated mark-up percentages to obtain the "pre-fee" total price of the project. Agreed-to fees are then added to this amount to establish the owner's total project cost.

All of this information is maintained in Excel, Word and other file formats and will be provided in both hard and soft copy to the owner for their review and approval. The actual cost estimates are presented to the owner in a workshop.

C. OFFEROR EXCEPTIONS

Honeywell is excited about the opportunity to provide services to the State of Hawaii, has reviewed the RFP and understands the requirements and provisions in this RFP. Honeywell reserves the right to discuss and potentially negotiate the contracts based upon our proposed response such that we can structure and complete terms and conditions mutually beneficial to both parties. We have solid experience in managing like projects, and are committed to developing a successful partnership with the State of Hawaii.

APPENDIX 1

HONEYWELL'S CLINTON FOUNDATION MOU AND PRESS RELEASE

MEMORANDUM OF UNDERSTANDING
between

THE CLINTON CLIMATE INITIATIVE
a division of

THE WILLIAM J. CLINTON FOUNDATION
and

HONEYWELL BUILDING SOLUTIONS

WHEREAS: The Clinton Climate Initiative ("CCI") of the William J. Clinton Foundation ("WJCF") and Honeywell Building Solutions, a unit of Honeywell International Inc. ("Honeywell Building Solutions") recognize we must collaborate to mitigate the risks of increasing concentrations of greenhouse gases ("GHG") in the Earth's atmosphere and increased average global temperatures.
AND WHEREAS: The two organizations are mutually committed to initiating projects within the C40 Large Buildings Retrofit Program (the "Program") that substantially reduce greenhouse gas emissions and that achieve measurable results.
AND WHEREAS: CCI and Honeywell Building Solutions also recognize there are tremendous opportunities for cities to help reverse global climate change while saving energy, reducing costs and promoting sustainable development.
AND WHEREAS: Honeywell Building Solutions is a global leader in energy efficiency and sustainability. Honeywell International is a $33 billion diversified technology and manufacturing leader, serving customers worldwide with aerospace products and services; control technologies for buildings, homes and industry; automotive products; turbochargers; and specialty materials. It is based in Morris Township, N.J. Honeywell Building Solutions is part of the Honeywell Automation and Control Solutions business group, a global leader in providing product and service solutions that improve efficiency and profitability, support regulatory compliance, and maintain safe, comfortable environments in homes, buildings and industry. Recognizing the impact of buildings on global energy use and greenhouse gas emissions, Honeywell Building Solutions will work with participating cities to lower the GHG emissions of buildings.

NOW, THEREFORE: We enter into this Memorandum of Understanding ("MOU") to define the collaborative working relationship between the CCI and Honeywell Building Solutions. Our cooperative activities will include the development and implementation of a Large Buildings Retrofit Program to efficiently procure and implement energy efficient technologies.

This MOU represents the framework of the Program's procurement, contracting, planning, implementation, measurement, and verification processes and is part of a broader set of agreements collectively designed to reduce GHG emissions that are being implemented between the CCI and municipal governments in major global cities ("Cities", individually "City") and between CCI and major financial institutions ("Financial Partners").

1. City Commitment

Cities are committing to undertake a Large Buildings Retrofit Program to improve municipal building energy efficiency and to create private sector incentives to do the same.

1.1 Participating Cities will agree to implement the Large Buildings Retrofit Program in order to save energy and reduce greenhouse gas emissions.
1.2 Participating Cities will each streamline their respective approval processes in order to provide a predictable flow of buildings for the Large Buildings Retrofit Program enabling ESCOs to lower costs and increase the speed of implementation.
1.3 Participating Cities will commit to the program for their own buildings and commit to creating incentives for other public owners and for private owners to retrofit as well.
1.4 Participating Cities will commit to making the process as easy and as free of barriers as possible.
1.5 Participating Cities will establish significant quantitative goals for the program such as building space retrofitted or total emissions reductions.

2. Financial Partner Commitment

Financial Partners are committing to provide attractive financing for projects carried out under the Program which are to be paid for from the energy and other related savings realized.

2.1 Financial Partners will agree to fund qualified projects under the Large Buildings Retrofit Program for both public and private participants providing reasonable and efficient access to capital.
2.2 Financial Partners will secure project financing with cash flow from identified savings, and energy performance guarantees will drive project funding levels.

3. ESCO Commitment

Participating Energy Services Companies ("ESCOs") agree to (1) work in good faith with CCI and each City to maximize energy and other related savings and deliver sustainable performance from the building improvements implemented, (2) provide performance guarantees of energy savings, (3) expand their businesses to meet Program growth, (4) share information on a confidential basis with CCI, (5) work with CCI to lower total system costs and prices, and (6) develop in cooperation with cities mutually acceptable performance contract terms and conditions.

4. CCI Commitment

CCI will (1) negotiate initial agreements to launch the Program, (2) serve as ongoing liaison among ESCOs, Cities, and Financial Partners to ensure continuity, focus on the mission, and long-term program performance, (3) develop in cooperation with partners a broad set of industry best business practices for the program, (4) work with the Cities to stimulate incremental demand for ESCO services among the owners, (5) negotiate streamlined procurement and regulatory processes that eliminate barriers to the Program, and (6) seek complementary sources of funding and credit enhancement such as IFI financial guarantees, investment credits, and utility rebates to lower total Program costs and risk.

5. Energy Services Procurement and Delivery under the Program

The Program will operate in the following way and is generally described in Figure 1:

C40 Large Buildings Retrofit Program Procurement and Delivery Process

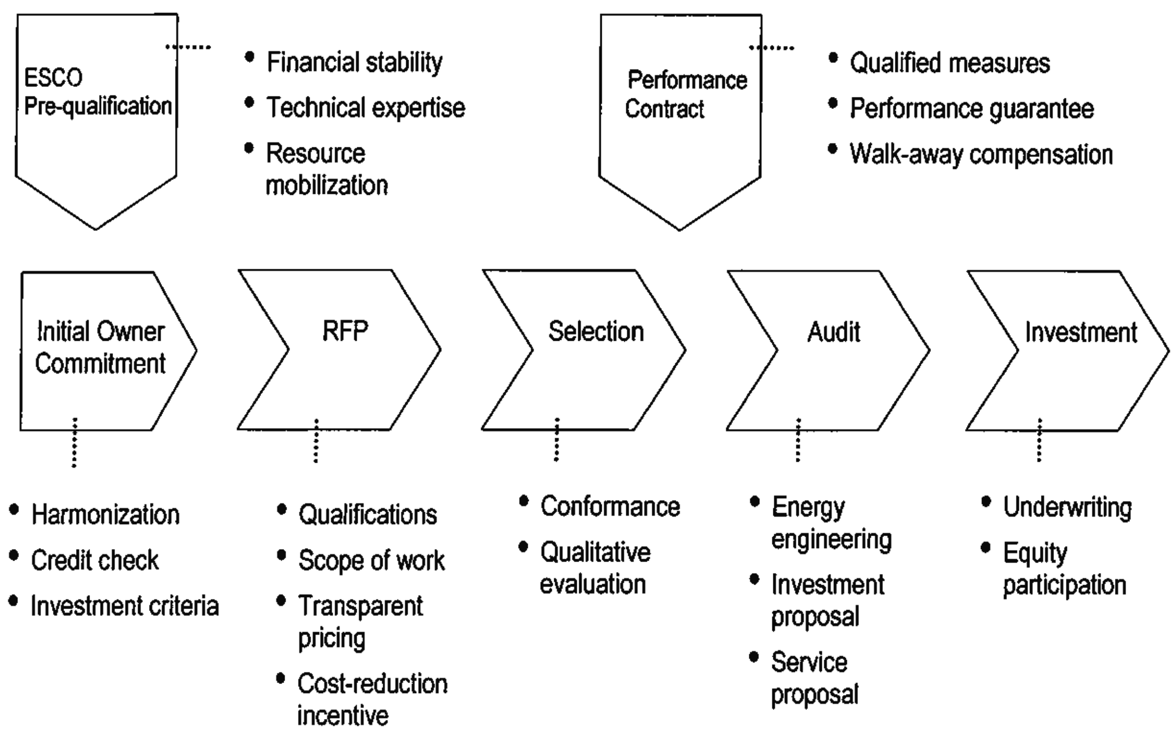


Figure 1

6. ESCO Pre-Qualification

Each participating City will pre-qualify a pool of ESCOs. Pre-qualification is required for delivery of service under the Program. The following considerations will be part of the pre-qualification process:

6.1 Pre-qualification is intended to be a high-level review of total ESCO capabilities rather than a detailed evaluation. More detailed qualification information about local capabilities will be included in and submitted at the time of an RFP.
6.2 Qualifying ESCOs will have requisite technical skills to develop, deliver and service large building energy retrofit projects along with a demonstrated history of successfully delivering promised energy savings and performance guarantees.
6.3 Qualifying ESCOs will have the ability and willingness to use local labor and product suppliers wherever such use is feasible.
6.4 Qualifying ESCOs will have the ability and willingness to employ project and product performance specifications that ensure the best value for the cities and private owners.
6.5 Qualifying ESCOs will have financial bonding capacity and other attributes acceptable to CCI, Cities and Financial Partners that influence the quality of their performance guarantees.

7. Initial Owner Commitment

7.1 Participating Cities will initiate projects by identifying specific municipal buildings and/or participating private buildings to evaluate.
7.2 Public and private owners that opt in will establish threshold financial criteria for approval of efficiency measures (cash flow, simple payback, etc.).
7.3 Public and private owners that opt in will allow Financial Partners to complete a credit check.

8. RFP and Selection

8.1 For each scope of work, Cities will issue a Request for Qualifications and Proposal ("RFP") to pre-qualified ESCOs.
8.2 ESCOs will respond with any qualifications unique to the defined scope of work and other attributes they believe make them the best qualified ESCO.
8.3 Cities will evaluate responses using such criteria as (1) management approach, (2) technical approach, (3) project development methodology, (4) project delivery methodology, (5) past performance, (6) service capabilities, (7) interview performance, (8) local resource mobilization, and (9) financial terms such as walk-away requirements, insurance coverage, and bonding.
8.4 Cities will award prime contractor responsibility to the ESCO with the best qualifications and most attractive terms.
8.5 While harmonized via MOU with CCI, the selection process will be adapted by each City according to prevailing statutes in its jurisdiction.

8.6 An RFP is a single tender with a defined scope of work and will normally be implemented by a single selected ESCO.

9. Audit – Performance Contract, Energy Engineering, and Project Planning

9.1 After selection of an ESCO as the prime contractor but before beginning site-specific work, the ESCO selected and each owner represented in the applicable scope of work will execute a performance contract ("PC").
9.2 The PC will confirm the financial criteria that each owner will use to evaluate measures proposed for their buildings.
9.3 The PC will ensure agreement between the owner and the ESCO on key issues such as preliminary project performance criteria and local or site specific concerns.
9.4 The PC will confirm that an energy savings performance guarantee will be provided by a selected ESCO.
9.5 The PC will detail the walk-away compensation that a selected ESCO will receive should the owner decide not to implement qualified measures which will normally be a percentage of the estimated project cost or actual project development costs.
9.6 After execution of a performance contract, an owner and cooperating tenants will provide the selected ESCO certified data as follows: (1) age of each building in the scope of work, (2) building gross square footage and number of floors, (3) all building energy usage in the most recent 13 to 36 month period (electricity, fuel, natural gas, water/sewer, purchased chilled/hot water & steam) including tenant space where energy may be metered separately, (4) building occupancy and use, (5) any historical energy audits, and (6) anticipated building changes, if any.
9.7 Data provided by owners will serve as a baseline for GHG emissions and help prioritize buildings for projects.
9.8 The selected ESCO will develop the scope of work addressing specific energy savings and project costs for improving the efficiency of buildings. The ESCO will address all energy consuming systems, building envelope, and other aspects of the site that may impact GHG emissions such as operating procedures and occupancy schedules, even when separate permission must be obtained from tenants to do so.

10. Investment - Approval, Implementation, and Performance Assurance

10.1 The ESCO will audit, develop, and estimate the cost of viable retrofit measures using transparent pricing that will allow owners to compare project costs with reference data acceptable to the Cities. Examples of such reference data include publicly available pricing schedules and labor estimating standards or similar reference points appropriate to the City's jurisdiction.
10.2 Qualified measures developed and guaranteed by ESCOs will be implemented after approval by the owner provided that reasonable and safe building access has been granted by the owner and the owner's tenants.
10.3 Work will be implemented with a guaranteed maximum price (GMP) in accordance with the performance contract executed by the city and the ESCO.
10.4 The ESCO will be provided incentives to reduce project costs further by a gain-sharing feature that splits net project cost savings (e.g., amounts below the approved GMP or

financial savings attributed to accelerating construction) between the ESCO and owners on a basis that is acceptable to both parties.

10.5 CCI will support the ESCO's product supplier selection to ensure suitable emissions-reducing equipment and technology. CCI will also make available to participating ESCOs the discounted prices it negotiates with manufactured products and service providers.

10.6 The ESCOs will provide an energy performance guarantee with acceptable measurement and verification that specifies energy and other related savings to be achieved and places specific liability on the ESCO in order to help assure performance. The ESCOs will compensate owners for energy savings shortfalls that occur for which the ESCO is deemed liable.

10.7 The owners will agree to fund the measurement, verification and maintenance services acceptable to the ESCOs to help ensure proper measurement, verification, operation, and maintenance of retrofitted buildings for the term of the performance guarantee.

10.8 Measurement and Verification (M&V) procedures will be guided by the International Performance Measurement & Verification Protocol (IPMVP).

10.9 Measurement will include a calculation of the reduction in GHG emissions generated by the Program and the ESCO will report these to the CCI Performance Measurement Program.

11. <u>Confidentiality</u>

11.1 CCI for itself and its officers, directors, employees and agents, covenants and agrees that any Confidential Information (as defined in Section 11.2) disclosed to CCI, its its officers, directors, employees and agents by individual ESCOs is and shall remain solely the property of that ESCO and shall be maintained in confidence and not revealed to others and shall be used only for purposes contemplated by this MOU.

11.2 The term "Confidential Information" as used herein means all information and data whether of a technical, engineering, operating or economic nature, supplied to or obtained by CCI during the course of the business relationship of the parties, whether in writing, in the form of drawings, orally or by observation, including technical information, processes, and designs, layouts, construction details, and customer data or information known only to the ESCO and which constitutes proprietary, competitive and/or confidential information of the ESCO.

11.3 All Confidential Information is disclosed to CCI solely for the purpose of enabling CCI and its officers, directors, employees and agents for the sole purpose of advancing the business relationship between the ESCO and CCI. CCI, for itself and its officers, directors, employees and agents, covenants and agrees to reveal Confidential Information only to such of its employees, agents or other representatives as CCI will obligate to maintain and protect the confidentiality thereof in accordance with this confidentiality provision. CCI assumes the responsibility that its employees, agents and other representatives will preserve the secrecy of such Confidential Information with respect to third parties.

11.4 The obligations of confidentiality stated herein with respect to Confidential Information shall survive the termination of the parties' business relationship and shall continue in full force and effect until the earliest of the following should occur: (1)

such Confidential Information has become available to the public through no fault of CCI, or (2) such Confidential Information is received by CCI from third parties who are in lawful possession of such and who by such disclosures are not breaching any obligation owing to the ESCO, or (3) such Confidential Information is revealed under legal compulsion from any governmental or regulatory agency having jurisdiction to request such Confidential Information, provided, however, that CCI will exercise its best efforts to ensure that the agency to whom disclosure is made respects the confidential nature of the information so provided and further provided that, upon written receipt of such request by the government or regulatory agency, CCI provides written notice of the request to ESCO.

12. Publicity and Use of Names

12.1 Subject to the obligations of confidentiality set forth in Section 11 hereof, either party may use the other party's name or materials provided by the other party (1) for disclosures required by legal, accounting or regulatory requirements, or (2) to reference or describe a scope of work in a newsletter, web site, annual report or other similar materials provided that, in instances where a party wishes to make or publish policy-specific announcements relating to a scope of work or this MOU, it shall first seek the consent of the other party.

12.2 The parties agree that a party may take public policy positions on matters unrelated to this MOU and agree further that those positions do not necessarily reflect the positions of any other party and neither party shall state or represent that the other party supports such policy positions, except as provided in Section 12.3 hereof.

12.3 Subject to the foregoing, the designated representatives of each party to this MOU shall jointly prepare and approve press releases and other communications intended to be provided or otherwise distributed to the news media, regarding this MOU or a Project. Unless the parties otherwise agree, the parties shall participate jointly and equally in public events related to a scope of work or this MOU.

12.4 EXCEPTIONS: The prohibitions contained in this section shall not apply to materials or information already made available to the general public through lawful means.

This Memorandum of Understanding is intended to set forth a working relationship between the parties. The MOU may be revisited at the mutual discretion of CCI and Honeywell Building Solutions, terminated with 90 days written notice by either party, or amended at any time by mutual agreement of the parties. With the exception of the confidentiality obligations set forth in Section 11 hereof, which constitute legally binding obligations, this is not a legally binding document.

Signed:

Honeywell Building Solutions

5/10/07

Joe Puishys **Date**
President
Honeywell Building Solutions

The William J. Clinton Foundation

6/7/07

Ira C. Magaziner **Date**
Chairman
Clinton Climate Initiative

News Release

Contact:
Victoria Streitfeld
973-455-5281
victoria.streitfeld@honeywell.com

HONEYWELL JOINS CLINTON CLIMATE INITIATIVE

Global Effort Will Help Cities Address Climate Change by Improving Energy Efficiency

NEW YORK, May 16, 2007 – Honeywell **(NYSE: HON)** today announced that it has joined the Clinton Climate Initiative in a global effort to help cities around the world improve the energy efficiency of buildings and decrease greenhouse gas emissions.

Honeywell, a global energy services leader, joined former President Bill Clinton and mayors of the world's largest cities in New York City to announce the initiative. Buildings are a major global consumer of energy and Honeywell will work with the participating cities to identify and implement conservation opportunities in their facilities.

"Climate change is a global problem that requires local action," said President Clinton. "The businesses, banks and cities partnering with my foundation are addressing the issue of global warming because it's the right thing to do, but also because it's good for their bottom line. They're going to save money, make money, create jobs and have a tremendous collective impact on climate change all at once. I'm proud of them for showing leadership on the critical issue of climate change and I thank them for their commitment to this new initiative."

"Honeywell is proud to put our energy management experience to work as part of this global effort," said Joe Puishys, President of Honeywell Building Solutions. "Working together, we can help cities cut their energy costs, create more efficient facilities and reduce their environmental impact."

Overall, nearly 50% of Honeywell's product portfolio company-wide is linked to energy efficiency, including turbocharged diesel vehicles, smart controls for buildings and houses and other technologies. In the buildings sector, Honeywell helps customers around the world address energy and environmental concerns in three ways:

- Retrofit Programs: The quickest route to a lean utility bill and fewer greenhouse gas emissions is to use less energy. Honeywell finds the right mix of building retrofits and upgrades to help customers trim their consumption. The improvements are typically funded through energy performance contracts, which guarantee savings. As a result, these programs don't impact budgets or require additional taxpayer dollars.

- Renewable Energy: Honeywell helps customers produce their own energy, primarily through green technologies like solar and biomass, thereby decreasing their dependence on traditional fuel sources.
- Utility Programs: Honeywell teams with utilities to mitigate the risk of power disruptions such as brownouts — and to minimize the need for additional power plants — through a variety of conservation programs in commercial and residential facilities.

"Honeywell has helped more than 100 cities around the world reduce their energy costs and cut emissions," Puishys said. "Since the early 1990s, our guaranteed performance contracts have saved customers more than $3 billion in energy and operating costs."

Honeywell estimates the global economy could operate on 10-25% less energy just by using today's existing Honeywell technologies that include products such as:

- Honeywell-turbocharged diesel vehicles that consume 20-40% less than their gasoline counterparts;
- UOP Ecofining™, Honeywell's technology for the conversion of vegetable oils to green diesel fuel, which reduces fossil carbon emissions by 75%;
- Wireless sensors that could reduce energy consumption across the industrial sector by up to 10%;
- Enovate-based spray foam insulation, which when used in new homes, has documented energy savings (heating and cooling) of 40% versus comparable homes insulated with fiberglass; and
- Programmable thermostats that when used properly can reduce heating and cooling demand by up to 33%.

Honeywell International is a $33 billion diversified technology and manufacturing leader, serving customers worldwide with aerospace products and services; control technologies for buildings, homes and industry; automotive products; turbochargers; and specialty materials. Based in Morris Township, N.J., Honeywell's shares are traded on the New York, London and Chicago Stock Exchanges. It is one of the 30 stocks that make up the Dow Jones Industrial Average and is also a component of the Standard & Poor's 500 Index. For additional information, please visit www.honeywell.com. Honeywell Building Solutions is part of the Honeywell Automation and Control Solutions business group, a global leader in providing product and

-MORE-

service solutions that improve efficiency and profitability, support regulatory compliance, and maintain safe, comfortable environments in homes, buildings and industry. For more information about Building Solutions, access www.honeywell.com/buildingsolutions.

This release contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of fact, that address activities, events or developments that we or our management intend, expect, project, believe or anticipate will or may occur in the future are forward-looking statements. Forward-looking statements are based on management’s assumptions and assessments in light of past experience and trends, current conditions, expected future developments and other relevant factors. They are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by our forward-looking statements. Our forward-looking statements are also subject to risks and uncertainties, which can affect our performance in both the near- and long-term. We identify the principal risks and uncertainties that affect our performance in our Form 10-K and other filings with the Securities and Exchange Commission.

# # #

APPENDIX 2

HONEYWELL INTERNATIONAL INC.'S 2007 FINANCIAL STATEMENTS

Item 8. Financial Statements and Supplementary Data

HONEYWELL INTERNATIONAL INC.

CONSOLIDATED STATEMENT OF OPERATIONS

	Years Ended December 31,		
	2007	2006	2005
	(Dollars in millions, except per share amounts)		
Product sales	$27,805	$25,165	$22,257
Service sales	6,784	6,202	5,395
Net sales	34,589	31,367	27,652
Costs, expenses and other			
Cost of products sold	21,629	19,649	17,681
Cost of services sold	4,671	4,447	3,843
	26,300	24,096	21,524
Selling, general and administrative expenses	4,565	4,210	3,707
Other (income)/expense	(53)	(111)	(231)
Interest and other financial charges	456	374	356
	31,268	28,569	25,356
Income from continuing operations before taxes	3,321	2,798	2,296
Tax expense	877	720	732
Income from continuing operations	2,444	2,078	1,564
Income from discontinued operations, net of taxes	—	5	95
Cumulative effect of accounting change, net of taxes	—	—	(21)
Net income	$ 2,444	$ 2,083	$ 1,638
Earnings (loss) per share of common stock—basic:			
Income from continuing operations	$ 3.20	$ 2.53	$ 1.85
Income from discontinued operations	—	0.01	0.11
Cumulative effect of accounting change	—	—	(0.03)
Net income	$ 3.20	$ 2.54	$ 1.93
Earnings (loss) per share of common stock—assuming dilution:			
Income from continuing operations	$ 3.16	$ 2.51	$ 1.84
Income from discontinued operations	—	0.01	0.11
Cumulative effect of accounting change	—	—	(0.03)
Net income	$ 3.16	$ 2.52	$ 1.92

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

HONEYWELL INTERNATIONAL INC.

CONSOLIDATED BALANCE SHEET

	December 31, 2007	December 31, 2006
	(Dollars in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,829	$ 1,224
Accounts, notes and other receivables	6,387	5,740
Inventories	3,861	3,588
Deferred income taxes	1,241	1,215
Other current assets	367	537
Total current assets	13,685	12,304
Investments and long-term receivables	500	382
Property, plant and equipment—net	4,985	4,797
Goodwill	9,175	8,403
Other intangible assets—net	1,498	1,247
Insurance recoveries for asbestos related liabilities	1,086	1,100
Deferred income taxes	637	1,075
Prepaid pension benefit cost	1,256	695
Other assets	983	938
Total assets	$33,805	$30,941
LIABILITIES		
Current liabilities:		
Accounts payable	$ 3,962	$ 3,518
Short-term borrowings	64	62
Commercial paper	1,756	669
Current maturities of long-term debt	418	423
Accrued liabilities	5,741	5,463
Total current liabilities	11,941	10,135
Long-term debt	5,419	3,909
Deferred income taxes	734	352
Postretirement benefit obligations other than pensions	2,025	2,090
Asbestos related liabilities	1,405	1,262
Other liabilities	3,059	3,473
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	4,014	3,845
Common stock held in treasury, at cost:		
2007—211,046,037 shares; 2006—157,008,412 shares	(9,479)	(6,339)
Accumulated other comprehensive income (loss)	(544)	(1,307)
Retained earnings	14,273	12,563
Total shareowners' equity	9,222	9,720
Total liabilities and shareowners' equity	$33,805	$30,941

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

HONEYWELL INTERNATIONAL INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Years Ended December 31,		
	2007	2006	2005
	(Dollars in millions)		
Cash flows from operating activities:			
Net income	$ 2,444	$ 2,083	$ 1,638
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of accounting change	—	—	21
Depreciation and amortization	837	794	653
Repositioning and other charges	543	483	412
Payments of repositioning and other charges	(504)	(559)	(1,008)
Pension and other postretirement expense	322	459	561
Pension and other postretirement benefit payments	(300)	(353)	(199)
Stock option expense	65	77	—
Deferred income taxes	332	450	42
Excess tax benefits from share based payment arrangements	(86)	(31)	—
Other	161	20	(56)
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:			
Accounts, notes and other receivables	(467)	(573)	(94)
Inventories	(183)	(128)	37
Other current assets	17	(11)	61
Accounts payable	397	516	181
Accrued liabilities	333	(16)	193
Net cash provided by operating activities	3,911	3,211	2,442
Cash flows from investing activities:			
Expenditures for property, plant and equipment	(767)	(733)	(684)
Proceeds from disposals of property, plant and equipment	98	87	71
Increase in investments	(20)	—	—
Decrease in investments	6	—	285
Cash paid for acquisitions, net of cash acquired	(1,150)	(633)	(2,679)
Proceeds from sales of businesses, net of fees paid	51	665	997
Net cash (used for) investing activities	(1,782)	(614)	(2,010)
Cash flows from financing activities:			
Net increase/(decrease) in commercial paper	1,078	(86)	534
Net (decrease)/increase in short-term borrowings	(3)	(224)	100
Payment of debt assumed with acquisitions	(40)	(346)	(702)
Proceeds from issuance of common stock	603	396	167
Proceeds from issuance of long-term debt	1,885	1,239	—
Payments of long-term debt	(430)	(1,019)	(982)
Excess tax benefits from share based payment arrangements	86	31	—
Repurchases of common stock	(3,986)	(1,896)	(1,133)
Cash dividends paid on common stock	(767)	(744)	(700)
Net cash (used for) financing activities	(1,574)	(2,649)	(2,716)
Effect of foreign exchange rate changes on cash and cash equivalents	50	42	(68)
Net increase/(decrease) in cash and cash equivalents	605	(10)	(2,352)
Cash and cash equivalents at beginning of period	1,224	1,234	3,586
Cash and cash equivalents at end of period	$ 1,829	$ 1,224	$ 1,234

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, 2004	957.6	$958	$3,574	(107.6)	$(4,185)	$ 138	$10,292	$10,777
Net income							1,638	1,638
Foreign exchange translation adjustments						(147)		(147)
Minimum pension liability adjustment						(16)		(16)
Other Comprehensive Income (Loss)								1,475
Common stock issued for employee savings and option plans (including related tax benefits of $17)			50	9.7	283			333
Repurchases of common stock				(30.6)	(1,133)			(1,133)
Cash dividends on common stock ($0.825 per share)							(700)	(700)
Other owner changes			2	.4	8			10
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
Cash 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

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

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 15 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 adoption of FIN 47 on December 31, 2005, we recorded an increase of $14 million to property, plant and equipment and recognized an asset retirement obligation liability of $46 million. This resulted in the recognition of a non-cash charge of $32 million ($21 million after tax) that was reported as a cumulative effect of an accounting change. 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, 2007 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 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.

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 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. 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. Since the fourth quarter of 2006, 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. 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. 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. 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 expensed as provided. 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 $1,459, $1,411 and $1,072 million in 2007, 2006 and 2005, respectively.

Stock-Based Compensation Plans—Effective January 1, 2006, we adopted SFAS No. 123 (revised 2004), “Share-Based Payment” (SFAS No. 123R) requiring that compensation cost relating to share-based payment awards made to employees and directors be recognized in the financial statements. 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) in our Consolidated Statement of Operations.

Prior to January 1, 2006, we accounted for share-based compensation cost using the intrinsic value method in accordance with Accounting Principles Board No. 25, “Accounting for Stock Issued to Employees” (APB No. 25), and related interpretations. We also followed disclosure requirements of SFAS No. 123, “Accounting for Stock-Based Compensation”, as amended by SFAS No. 148, “Accounting for Stock-Based Compensation—Transition and Disclosure”. Under APB No. 25 there was no compensation cost recognized in our Consolidated Statement of Operations for our stock option awards. Compensation cost for RSUs is recognized in our Consolidated Statement of Operations and is included in selling, general and administrative expenses, and was not affected by our adoption of FAS No. 123R.

We adopted SFAS No. 123R using the modified prospective method and, accordingly, the 2005 Consolidated Statement of Operations has not been restated to reflect the fair value method of recognizing compensation cost relating to stock options. Share-based compensation cost relating to stock options recognized in 2007 and 2006 is based on the value of the portion of the award that is ultimately expected to vest. 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. In our pro forma information required under SFAS No. 123 for 2005, we accounted for forfeitures as they occurred.

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 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 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.

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 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.

This reduction was recorded as a cumulative effect adjustment to shareowners' equity. Additionally, we decreased a deferred tax asset and its associated valuation allowance by $44 million and increased goodwill by $1 million. See Note 6 for additional FIN 48 information and disclosure.

In May 2007, the FASB issued FASB Staff Position ("FSP") FIN 48-1 "Definition of Settlement in FASB Interpretation No. 48" (FSP FIN 48-1). FSP FIN 48-1 provides guidance on how to determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. FSP FIN 48-1 is effective retroactively to January 1, 2007. The implementation of this standard did not have a material impact on our consolidated financial position or results of operations.

In September 2006, the FASB issued FSP AUG AIR-1 "Accounting for Planned Major Maintenance Activities" (FSP AUG AIR-1). FSP AUG AIR-1 amends the guidance on the accounting for planned major maintenance activities; specifically it precludes the use of the previously acceptable "accrue in advance" method. FSP AUG AIR-1 is effective for fiscal years beginning after December 15, 2006. The implementation of this standard did not have a material impact on our consolidated financial position or results of operations.

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.

In February 2008, the FASB issued FSP 157-2 "Partial Deferral of the Effective Date of Statement 157" (FSP 157-2). FSP 157-2 delays the effective date of SFAS No. 157, for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008. The Company is currently assessing the impact of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities on its consolidated financial position and results of operations. The implementation of this standard, for financial assets and financial liabilities, will not have a material impact on our consolidated financial position and results of operations.

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 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 will 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 will 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 will 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, 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. The Company is currently assessing the impact of SFAS No. 141R on its consolidated financial position and results of operations.

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 deconsolidated 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 Company is currently assessing the impact of SFAS No. 160 on its consolidated financial position and results of operations.

Note 2—Acquisitions and Divestitures

We acquired businesses for an aggregate cost of $1,190, $979 and $3,500 million in 2007, 2006 and 2005, 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 July 2007, the Company completed the acquisition of Dimensions International, a defense logistics business, for a purchase price of approximately $230 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 $180 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 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. These intangible assets are being amortized over their estimated life of 8-15 years using straight-line and accelerated amortization methods. The excess of the purchase price over the estimated fair values of net assets acquired approximating $167 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 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 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 $88 million to identifiable intangible assets, predominantly customer relationships and trademarks. These intangible assets are being amortized over their estimated lives which range from 6-10 years using straight line and accelerated amortization methods. The excess of the purchase price over the estimated fair values of net assets acquired approximating $92 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 $114 million to identifiable intangible assets, predominantly customer relationships and existing technology. These intangible assets are being amortized over their estimated lives which range from 6 to 10 years using straight-line and accelerated amortization methods. The excess of the purchase price over the estimated fair values of net assets acquired approximating $259 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 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.

In November 2005, the Company acquired the remaining 50 percent of UOP LLC giving Honeywell full ownership of the entity. The aggregate value of the purchase price was approximately $825 million, including the assumption of approximately $115 million of outstanding 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 $339 million to identifiable intangible assets, predominantly existing technology, which is being amortized over 15 years on a straight-line basis and trade names, which are not amortized. The excess of the purchase price over the estimated fair values of net assets acquired approximating $336 million, was recorded as goodwill. This goodwill is non-deductible for tax purposes. Following this acquisition, which is being accounted for by the purchase method, results of operations have been included into the Specialty Materials segment. Prior to that date, UOP results for the 50 percent share that the Company owned was included in equity income of affiliated companies.

On March 31, 2005, the Company purchased 100% of the issued and ordinary preference share capital of NOVAR plc (NOVAR) for $1.7 billion, net of cash acquired, which represented $2.4 billion for consideration of all outstanding shares and outstanding options to be exercised, net of the assumption of debt of $0.7 billion. Transaction costs related to this acquisition were $49 million. In December 2005, we completed the sale of the Security Printing business to M&F Worldwide Corp. for $800 million in cash. In February 2006, we completed the sale of Indalex to an affiliate of private investment firm Sun Capital Partners, Inc. for approximately $425 million in cash. The Indalex business was classified as held for sale in our December 31, 2005 Consolidated Balance Sheet and both the Indalex and Security Printing businesses have been presented as discontinued operations in our Statement of Operations for periods prior to the sale. Goodwill of approximately $1.3 billion was recognized and we allocated $261 million to other intangible assets (contractual customer relationships, existing technology and trademarks). These intangible assets are being amortized over their estimated useful lives which range from 5 to 15 years using straight-line and accelerated amortization methods. In addition, accrued liabilities included $76 million of restructuring costs related to the integration of the NOVAR operations.

As of December 31, 2007, the purchase accounting for Dimensions International, Enraf Holding B.V., Hand Held Products, Inc. and Maxon Corporation 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 2007, 2006 and 2005, the amounts recorded for transaction costs and the costs of integrating the acquired businesses into Honeywell were not material.

The pro forma results for 2007, 2006 and 2005, assuming these acquisitions had been made at the beginning of the year, would not be materially different from consolidated reported results.

(Dollars in millions, except per share amounts)

Note 3—Repositioning and Other Charges

A summary of repositioning and other charges follows:

	Years Ended December 31,		
	2007	2006	2005
Severance	$186	$102	$248
Asset impairments	14	15	5
Exit costs	9	7	14
Reserve adjustments	(18)	(22)	(25)
Total net repositioning charge	191	102	242
Asbestos related litigation charges, net of insurance	100	126	10
Probable and reasonably estimable environmental liabilities	225	210	186
Business impairment charges	9	12	23
Arbitration award related to phenol supply agreement	—	(18)	(67)
Other	18	51	18
Total net repositioning and other charges	$543	$483	$412

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

	Years Ended December 31,		
	2007	2006	2005
Cost of products and services sold	$495	$472	$357
Selling, general and administrative expenses	48	11	43
Other (income) expense	—	—	12
	$543	$483	$412

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

	Years Ended December 31,		
	2007	2006	2005
Aerospace	$ 37	$ 10	$ 96
Automation and Control Solutions	127	39	85
Specialty Materials	14	5	(34)
Transportation Systems	119	293	82
Corporate	246	136	183
	$543	$483	$412

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.

(Dollars in millions, except per share amounts)

In 2005, we recognized repositioning charges totaling $267 million primarily for severance costs related to workforce reductions of 5,269 manufacturing and administrative positions across all of our segments including the implementation of a new organizational structure in our Aerospace segment (substantially implemented in the third quarter of 2005) which reorganized our Aerospace businesses to better align with customer segments. Also, $25 million of previously established accruals, primarily for severance at our Corporate, Specialty Materials and Automation and Control Solutions segments were returned to income in 2005. The reversal of severance liabilities related to changes in the scope of previously announced severance programs, excise taxes related to an executive severance amount previously paid which were determined to no longer be payable, and severance amounts previously paid to an outside service provider as part of an outsourcing arrangement which were refunded to Honeywell.

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

	Severance Costs	Asset Impairments	Exit Costs	Total
Balance at December 31, 2004	$ 97	$ —	$ 19	$ 116
2005 charges	248	5	14	267
2005 usage	(156)	(5)	(15)	(176)
Adjustments	(21)	—	(4)	(25)
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

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.

In 2005, we recognized a charge of $186 million for environmental liabilities deemed probable and reasonably estimable during the year. We recognized asbestos related litigation charges, net of insurance, of $10 million which are discussed in Note 21. We recognized a credit of $67 million in connection with an arbitration award for overcharges by a supplier of phenol to our Specialty Materials business from June 2003 through the end of 2004. We recognized impairment charges of $23 million related to the write-down of property, plant and equipment held and used in our Specialty Materials segment. We also recognized other charges of $18 million principally related to the modification of a lease agreement for the Corporate headquarters facility ($10 million) and for various legal settlements ($7 million).

(Dollars in millions, except per share amounts)

Note 4—Other (Income)/Expense

	Years Ended December 31,		
	2007	2006	2005
Gain on sale of non-strategic businesses and assets	$(19)	$ (30)	$ (36)
Equity (income)/loss of affiliated companies	(10)	(13)	(134)(1)
Interest income	(81)	(94)	(84)
Foreign exchange	34	18	21
Other (net)	23	8	2
	$(53)	$(111)	$(231)

(1) Includes equity income of $107 million in 2005 from UOP (acquisition to full ownership in November 2005).

Note 5—Interest and Other Financial Charges

	Years Ended December 31,		
	2007	2006	2005
Total interest and other financial charges	$478	$396	$373
Less—capitalized interest	(22)	(22)	(17)
	$456	$374	$356

The weighted average interest rate on short-term borrowings and commercial paper outstanding at December 31, 2007 and 2006 was 4.65 percent and 5.67 percent, respectively.

Note 6—Income Taxes

Income from continuing operations before taxes

	Years Ended December 31,		
	2007	2006	2005
United States	$2,084	$1,882	$1,530
Foreign	1,237	916	766
	$3,321	$2,798	$2,296

(Dollars in millions, except per share amounts)

Tax expense

	Years Ended December 31,		
	2007	2006	2005
United States	$542	$412	$427
Foreign	335	308	305
	$877	$720	$732

	Years Ended December 31,		
	2007	2006	2005
Tax expense consist of:			
Current:			
United States	$249	$ (39)	$395
State	64	26	19
Foreign	232	283	276
	545	270	690
Deferred:			
United States	225	376	19
State	4	49	(6)
Foreign	103	25	29
	332	450	42
	$877	$720	$732

	Years Ended December 31,		
	2007	2006	2005
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)	(4.6)	(4.0)	(1.4)
Asset basis differences	—	—	(3.6)
Nondeductible amortization	—	—	.6
State income taxes (1)	.9	1.7	.7
Tax benefits on export sales	—	(1.9)	(3.3)
Domestic Manufacturing Deduction	(.8)	(.3)	(.3)
ESOP Dividend Tax Benefit	(.5)	(.7)	(.9)
Tax credits	(.6)	(.7)	(.5)
Equity income	—	—	(.5)
Repatriation expense related to American Jobs Creation Act of 2004	—	—	6.8
Audit Settlements	(2.9)	(2.9)	(.6)
All other items—net	(.1)	(.5)	(.1)
	26.4%	25.7%	31.9%

(1) Net of changes in valuation allowance.

The Company's 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 and an increase in the tax benefit for the domestic manufacturing deduction and the favorable resolution of certain tax audits.

(Dollars in millions, except per share amounts)

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, 2007	December 31, 2006
Property, plant and equipment basis differences	$ (563)	$ (608)
Postretirement benefits other than pensions and post employment benefits	770	747
Investment and other asset basis differences	(376)	(396)
Other accrued items	1,025	1,567
Net operating and capital losses	783	786
Tax credits	33	315
Undistributed earnings of subsidiaries	(40)	(40)
All other items—net	(21)	43
	1,611	2,414
Valuation allowance	(490)	(516)
	$1,121	$1,898

There were $32 million of U.S. federal tax net operating losses available for carryforward at December 31, 2007 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 $3.3 billion at December 31, 2007 with varying expiration dates through 2026. We have U.S. federal capital losses available for carryforward of $112 million which expire in 2011 and state capital losses available for carryforward of $286 million with varying expiration dates. We do not anticipate using these capital losses before expiration. We also have foreign net operating and capital losses of $2.6 billion which are available to reduce future income tax payments in several countries, subject to varying expiration rules.

We have state tax credit carryforwards of $42 million at December 31, 2007, including carryforwards of $29 million with various expiration dates through 2027 and tax credits of $13 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, 2007 with varying expiration dates through 2013.

The valuation allowance against deferred tax assets was decreased by $26 million in 2007 and increased by $39 and $139 million in 2006 and 2005, respectively. 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. The 2006 increase in the valuation allowance was primarily due to an increase in foreign net operating losses attributable to acquired businesses not expected to be realized and a partial valuation allowance against a deferred tax asset established in connection with the adoption of SFAS No. 158 partially offset by a decrease in state tax net operating loss carryforwards (net of federal impact).

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, 2007 Honeywell has not provided for U.S. federal income and foreign withholding taxes on approximately $4.1 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.

(Dollars in millions, except per share amounts)

As of January 1, 2007, we adopted the provisions of FIN 48 as described in Note 1. As of that date, we had $744 million of unrecognized tax benefits. If recognized, approximately $575 million would be recorded as a component of income tax expense. For year ended December 31, 2007, the Company decreased its unrecognized tax benefits by $78 million due to the tax benefit from the favorable resolution of tax audits, partially offset by foreign currency translation and additional reserves for various international and U.S. tax audit matters. The net decrease was recorded as a benefit to income tax expense. As of December 31, 2007 we had $666 million of unrecognized tax benefits. If recognized, approximately $547 million would be recorded as a component of income tax expense.

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

	Total
Balance at January 1, 2007	$ 744
Gross increases related to current period tax positions	68
Gross increases related to prior periods tax positions	100
Gross decreases related to prior periods tax positions	(167)
Decrease related to settlements with Tax Authorities	(101)
Expiration of the statute of limitations for the assessment of taxes	—
Foreign Currency Translation	22
Balance at December 31, 2007	$ 666

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, 2007:

	Open Tax Year	
Jurisdiction	Examination in progress	Examination not yet initiated
United States (1)	1998 – 2006	2007
United Kingdom	2001 – 2005	2006 – 2007
Canada (1)	2002 – 2004	2005 – 2007
Germany (1)	1998 – 2004	2005 – 2007
France	2000 – 2006	2007
Netherlands	2002	2004 – 2007
Australia	N/A	2003 – 2007
China	N/A	1997 – 2007
India	1999 – 2005	2006 – 2007

(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.

(Dollars in millions, except per share amounts)

Unrecognized tax benefits for the above listed examinations in progress were $502 million and $373 million as of January 1, 2007 and December 31, 2007, respectively. This decrease is primarily due to the settlement of tax examinations 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 $20 million for the twelve months ended December 31, 2007. Accrued interest and penalties were $98 million and $118 million as of January 1, 2007 and December 31, 2007, respectively.

Note 7—Earnings (Loss) Per Share

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

	2007		2006		2005	
	Basic	Assuming Dilution	Basic	Assuming Dilution	Basic	Assuming Dilution
Income						
Income from continuing operations	$ 2,444	$ 2,444	$ 2,078	$ 2,078	$ 1,564	$ 1,564
Income from discontinued operations, net of taxes	—	—	5	5	95	95
Cumulative effect of accounting change, net of taxes	—	—	—	—	(21)	(21)
Net income	$ 2,444	$ 2,444	$ 2,083	$ 2,083	$ 1,638	$ 1,638
Average shares						
Average shares outstanding	764,543,613	764,543,613	820,845,838	820,845,838	848,740,395	848,740,395
Dilutive securities issuable in connection with stock plans	—	9,683,868	—	5,432,435	—	3,594,592
Total average shares	764,543,613	774,227,481	820,845,838	826,278,273	848,740,395	852,334,987
Earnings (loss) per share of common stock						
Income from continuing operations	$ 3.20	$ 3.16	$ 2.53	$ 2.51	$ 1.85	$ 1.84
Income from discontinued operations, net of taxes	—	—	0.01	0.01	0.11	0.11
Cumulative effect of accounting change, net of taxes	—	—	—	—	(0.03)	(0.03)
Net income	$ 3.20	$ 3.16	$ 2.54	$ 2.52	$ 1.93	$ 1.92

In 2007, 2006 and 2005, 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 2007, 2006 and 2005, the number of stock options not included in the computation were 8,599,620, 22,749,056 and 17,793,385, respectively. These stock options were outstanding at the end of each of the respective years.

Note 8—Accounts, Notes and Other Receivables

	December 31, 2007	December 31, 2006
Trade	$6,070	$5,373
Other	498	584
	6,568	5,957
Less—Allowance for doubtful accounts	(181)	(217)
	$6,387	$5,740

(Dollars in millions, except per share amounts)

Trade Accounts Receivable includes $946 and $808 million of unbilled balances under long-term contracts as of December 31, 2007 and 2006, 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 $101 million at December 31, 2007 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. 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.

	December 31,	
	2007	2006
Designated pools of trade receivables	$1,322	$1,250
Interest sold to third parties	(500)	(500)
Retained interest	$ 822	$ 750

Losses on sales of receivables were $29, $27 and $18 million in 2007, 2006 and 2005, respectively. No credit losses were incurred during those years.

Note 9—Inventories

	December 31,	
	2007	2006
Raw materials	$1,692	$1,625
Work in process	870	808
Finished products	1,501	1,342
	4,063	3,775
Less—		
Progress payments	(3)	(17)
Reduction to LIFO cost basis	(199)	(170)
	$3,861	$3,588

Inventories valued at LIFO amounted to $247 and $205 million at December 31, 2007 and 2006, respectively. Had such LIFO inventories been valued at current costs, their carrying values would have been approximately $199 and $170 million higher at December 31, 2007 and 2006, respectively.

Note 10—Investments and Long-Term Receivables

	December 31,	
	2007	2006
Investments	$ 40	$ 49
Long-term trade and other receivables	223	206
Long-term financing receivables	237	127
	$500	$382

Long-Term Trade and Other Receivables includes $63 and $68 million of unbilled balances under long-term contracts as of December 31, 2007 and 2006, respectively. These amounts are billed in accordance with the terms of the customer contracts to which they relate.

(Dollars in millions, except per share amounts)

Note 11—Property, Plant and Equipment

	December 31, 2007	December 31, 2006
Land and improvements	$ 409	$ 408
Machinery and equipment	10,243	9,888
Buildings and improvements	2,244	2,056
Construction in progress	466	447
	13,362	12,799
Less—Accumulated depreciation and amortization	(8,377)	(8,002)
	$ 4,985	$ 4,797

Depreciation expense was $675, $650 and $578 million in 2007, 2006 and 2005, respectively.

Note 12—Goodwill and Other Intangibles—Net

The change in the carrying amount of goodwill for the years ended December 31, 2007 and 2006 by segment are as follows:

	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
	$8,403	$729	$(6)	$49	$9,175

	December 31, 2005	Acquisitions	Divestitures	Currency Translation Adjustment	December 31, 2006
Aerospace	$1,723	$ —	$—	$22	$1,745
Automation and Control Solutions	4,333	572	—	54	4,959
Specialty Materials	1,066	80	(4)	9	1,151
Transportation Systems	538	—	—	10	548
	$7,660	$652	$(4)	$95	$8,403

Intangible assets are comprised of:

	December 31, 2007			December 31, 2006		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets with determinable lives:						
Patents and technology	$ 965	$(407)	$ 558	$ 801	$(301)	$ 500
Customer relationships	682	(113)	569	462	(60)	402
Trademarks	192	(35)	157	101	(16)	85
Other	458	(351)	107	512	(359)	153
	2,297	(906)	1,391	1,876	(736)	1,140
Trademarks with indefinite lives	107	—	107	107	—	107
	$2,404	$(906)	$1,498	$1,983	$(736)	$1,247

(Dollars in millions, except per share amounts)

Intangible assets amortization expense was $162, $144 and $75 million in 2007, 2006 and 2005, respectively. Estimated intangible assets amortization expense for each of the next five years approximates $190 million in 2008, $190 million in 2009, $180 million in 2010, $160 million in 2011 and $140 million in 2012.

Note 13—Accrued Liabilities

	December 31,	
	2007	2006
Compensation, benefit and other employee related	$1,472	$1,138
Customer advances and deferred income	1,259	1,067
Income taxes	320	418
Environmental costs	311	251
Asbestos related liabilities	250	557
Product warranties and performance guarantees	380	347
Restructuring	212	127
Other taxes (payroll, sales, VAT etc.)	195	124
Insurance	96	110
Accrued interest	126	116
Other (primarily operating expenses)	1,120	1,208
	$5,741	$5,463

(Dollars in millions, except per share amounts)

Note 14—Long-term Debt and Credit Agreements

	December 31, 2007	December 31, 2006
7.0% notes due 2007	$ —	350
7⅛% notes due 2008	200	200
6.20% notes due 2008	200	200
Floating rate notes due 2009	500	—
Floating rate notes due 2009	300	300
Zero coupon bonds and money multiplier notes, 13.0%–14.26%, due 2009	100	100
Floating rate notes due 2009-2011	220	239
7.50% notes due 2010	1,000	1,000
6⅛% notes due 2011	500	500
5.625% notes due 2012	400	—
5.40% notes due 2016	400	400
5.30% notes due 2017	400	—
Industrial development bond obligations, floating rate maturing at various dates through 2037	60	65
6⅝% 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	—
Other (including capitalized leases), 1.54%–15.50%, maturing at various dates through 2017	140	161
	5,837	4,332
Less—current portion	(418)	(423)
	$5,419	$3,909

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

	At December 31, 2007
2008	$ 418
2009	1,024
2010	1,121
2011	533
2012	401
Thereafter	2,340
	5,837
Less—current portion	(418)
	$5,419

We maintain 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. 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, 2007.

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 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).

(Dollars in millions, except per share amounts)

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 March 2007, the Company issued $400 million of 5.30% Senior Notes due 2017 and $600 million 5.70% Senior Notes due 2037 (collectively, the "Notes"). The 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 billion, offset by $12 million in discount and issuance costs.

In July 2007, the Company issued $500 million Floating Rate Senior Notes due 2009 and $400 million 5.625% Senior Notes due 2012 (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 $900 million, offset by $3 million in discount and issuance costs.

In the first quarter of 2007, the Company repaid $350 million of its 7.0% Notes, primarily through issuance of the Notes. The proceeds from the Senior Notes were used to repay 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, 2007
2008	$ 327
2009	233
2010	164
2011	120
2012	77
Thereafter	264
	$1,185

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.

Rent expense was $365, $341 and $326 million in 2007, 2006 and 2005, 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 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 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 21 percent of our consolidated sales in 2007. 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 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 2008 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, 2008.

(Dollars in millions, except per share amounts)

At December 31, 2007 and 2006, we had contracts with notional amounts of $3,295 and $2,572 million, respectively, to exchange foreign currencies, principally the US dollar, Euro, British pound, Canadian dollar, Hong Kong dollar, Mexican peso, Swiss franc, Czech koruna, Chinese renminbi, 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, 2007 and 2006, interest rate swap agreements designated as fair value hedges effectively changed $300 and $700 million, respectively, of fixed rate debt at an average rate of 6.01 and 6.38 percent, respectively, to LIBOR based floating rate debt. Our interest rate swaps mature through 2037.

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. Summarized below are the carrying values and fair values of our other financial instruments at December 31, 2007 and 2006. 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, 2007		December 31, 2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Long-term receivables	$ 460	$ 428	$ 333	$ 306
Interest rate swap agreements	20	20	3	3
Foreign currency exchange contracts	22	22	3	3
Forward commodity contracts	—	—	—	—
Liabilities				
Long-term debt and related current maturities	$(5,837)	$(5,928)	$(4,332)	$(4,521)
Foreign currency exchange contracts	(18)	(18)	(3)	(3)
Forward commodity contracts	—	—	(9)	(9)

(Dollars in millions, except per share amounts)

Note 17—Other Liabilities

Other liabilities consist of the following:

	December 31, 2007	December 31, 2006
Pension and other employee related	$1,536	$1,748
Environmental	488	580
Income taxes	416	575
Insurance	143	134
Asset retirement obligations (1)	93	92
Deferred income	69	56
Other	314	288
	$3,059	$3,473

(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, 2007, is as follows:

Balance at December 31, 2006	$92
Liabilities settled	(3)
Adjustments	—
Accretion expense	4
Balance at December 31, 2007	$93

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, $2.7 billion remained available as of December 31, 2007 for additional share repurchases. The amount and timing of repurchases may vary depending on market conditions and the level of 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, 2007, there was no preferred stock outstanding.

(Dollars in millions, except per share amounts)

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
Year Ended December 31, 2007			
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
	$ 1,046	$(283)	$ 763
Year Ended December 31, 2006			
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)
	$(2,124)	$ 842	$(1,282)
Year Ended December 31, 2005			
Foreign exchange translation adjustments	$ (147)	$ —	$ (147)
Minimum pension liability adjustment	(26)	10	(16)
	$ (173)	$ 10	$ (163)

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

	December 31, 2007	December 31, 2006
Cumulative foreign exchange translation adjustments	$ 823	$ 575
Fair value of effective cash flow hedges	2	5
Pension and postretirement benefit adjustment	(1,369)	(1,887)
	$ (544)	$(1,307)

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), which was approved by the shareowners at the Annual Meeting of Shareowners and became effective on April 24, 2006, 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. Following approval of the Plan on April 24, 2006, we will not grant any new awards under any previously existing stock-based compensation plans. Additionally, under the 2006 Stock Plan for Non-Employee Directors of Honeywell International Inc. (the Directors Plan), which was approved by the shareowners at the Annual Meeting of Shareowners and became effective on April 24, 2006, 500,000 shares of Honeywell common stock may be awarded. The Directors Plan replaced the 1994 Stock Plan for Non-Employee Directors of Honeywell International Inc.

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 expense over the employee's requisite service period (generally the vesting period of the award). Options have generally vested over a three-year period and expire after ten years. Starting with 2007 option grants the vesting period was extended to four 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 2007 and 2006 was $65 and $77 million, respectively. The associated future income tax benefit recognized in 2007 and 2006 was $25 and $28 million, respectively. Compensation cost related to stock options recognized in our Consolidated Statement of Operations in 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.

(Dollars in millions, except per share amounts)

The following table illustrates the effect on net income and earnings per share as if we had applied the fair value recognition provisions of SFAS No. 123 in 2005, the year prior to the adoption of FAS No. 123R.

	2005
Net income, as reported	$1,638
Deduct: Total stock-based employee compensation cost determined under fair value method for stock option plans, net of related tax effects	(53)
Pro forma net income	$1,585
Earnings per share of common stock:	
Basic—as reported	$ 1.93
Basic—pro forma	$ 1.87
Earnings per share of common stock:	
Assuming dilution—as reported	$ 1.92
Assuming dilution—pro forma	$ 1.86

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 in 2007 and 2006, and SFAS No. 123 in 2005.

	Years Ended December 31,		
	2007	2006	2005
Weighted average fair value per share of options granted during the year(1)	$10.27	$ 9.44	$10.67
Assumptions:			
Expected annual dividend yield	2.09%	2.15%	2.4%
Expected volatility	20.18%	22.32%	34.8%
Risk-free rate of return	4.66%	4.63%	3.7%
Expected option term (years)	5.3	5.0	5.0

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

(Dollars in millions, except per share amounts)

The following table summarizes information about stock option activity for the three years ended December 31, 2007:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2004	58,524,929	$38.09
Granted	10,327,350	36.75
Exercised	(5,372,501)	29.07
Lapsed or canceled	(4,261,523)	40.46
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
Vested and expected to vest at December 31, 2007(1)	39,026,398	$41.70
Exercisable at December 31, 2007	28,624,279	$41.14

(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, 2007:

	Options Outstanding				Options Exercisable		
Range of exercise prices	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	3,158,742	5.15	$24.20	$118	3,146,342	$24.19	$118
$33.00–$39.99	17,183,835	5.49	35.98	440	14,712,835	35.87	378
$40.00-$49.99	15,232,246	7.50	44.44	261	5,184,431	43.26	95
$50.00–$74.95	5,822,546	2.16	62.19	3	5,580,671	62.60	1
	41,397,369	5.73	41.88	$822	28,624,279	41.14	$592

(1) Average remaining contractual life in years.

There were 37,902,956 and 42,416,585 options exercisable at weighted average exercise prices of $40.16 and $40.01 at December 31, 2006 and 2005, respectively. There were 38,279,009 shares available for future grants under the terms of our stock option plans at December 31, 2007.

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 2007 and 2006 was $281 and $92 million, respectively. During 2007 and 2006, the amount of cash received from the exercise of stock options was $592 and $385 million, respectively, with an associated tax benefit realized of $101 and $31 million, respectively. Consistent with the requirements of SFAS No. 123R, in 2007 and 2006 we classified $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, 2007, there was $73 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 2.18 years. The total fair value of options vested during 2007 and 2006 was $83 and $70 million, respectively.

(Dollars in millions, except per share amounts)

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, 2007:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value Per Share
Non-vested at December 31, 2004	3,691,556	$31.20
Granted	1,163,984	$37.39
Vested	(424,175)	$32.84
Forfeited	(465,834)	$30.11
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

As of December 31, 2007, there was approximately $153 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 2.06 years. Compensation expense related to RSUs was $47, $29 and $24 million in 2007, 2006 and 2005, respectively.

Non-Employee Directors' Plan—Under the Directors' Plan each new director receives a one-time grant of 3,000 shares of common stock, subject to specific restrictions.

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 have generally become exercisable over a three-year period and expire after ten years. Starting with 2007 option grants, the vesting period was extended to four 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 or toxic 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 toxic substances. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future.

(Dollars in millions, except per share amounts)

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 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 31,		
	2007	2006	2005
Beginning of year	$ 831	$ 879	$ 895
Accruals for environmental matters deemed probable and reasonably estimable	230	218	186
Environmental liability payments	(267)	(264)	(247)
Other adjustments (1)	5	(2)	45
End of year	$ 799	$ 831	$ 879

(1) In 2005, $45 million principally relates to reclassification of the carrying value of land to property, plant and equipment with a corresponding increase to environmental liabilities.

Environmental liabilities are included in the following balance sheet accounts:

	December 31,	
	2007	2006
Accrued liabilities	$311	$251
Other liabilities	488	580
	$799	$831

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 ("SA 7"). These expenditures have been and are expected to continue to be incurred evenly over a five-year period that started in April 2006. 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 the court, as well as sediment remedial plans which are presently under review by the court in which litigation concerning the site is pending. The ultimate cost of remediating the river sediments may be reduced as numerous third parties could be responsible for an as yet undetermined portion of these costs.

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. Remedial investigations and activities consistent with the ACO have been conducted and are underway at the other sites (the "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. While the complaint is not entirely clear, it appears that approximately 100 sites are at issue, including 17 of the Honeywell ACO Sites, sites that the other two companies have agreed to remediate under separate administrative consent orders, as well as approximately 53 other sites (identified in the complaint as the "Publicly Funded Sites") for which none of the three companies has signed an administrative consent order. In addition to claims specific to each company, NJDEP claims that all three companies should be collectively liable for all the chrome sites based on a "market share" theory. In addition, NJDEP is seeking treble damages for all costs it has incurred or will incur at the Publicly Funded Sites. Honeywell believes that it has no connection with the sites covered by the other companies' administrative consent orders and, therefore, has no responsibility for those sites. At the Honeywell ACO Sites, we are conducting remedial investigations and activities consistent with the ACO; thus, we do not believe the lawsuit will significantly change our obligations with respect to the Honeywell ACO Sites.

Lawsuits have also been filed against Honeywell in the District Court under the Resource Conservation and Recovery Act (RCRA) by Jersey City and two of its municipal utilities seeking the cleanup of chromium residue at two Honeywell ACO Sites. In January 2008, Honeywell and Jersey City agreed to settle these claims, which settlement will become effective only upon the receipt of NJDEP approval of the remedial action workplan for these sites, classification by Jersey City of these and other related sites as an area in need of redevelopment and approval of the related redevelopment plan and agreement, and Court approval of this settlement. The remedial actions contemplated by this settlement are consistent with our recorded reserves.

RCRA litigation has also been filed against Honeywell by a citizens' group and thirteen other defendants with respect to contamination on about a dozen of the Honeywell ACO Sites. For the reasons stated above, we do not believe this lawsuit will significantly change our obligations with respect to the Honeywell ACO sites.

Although it is not possible at this time to predict the ultimate outcome or resolution of the litigation and administrative proceedings discussed above, we do not expect that these matters will have a material adverse effect on our consolidated financial position. While we expect to prevail on or settle these claims, an adverse litigation outcome could have a material adverse impact on our consolidated results of operations and operating cash flows in the periods recognized or paid.

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 (which began in April 2006) is expected to take approximately 18 to 36 months, 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 BUILD's state law claims with prejudice and dismissed BUILD's RCRA claims regarding neighborhoods near the DMT facility without prejudice. BUILD has since sent notice letters indicating that they intend to re-file these latter claims, which we will continue to oppose. The Court is expected to schedule a hearing in the second quarter of 2008 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 do not believe that this matter will have a material adverse impact on our 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 with respect to remediation of industrial contamination in the Lake. In October 2006, Honeywell entered into a Consent Decree with the State of New York to implement the remedy set forth in the Record of Decision. In January 2007, the Consent Decree was approved by the United States District Court for the Northern District of New York.

The Record of Decision calls for a combined dredging/capping remedy generally in line with the approach recommended in the Feasibility Study submitted by Honeywell in May 2004. Based on currently available information and analysis performed by our engineering consultants, we have accrued for our estimated cost of implementing the remedy set forth in the Record of Decision. Our estimating process considered a range of possible outcomes and the amounts recorded reflect our best estimate at this time. Given the scope and complexity of this project, it is possible that actual costs could exceed estimated costs by an amount that could have a material adverse impact on our consolidated results of operations and operating cash flows in the periods recognized or paid. At this time, however, we cannot identify any legal, regulatory or technical reason to conclude that a specific alternative outcome is more probable than the outcome for which we have made provisions in our financial statements. The DEC's aggregate cost estimate, which is higher than the amount reserved, is based on the high end of the range of potential costs for major elements of the Record of Decision and includes a contingency. The actual cost of the Record of Decision will depend upon, among other things, the resolution of certain technical issues during the design phase of the remediation. We do not believe that this matter will have a material adverse impact on our consolidated financial position. 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.

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 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 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 from the Bankruptcy Court's amended confirmation order. This appeal is pending in the United States District Court for the Western District of Pennsylvania. 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 to 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, 2007 and 2006 of $1.1 and $1.3 billion, respectively. 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 as of December 31, 2007. Approximately $95 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 is the same methodology that is utilized by an expert who is routinely retained by the asbestos claimants committee in asbestos related bankruptcies. In December 2006, as a result of significantly varying experiences of asbestos claims filing rates in the tort system (as a result of more clearly defined proof requirements) and in certain operating asbestos trusts, we updated the range of estimated liability for future NARCO-related claims. Such update 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. 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 2007 which would warrant a change in our estimated liability for future NARCO-related asbestos claims.

As of December 31, 2007 and 2006, our consolidated financial statements reflect an insurance receivable corresponding to the liability for settlement of pending and future NARCO-related asbestos claims of $939 and $955 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, 2007, a significant 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, 2007. 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. 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.

(Dollars in millions, except per share amounts)

Friction Products—Honeywell's Bendix friction materials (Bendix) business manufactured automotive brake parts that contained chrysotile asbestos in an encapsulated form. There is a group of existing and potential claimants consisting 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, 2007, we have resolved approximately 113,000 Bendix related asbestos claims. Trials covering 126 plaintiffs resulted in 125 favorable verdicts and one mistrial. Trials covering ten individuals resulted in adverse verdicts; however, two of these verdicts were reversed on appeal, five are or shortly will be on appeal, and the remaining three claims were settled. The following tables present information regarding Bendix related asbestos claims activity:

	Years Ended December 31,	
Claims Activity	**2007**	**2006**
Claims Unresolved at the beginning of year	57,108	79,502
Claims Filed	2,771	4,391
Claims Resolved	(8,221)	(26,785)
Claims Unresolved at the end of year	51,658	57,108

	December 31,	
Disease Distribution of Unresolved Claims	**2007**	**2006**
Mesothelioma and Other Cancer Claims	5,011	4,843
Other Claims	46,647	52,265
Total Claims	51,658	57,108

Approximately 45 percent of the approximately 52,000 pending claims at December 31, 2007 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. During 2006 approximately 16,000 cases were dismissed. More than 85 percent of these dismissals occurred in Mississippi as a result of judicial rulings relating to non-resident filings and venue. We continue to experience dismissals in this jurisdiction.

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

	Years Ended December 31,		
	2007	**2006**	**2005**
		(in whole dollars)	
Malignant claims	$33,000	$33,000	$58,000
Nonmalignant claims	$ 500	$ 250	$ 600

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 $517 and $528 million at December 31, 2007 and 2006, 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. 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 now possible to determine a reasonable estimate of the costs that would be incurred for claims filed over the next five years. Accordingly, during the fourth quarter of 2006, 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 December 2007, we updated our analysis of the estimated cost of future Bendix related asbestos claims which resulted in a reduction of the reserve to $327 million at December 31, 2007. 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. 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 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, 2007 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 $197 and $302 million are reflected as receivables in our consolidated balance sheet at December 31, 2007 and 2006, 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.

(Dollars in millions, except per share amounts)

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.

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

Asbestos Related Liabilities

	Year Ended December 31, 2007			Year Ended December 31, 2006			Year Ended December 31, 2005		
	Bendix	NARCO	Total	Bendix	NARCO	Total	Bendix	NARCO	Total
Beginning of year	$ 528	$1,291	$1,819	$ 287	$1,782	$2,069	$ 355	$2,395	$2,750
Accrual for pending claims and defense costs incurred	122	—	122	125	—	125	170	—	170
Accrual for estimated cost of future claims	—	—	—	335	—	335	—	—	—
Reduction in estimated cost of future claims	(8)	—	(8)	—	(207)	(207)	—	—	—
Asbestos related liability payments	(115)	(153)	(268)	(103)	(316)	(419)	(153)	(597)	(750)
Settlement with plaintiff firms of certain pending asbestos claims(1)	—	—	—	—	32	32	—	(21)	(21)
Update of expected resolution values for pending claims	(10)	—	(10)	(118)	—	(118)	(85)	—	(85)
Other	—	—	—	2	—	2	—	5	5
End of year	$ 517	$1,138	$1,655	$ 528	$1,291	$1,819	$ 287	$1,782	$2,069

(1) In 2006, charge of $32 million reflects a settlement of certain pending asbestos claims. In 2005, consists of a charge of $52 million to reflect a settlement of certain pending asbestos claims during the year and a credit of $73 million related to a re-estimation of asbestos reserves in connection with an additional settlement.

(Dollars in millions, except per share amounts)

Insurance Recoveries for Asbestos Related Liabilities

	Year Ended December 31, 2007			Year Ended December 31, 2006			Year Ended December 31, 2005		
	Bendix	NARCO	Total	Bendix	NARCO	Total	Bendix	NARCO	Total
Beginning of year	$ 302	$955	$1,257	$ 377	$1,096	$1,473	$336	$1,226	$1,562
Probable insurance recoveries related to claims filed	6	—	6	11	—	11	34	—	34
Probable insurance recoveries related to annual update of expected resolution values for pending claims	(4)	—	(4)	39	—	39	(15)	—	(15)
Insurance receipts for asbestos related liabilities	(107)	(16)	(123)	(166)	(100)	(266)	(33)	(127)	(160)
Insurance receivables settlements and write-offs(1)	—	—	—	34	(41)	(7)	41	—	41
Other	—	—	—	7	—	7	14	(3)	11
End of year	$ 197	$939	$1,136	$ 302	$ 955	$1,257	$377	$1,096	$1,473

(1) 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. In 2005, consists of gains from insurance settlements of $172 million principally related to a structured insurance settlement with a carrier which converted a policy into a future, fixed, non-contingent payment stream, and charges of $131 million for write-offs of certain amounts due from insurance carriers.

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

	December 31, 2007	December 31, 2006
Other current assets	$ 50	$ 157
Insurance recoveries for asbestos related liabilities	1,086	1,100
	$1,136	$1,257
Accrued liabilities	$ 250	$ 557
Asbestos related liabilities	1,405	1,262
	$1,655	$1,819

Other Matters

Allen, et, al. v. Honeywell Retirement Earnings Plan—During the third quarter of 2007, we agreed to a settlement in principle with the plaintiffs in this class action lawsuit relating to allegations that, among other things, Honeywell impermissibly reduced the pension benefits of certain employees of the former Garrett Corporation (a predecessor entity by merger) when the plan was amended in 1983 and failed to calculate certain benefits in accordance with the terms of the plan. Under the terms of the settlement, 18 of the 21 claims alleged by plaintiffs would be dismissed with prejudice in exchange for approximately $35 million, and the maximum aggregate liability for the remaining three claims would be capped at $500 million. During the third quarter of 2007, we recorded the $35 million settlement as part of pension expense (see Note 22). Any amounts payable, including the settlement amount, will be paid from the Company's pension plan. The definitive settlement agreement received final approval from the U.S. District Court for the District of Arizona in February 2008. 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. Although we expect to prevail on all three of the remaining claims, an adverse ruling on one or more of these claims could have a material adverse effect on our results of operations in the periods recognized. We do not believe that an adverse outcome in this matter would have a material adverse effect on our consolidated operating cash flows or consolidated financial position.

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 probable 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.

Given the uncertainty inherent in litigation, we do not believe it is possible to develop estimates of the range 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, 2007:

	Maximum Potential Future Payments
Operating lease residual values	$39
Other third parties' financing	4
Unconsolidated affiliates' financing	3
Customer financing	23
	$69

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:

(Dollars in millions, except per share amounts)

	Years Ended December 31,		
	2007	2006	2005
Beginning of year	$ 363	$ 347	299
Accruals for warranties/guarantees issued during the year	233	268	203
Adjustment of pre-existing warranties/guarantees	3	(22)	17
Settlement of warranty/guarantee claims	(203)	(230)	(172)
End of year	$ 396	$ 363	347

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

	2007	2006
Accrued liabilities	$380	347
Other liabilities	16	16
	$396	363

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 73 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 27 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. The adjustment for SFAS No. 158 affected our 2006 Consolidated Balance Sheet as follows:

Decrease in prepaid pension benefit cost	$(2,071)
Decrease in intangible asset	(79)
Decrease in accrued and minimum pension liability	138
Increase in postretirement benefit obligations other than pensions	(340)
Increase in accumulated other comprehensive loss, pre-tax	(2,352)
Increase in income tax benefit	840
Increase in accumulated other comprehensive loss, net of tax(1)	$(1,512)

(1) Represents $1,708 million reduction of shareowners' equity including a $196 million adjustment related to our additional minimum liability.

(Dollars in millions, except per share amounts)

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, 2007 and 2006.

	Pension Benefits		Other Postretirement Benefits	
	2007	2006	2007	2006
Change in benefit obligation:				
Benefit obligation at beginning of year	$17,008	$16,168	$ 2,265	$ 2,318
Service cost	264	274	15	17
Interest cost	960	908	128	122
Plan amendments	22	7	(7)	(11)
Actuarial (gains) losses	(647)	(183)	(11)	(14)
Acquisitions	—	75	—	—
Benefits paid	(1,073)	(1,070)	(198)	(186)
Settlements and curtailments	34	(15)	—	—
Other	202	844	—	19
Benefit obligation at end of year	16,770	17,008	2,192	2,265
Change in plan assets:				
Fair value of plan assets at beginning of year	16,578	14,653	—	—
Actual return on plan assets	1,281	1,897	—	—
Company contributions	238	347	—	—
Acquisitions	—	65	—	—
Benefits paid	(1,073)	(1,070)	—	—
Other	170	686	—	—
Fair value of plan assets at end of year	17,194	16,578	—	—
Funded status of plans	$ 424	$ (430)	$(2,192)	$(2,265)
Amounts recognized in Consolidated Balance Sheet consist of:				
Prepaid pension benefit cost	$ 1,231	$ 685	$ —	$ —
Accrued liabilities	—	—	(197)	(197)
Postretirement benefit obligations other than pensions(1)	—	—	(1,995)	(2,068)
Accrued pension liability(2)	(807)	(1,115)	—	—
Net amount recognized	$ 424	$ (430)	$(2,192)	$(2,265)

(1) Excludes Non-U.S. plans of $30 and $22 million in 2007 and 2006, respectively.

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

(Dollars in millions, except per share amounts)

Amounts recognized in Accumulated Other Comprehensive Income (loss) at December 31, 2007 and 2006 are as follows.

	Pension Benefits		Other Postretirement Benefits	
	2007	2006	2007	2006
Transition obligation	$ 12	$ 11	$ —	$ —
Prior service cost or (benefit)	94	98	(116)	(146)
Actuarial losses	1,675	2,423	429	486
Net amount recognized	$1,781	$2,532	$ 313	$ 340

The accumulated benefit obligation for our defined benefit pension plans was $16.0 and $16.2 billion at December 31, 2007 and 2006, 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	2007	2006	2005	2007	2006	2005
Service cost	$ 264	$ 274	$ 236	$ 15	$ 17	$ 17
Interest cost	960	908	815	128	122	120
Expected return on plan assets	(1,347)	(1,251)	(1,104)	—	—	—
Amortization of prior service cost (credit)	26	27	30	(37)	(40)	(39)
Recognition of actuarial losses	210	348	392	46	52	63
Settlements and curtailments	35	(13)	—	—	—	—
Net periodic benefit cost	$ 148	$ 293	$ 369	$152	$151	$161
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive (Income) Loss	2007			2007		
Actuarial (gains)	$ (581)			$ (11)		
Prior service cost (credit)	22			(7)		
Amortization of prior service cost (credit)	(26)			37		
Recognition of actuarial losses	(210)			(46)		
Foreign exchange translation adjustments	19			—		
Total recognized in other comprehensive (income) loss	$ (776)			$ (27)		
Total recognized in net periodic benefit cost and other comprehensive (income) loss	$ (628)			$125		

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 2008 are expected to be $48 and $28 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 2008 are expected to be $35 and $(40) million, respectively.

(Dollars in millions, except per share amounts)

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		
	2007	2006	2005	2007	2006	2005
Actuarial assumptions used to determine benefit obligations as of December 31:						
Discount rate	6.50%	6.00%	5.75%	5.90%	5.70%	5.50%
Expected annual rate of compensation increase	4.50%	4.00%	4.00%	—	—	—
Actuarial assumptions used to determine net periodic benefit cost for years ended December 31:						
Discount rate	6.00%	5.75%	5.875%	5.70%	5.50%	5.50%
Expected rate of return on plan assets	9.00%	9.00%	9.00%	—	—	—
Expected annual rate of compensation increase	4.00%	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 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.

Mortality assumptions for our U.S. benefit plans were updated as of December 31, 2005 using the RP2000 Mortality table for all participants.

Pension Benefits

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

	December 31,	
	2007	2006
Plans with accumulated benefit obligations in excess of plan assets		
Accumulated benefit obligations	$2,766	$3,493
Fair value of plan assets	$2,140	$2,692
Plans with projected benefit obligations in excess of plan assets		
Projected benefit obligations	$4,329	$5,042
Fair value of plan assets	$3,522	$3,927

(Dollars in millions, except per share amounts)

Our U.S. pension plans assets were $13.0 and $12.8 billion and our non-U.S. pension plans assets were $4.2 and $3.8 billion at December 31, 2007 and 2006, respectively. Our asset allocation and target allocation for our pension plans assets are as follows:

Asset Category	Percentage of Plans Assets at December 31, 2007	2006	Long-term Target Allocation
Equity securities	63%	63%	45-70%
Debt securities, including cash	26	29	15-30
Real estate	6	5	5-10
Other	5	3	5-15
	100%	100%	

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 2007 and 2006, we made voluntary contributions of $42 and $68 million, respectively, to our U.S. defined benefit pension plans primarily for government contracting purposes. Assuming that actual plan asset returns are consistent with our expected rate of 9 percent in 2008 and beyond, and that interest rates remain constant, we would not be required to make any contributions to our U.S. pension plans for the foreseeable future. We expect to make voluntary contributions of approximately $40 million in cash in 2008 to certain of our U.S. plans for government contracting purposes. We also expect to contribute approximately $125 million in cash in 2008 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:

2008	$1,076
2009	1,081
2010	1,088
2011	1,098
2012	1,116
2013-2017	5,873

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 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 $25, $37 and $45 million in 2007, 2006 and 2005, respectively.

(Dollars in millions, except per share amounts)

	December 31,	
	2007	2006
Assumed health care cost trend rate:		
Health care cost trend rate assumed for next year	8.5%	9.0%
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	$ 6	$ (5)
Effect on postretirement benefit obligation	$79	$(70)

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

	Without Impact of Medicare Subsidy	Net of Medicare Subsidy
2008	$221	$206
2009	224	208
2010	223	208
2011	221	207
2012	198	185
2013-2017	855	790

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 U.S. employees. Shares issued under the stock match plans were 3.7, 4.5 and 4.1 million at a cost of $199, $179 and $153 million in 2007, 2006 and 2005, respectively.

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; 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 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 business unit income (loss) before taxes excluding general corporate unallocated expenses, other income (expense), interest and other financial charges, pension and other postretirement benefits (expense), stock option expense, repositioning and other charges and accounting changes. Intersegment sales approximate market prices and are not significant. Reportable segment data follows:

(Dollars in millions, except per share amounts)

	Years Ended December 31,		
	2007	2006	2005
Net sales			
Aerospace	$12,236	$11,124	$10,496
Automation and Control Solutions	12,478	11,020	9,416
Specialty Materials	4,866	4,631	3,234
Transportation Systems	5,009	4,592	4,505
Corporate	—	—	1
	$34,589	$31,367	$27,652
Depreciation and amortization			
Aerospace	$ 199	$ 195	$ 188
Automation and Control Solutions	264	240	202
Specialty Materials	216	221	137
Transportation Systems	110	101	93
Corporate	48	37	33
	$ 837	$ 794	$ 653
Segment profit			
Aerospace	$ 2,197	$ 1,892	$ 1,676
Automation and Control Solutions	1,405	1,223	1,065
Specialty Materials	658	568	257
Transportation Systems	583	574	557
Corporate	(189)	(177)	(173)
	$ 4,654	$ 4,080	$ 3,382
Capital expenditures			
Aerospace	$ 172	$ 178	$ 178
Automation and Control Solutions	186	165	136
Specialty Materials	215	186	155
Transportation Systems	131	109	143
Corporate	63	95	72
	$ 767	$ 733	$ 684

	December 31,		
	2007	2006	2005
Total assets			
Aerospace	$ 8,743	$ 7,914	$ 7,696
Automation and Control Solutions	12,999	11,287	10,080
Specialty Materials	5,065	4,674	4,732
Transportation Systems	3,304	3,038	2,880
Corporate	3,694	4,028	6,245
	$33,805	$30,941	$31,633

(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,		
	2007	2006	2005
Segment profit	$4,654	$4,080	$3,382
Other income (expense)	53	111	231
Interest and other financial charges	(456)	(374)	(356)
Stock option expense(1)	(65)	(77)	—
Pension and other postretirement benefits (expense)(1)	(322)	(459)	(561)
Repositioning and other charges(1)	(543)	(483)	(400)
Income from continuing operations before taxes	$3,321	$2,798	$2,296

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

Note 24—Geographic Areas—Financial Data

	Net Sales(1)			Long-lived Assets(2)		
	Years Ended December 31,			Years Ended December 31,		
	2007	2006	2005	2007	2006	2005
United States	$21,101	$19,821	$17,956	$11,916	$11,438	$10,842
Europe	9,104	7,781	6,552	2,706	2,161	1,958
Other International	4,384	3,765	3,144	1,036	848	691
	$34,589	$31,367	$27,652	$15,658	$14,447	$13,491

(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 $3,427, $3,493 and $2,780 million in 2007, 2006 and 2005, respectively.

(2) Long-lived assets are comprised of property, plant and equipment, goodwill and other intangible assets.

Note 25—Supplemental Cash Flow Information

	Years Ended December 31,		
	2007	2006	2005
Payments for repositioning and other charges:			
Severance and exit cost payments	$ (92)	$(142)	$ (171)
Environmental payments	(267)	(264)	(247)
Proceeds from sale of insurance receivable	97	100	—
Insurance receipts for asbestos related liabilities	26	166	160
Asbestos related liability payments	(268)	(419)	(750)
	$(504)	$(559)	$(1,008)
Interest paid, net of amounts capitalized	$ 444	$ 361	$ 397
Income taxes paid, net of refunds	474	471	235
Non-cash investing and financing activities:			
Common stock contributed to U.S. savings plans	199	179	153

(Dollars in millions, except per share amounts)

Note 26—Unaudited Quarterly Financial Information

	2007					2006				
	Mar. 31	June 30	Sept. 30	Dec. 31	Year	Mar. 31	June 30	Sept. 30	Dec. 31	Year
Net sales	$8,041	$8,538	$8,735	$9,275	$34,589	$ 7,241	$ 7,898	$ 7,952	$ 8,276	$31,367
Gross profit	1,891	2,047	2,089	2,262	8,289	1,641	1,871	1,841	1,918	7,271
Income from continuing operations	526	611	618	689	2,444	431	521	541	585	2,078
Income from discontinued operations	—	—	—	—	—	5	—	—	—	5
Net income	526	611	618	689	2,444	436	521	541	585	2,083
Earnings per share—basic:										
Income from continuing operations	.66	.79	.83	.92	3.20	.51	.63	.66	.72	2.53
Income from discontinued operations	—	—	—	—	—	.01	—	—	—	.01
Net income	.66	.79	.83	.92	3.20	.52	.63	.66	.72	2.54
Earnings per share—assuming dilution:										
Income from continuing operations	.66	.78	.81	.91	3.16	.51	.63	.66	.72	2.51
Income from discontinued operations	—	—	—	—	—	.01	—	—	—	.01
Net income	.66	.78	.81	.91	3.16	.52	.63	.66	.72	2.52
Dividends paid	.25	.25	.25	.25	1.00	.226875	.226875	.226875	.226875	.9075
Market price(1)										
High	48.31	58.87	61.45	61.77	61.77	42.85	44.16	41.37	45.46	45.46
Low	44.13	46.15	54.12	53.19	44.13	35.84	37.62	36.21	41.35	35.84

(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, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 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, 2007, 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, the manner in which it accounts for stock-based compensation and defined benefit pension and other postretirement plans in 2006 and the manner in which it accounts for conditional asset retirement obligations in 2005.

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 14, 2008

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, sumarized, 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, 2007. 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, 2007.

The effectiveness of Honeywell's internal control over financial reporting as of December 31, 2007 has been audited by PricewaterhouseCoopers LLP, an independent registered public accouting 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, 2007, 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, James J. Howard, Eric K. Shinseki, 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 and Ms. Deily 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, 2007 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	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	47,079,091(1)	$41.68(2)	41,704,400(3)
Equity compensation plans not approved by security holders	716,150(4)	N/A(5)	N/A(6)
Total	47,795,241	$41.68	41,704,400

(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") (6,103,925 shares of Common Stock to be issued for options; 3,771,170 restricted units subject to continued employment); the 2003 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (the "2003 Stock Incentive Plan") (17,494,110 shares of Common Stock to be issued for options; 4,500 shares to be issued for SARs; 1,779,975 restricted units subject to continued employment; and 947,025 deferred restricted units of earned and vested awards under prior plans approved by shareowners where delivery of shares has been deferred); the 1993 Stock Plan for Employees of Honeywell International Inc. and its Affiliates (16,149,756 shares of Common Stock to be issued for options; 69,900 shares to be issued for SARs; and 431,230 restricted units subject to continued employment); the 2006 Stock Plan for Non-Employee Directors of Honeywell International Inc. (the "Non-Employee Director Plan") (110,000 shares of Common Stock to be issued for options and 3,000 shares of restricted stock), and the 1994 Stock Plan for Non-Employee Directors of Honeywell International Inc. (181,500 shares of Common Stock to be issued for options and 33,000 shares of restricted stock).

822,060 growth plan units were issued in the first quarter of 2005 pursuant to a long-term compensation program established under the 2003 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. The growth plan units issued in the first quarter of 2005 relate to the performance cycle commencing January 1, 2005 and ending December 31, 2006. 50% of any cash payment related to these growth plan units was paid in March 2007 and the remaining 50% of the cash payment will be paid in March 2008, subject to active employment on the payment dates.

899,840 growth plan units were issued in the first quarter of 2007 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 March 2009 and the remaining 50% will be paid in March 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, 2007 is 37,894,009 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 cancelled, 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, 2007 is 3,425,391. 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 at a 15% discount the following November. For 2007 and prior years, Honeywell purchased shares through non-dilutive, open market purchases. Employees purchased 429,383 shares of Common Stock at \$38.335 per share in 2007 and 383,178 shares of Common Stock at \$31.84 per share in 2006.

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, 2007, 126,267 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, 2007, 18,959 shares were credited to participants' accounts under these three plans.

The remaining 385,000 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, 2007 is 52,797.

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, 2007 is 1,497.

(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 1,497 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 1,251,561 and their weighted-average exercise price is $48.18.

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 2007 and 2006 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

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 109 through 112 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 15, 2008

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	Name
* David M. Cote Chairman of the Board, Chief Executive Officer and Director	* James J. Howard Director
* Gordon M. Bethune Director	* Ivan G. Seidenberg Director
* Jaime Chico Pardo Director	* Bradley T. Sheares, Ph.D. Director
* D. Scott Davis Director	* Eric K. Shinseki Director
* Linnet F. Deily Director	* John R. Stafford Director
* Clive R. Hollick Director	* Michael W. Wright Director
/s/ David J. Anderson David J. Anderson Senior Vice President and Chief Financial Officer (Principal Financial Officer)	/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 15, 2008

EXHIBIT INDEX

Exhibit No.	Description
2	Omitted (Inapplicable)
3(i)	Restated Certificate of Incorporation of Honeywell International Inc., as amended April 25, 2005 (incorporated by reference to Exhibit 3(i) to Honeywell's Form 10-K for the year ended December 31, 2005)
3(ii)	By-laws of Honeywell, as amended December 8, 2006 (incorporated by reference to Exhibit 3(ii) to Honeywell's Form 8-K filed December 11, 2006)
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 and by Exhibit 10.1 to Honeywell's Form 10-K for the year ended December 31, 2006)
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, amended by Exhibit 10.1 to Honeywell's Form 8-K filed December 21, 2004 and by 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 by Exhibit 10.2 to Honeywell's Form 10-Q for the quarter ended June 30, 2007)
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*	AlliedSignal, Inc. Incentive Compensation Plan for Executive Employees, as amended (incorporated by reference to Exhibit B 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 10.5 to Honeywell's Form 10-Q for the quarter ended June 30, 1999)
10.6*	Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries as amended and restated (incorporated by reference to Exhibit 10.6 to Honeywell's Form 10-Q for the quarter ended September 30, 2005 and by Exhibit 10.6 to Honeywell's Form 10-K for the year ended December 31, 2006)
10.7*	Honeywell International Inc. Severance Plan for Senior Executives, as amended and restated (incorporated by reference to Exhibit 10.7 to Honeywell's Form 10-K for the year ended December 31, 2003, and amended by Exhibit 10.7 to Honeywell's Form 10-Q for the quarter ended June 30, 2004)
10.8*	Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc., and its Affiliates, as amended and restated (incorporated by reference to Exhibit 10.8 to Honeywell's Form 10-Q for the quarter ended September 30, 2005 and by Exhibit 10.8 to Honeywell's Form 10-K for the year ended December 31, 2006)

Exhibit No.	Description
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 and by Exhibit 10.3 to Honeywell's Form 10-Q for the quarter ended June 30, 2007)
10.10*	Honeywell International Inc. Supplemental Pension Plan, as amended and restated (incorporated by reference to Exhibit 10.13 to Honeywell's Form 10-K for the year ended December 31, 2000, and amended by Exhibit 10.1 to Honeywell's Form 8-K filed December 21, 2004 and by Exhibit 10.2 to Honeywell's Form 10-Q for the quarter ended September 30, 2006)
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 (incorporated by reference to Exhibit 10.14 to Honeywell's Form 10-Q for the quarter ended June 30, 2004, and amended by Exhibit 10.1 to Honeywell's Form 8-K filed December 21, 2004 and by Exhibit 10.2 to Honeywell's Form 10-Q for the quarter ended September 30, 2006)
10.13*	Honeywell Supplemental Defined Benefit Retirement Plan, as amended and restated (incorporated by reference to Exhibit 10.15 to Honeywell's Form 10-Q for the quarter ended June 30, 2004, and amended by Exhibit 10.1 to Honeywell's Form 8-K filed December 21, 2004 and by Exhibit 10.2 to Honeywell's Form 10-Q for the quarter ended September 30, 2006)
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)
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 (incorporated by reference to Exhibit 10.19 to Honeywell's Form 10-K for the year ended December 31, 2002 and amended by the attached amendment (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)
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)

Exhibit No.	Description
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)
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)
10.26*	2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates (incorporated by reference to Honeywell's Proxy Statement, dated March 13, 2006, filed pursuant to Rule 14a-6 of the Securities and Exchange Act of 1934 and to Exhibit 10.2 to Honeywell's Form 10-Q for the quarter ended June 30, 2006, and amended by Exhibit 10.26 to Honeywell's Form 10-K for the year ended December 31, 2006)
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 (filed herewith)
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. (incorporated by reference to Honeywell's Proxy Statement dated March 13, 2006, filed pursuant to Rule 14a-6 of the Securities and Exchange Act of 1934 and to Exhibit 10.6 to Honeywell's Form 10-Q for the quarter ended June 30, 2006, and amended by Exhibit 10.31 to Honeywell's Form 10-K for the year ended December 31, 2006)
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*	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)
10.35*	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)

Exhibit No.	Description
10.36	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)
10.37	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)
10.38	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)
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, 2007

(In millions)

Allowance for Doubtful Accounts:

Balance December 31, 2004	$ 137
Provision charged to income	83
Deductions from reserves(1)	(71)
Acquisitions	30
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

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

Deferred Tax Assets—Valuation Allowance

Balance December 31, 2004	$ 338
Additions charged to income tax expense	46
Reductions credited to income tax expense	(126)
Additions charged to goodwill, due to acquisitions	219
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

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

LEADERSHIP TEAM AND CORPORATE OFFICERS

DAVID M. COTE
Chairman and
Chief Executive Officer

ROBERT J. GILLETTE
President and
Chief Executive Officer
Aerospace

ROGER FRADIN
President and
Chief Executive Officer
Automation and Control
Solutions

ADRIANE M. BROWN
President and
Chief Executive Officer
Transportation Systems

NANCE K. DICCIANI
President and
Chief Executive Officer
Specialty Materials

DAVID J. ANDERSON
Senior Vice President and
Chief Financial Officer

MARK R. JAMES
Senior Vice President
Human Resources and
Communications

LARRY E. KITTELBERGER
Senior Vice President
Technology and Operations

PETER M. KREINDLER
Senior Vice President and
General Counsel

RHONDA GERMANY
Vice President
Strategy and Business
Development

SHANE TEDJARATI
President
Honeywell China

TIMOTHY J. KEATING
Senior Vice President
Government Relations

THOMAS L. BUCKMASTER
Vice President
Communications and
President
Honeywell Hometown
Solutions

TALIA M. GRIEP
Vice President and
Controller

THOMAS F. LARKINS
Vice President
Corporate Secretary and
Deputy General Counsel

HARSH BANSAL
Vice President
Investments

JOHN J. TUS
Vice President and
Treasurer

SHAREOWNER INFORMATION

ANNUAL MEETING

The Annual Meeting of Shareowners will be held at 10:30 a.m. on Monday, April 28, 2008, at Honeywell's corporate headquarters, 101 Columbia Road, Morristown, New Jersey, 07962.

DIVIDENDS/SHAREOWNERS MATTERS

Honeywell's Dividend Reinvestment and Share Purchase Plan provides for automatic reinvestment of common stock dividends at market price. Participants also may add cash for the purchase of additional shares of common stock without payment of any brokerage commission or service charge. Honeywell offers Direct Registration, or paperless stock ownership. This means that instead of getting a paper stock certificate to represent your shares, your shares are held in your name and tracked electronically in our records.

The company has established a Direct Deposit of Dividends service enabling registered shareowners to have their quarterly dividend payments sent electronically to their bank accounts on the payment date.

For more information on these services or for answers to questions about dividend checks, stock transfers, or other shareowner matters, please contact Honeywell's transfer agent and registrar:

AMERICAN STOCK TRANSFER & TRUST CO.
59 Maiden Lane
New York, NY 10038
1-800-647-7147
http://www.amstock.com
E-mail: info@amstock.com

HONEYWELL INTERNATIONAL INC.
Corporate Publications
P.O. Box 2245
Morristown, NJ 07962-2245
973-455-5402

STOCK EXCHANGE LISTINGS

Honeywell's Common Stock is listed on the New York and Chicago stock exchanges under the symbol HON. It is also listed on the London Stock Exchange. Shareowners of record as of December 31, 2007, totaled 69,767.

GENERAL INQUIRIES

For additional shareowner inquiries, please contact Honeywell's Shareowner Services at 1-800-647-7147 or Honeywell Investor Relations at 1-973-455-2222.

PEOPLE AND PERFORMANCE: 2007 RECOGNITION AND AWARDS

At Honeywell, we hire the best people from around the world and give them every opportunity to grow, learn and perform. Our businesses are united by a commitment to give our customers superior quality, delivery, value and technology to meet their needs. And we do it every day in more than 100 countries. Through several global award programs, we recognize top-performing sites, teams and individuals for making significant, measurable contributions to our Five Initiatives – Growth, Productivity, Cash, People and our Enablers.

PREMIER ACHIEVEMENT AND SENIOR LEADERSHIP AWARDS

"Premier Achievement" and the "Senior Leadership Award" are our highest annual honors for individuals, recognizing outstanding achievements in our Five Initiatives.

PREMIER ACHIEVEMENT

Aerospace:
Hart Duan

Automation and Control Solutions:
Bill Hunter, Jos Mathot, Sandeep Vij

Transportation Systems:
Marcello Malano, Olivier Rabiller

Specialty Materials:
Devesh Mathur, Li Wang

Corporate:
Boby K. Joseph, Premraj Krishnakutty, Chris Spear

SENIOR LEADERSHIP AWARD

Aerospace:
Greg Albert, Adrian Paull

Automation and Control Solutions:
Vimal Kapur

Transportation Systems:
Alex Ismail (grand-prize winner)

Specialty Materials:
Carlos A. Cabrera

VELOCITY PRODUCT DEVELOPMENT™ AWARD

The "Velocity Product Development™ Award" recognizes the individual who fundamentally changes processes to improve new product introductions.

Specialty Materials: Greg Funk

BEST OVERALL SITES

Chonan, Korea – Automation and Control Solutions

Clearwater-Defense – Aerospace

MOST IMPROVED SITES

Brno, Czech Republic – Automation and Control Solutions

Seelze, Germany – Specialty Materials

CHAIRMAN'S AWARD FOR EVERYDAY HEROES

Our "Chairman's Award for Everyday Heroes" rewards one employee each week for contributions that drive company growth.

AEROSPACE

Michael R. Blank
Thea Feyereisen
Ashutosh Gunderia
Rich Lonigro
Dennis L. Slezak
Timothy M. Walker

AUTOMATION AND CONTROL SOLUTIONS

Kamal Arora
Shirley Chai
Joe Daccache
You Ding
John Foley III
Gareth Johnson
Raymond J. Johnson
Stephen Jones
Vince Kelly
KY Lee
Adrian Mundy
Alex Niemeijer
Jorge E. Ortiz
Leo Ranta
P.K. Ravindran
Ron Reid
Michael Rossignol
Blanca Salem
Paul Tobin
Susan Wolf
Ben Zhang

TRANSPORTATION SYSTEMS

Wee Hiong Bek
Kevin Comer
Paul De Montfalcon
Michelle Dumétier
Shilpa Duttasharma
Craig Gibbs
Edward Goodwin
Eryk Mankowski
Ashraf Mohamed
Satoshi Watanabe
Steve Worley

SPECIALTY MATERIALS

Barbara Azzarello
Steven Bradley
Andrew Brown
Jennifer Ealy
Tom S. Eberly
Hans-Ulrich Hahn
Linda L. Houghton
Marie Li-Ying
Vernon L. Mallett
Janet Schoenhaus
Frank Schubert
Eric Smith
Don Taylor

CORPORATE

Joe Schultz

TOP SITES FOR QUALITY

The following sites achieved the best quality metrics in 2007 with zero defects in all products shipped:

AEROSPACE

Malaysia Aftermarket Services; Phoenix Military Aftermarket Services, Arizona; Subic Bay Aftermarket Services, Philippines; Suzhou OEM, China

TRANSPORTATION SYSTEMS

Calgary Distribution Center; Freehold, New Jersey; Mexico City, Mexico; Mexico Distribution Center; New Zealand Distribution Center; Toronto Distribution Center; Treforest Distribution Center, Wales

SPECIALTY MATERIALS

McCook, Illinois

TOP SITES FOR DELIVERY

The following sites achieved the best metrics for delivery with on-time-to-request rates of 99.19 percent or higher:

AEROSPACE

Coon Rapids, Minnesota; Clearwater-Defense, Florida; Luton Aftermarket Services, U.K.; Nanjing OEM, China; Suzhou OEM, China

AUTOMATION AND CONTROL SOLUTIONS

Acton, Massachusetts (HPS)

TRANSPORTATION SYSTEMS

Ansan, Korea; Green Island, New York; Pune, India

SPECIALTY MATERIALS

Fombell, Pennsylvania

TEAM PERFORMANCE AWARD

This program recognizes teams that deliver significant, measurable results in support of Honeywell's major initiatives, such as the Honeywell Operating System, Velocity Product Development™, Marketing/Growth and Functional Transformation.

AEROSPACE

Simplified Survey System Team; MEMS Gyro Pilot Line Team; A350XWB Extended Mechanical Systems Perimeter Pursuit Team

AUTOMATION AND CONTROL SOLUTIONS

California Solar Initiative Sales Team; Project Uplift Team; Coffeyville Flood Recovery Team; SpectrAlert Advance Team

TRANSPORTATION SYSTEMS

Brake Business Win with Volkswagen in China Team; Supplier Transition Team; HOS Turbo Re-Layout Team

SPECIALTY MATERIALS

Thailand Capability Improvement Team; Resins and Chemicals Sales, Inventory and Operations Planning (SIOP) Team; ACLAR Production Team

Designed and Produced by Taylor & Ives, Inc., NYC

Honeywell

Aerospace • Automation and Control Solutions • Transportation Systems • Specialty Materials

Honeywell International Inc.
101 Columbia Road
P.O. Box 2245
Morristown, NJ 07962-2245
USA

For more information about Honeywell, visit www.honeywell.com

APPENDIX 3

BONDING CAPACITY LETTER

ROSENBERG & PARKER

SURETY BONDS

May 30, 2008

Mrs. Donn Tsuruda-Kashiwabara
State of Hawaii
State Procurement Office
1151 Punchbowl Street
Kalanimoku Building, Room 416
Honolulu, HI 96813

Re: Honeywell Building Solutions – RFP-08-022-SW
Energy Performance Contracting Services Statewide State of Hawaii

To Whom It May Concern:

Honeywell Building Solutions is a highly regarded and valued client of Travelers Casualty and Surety Company of America. Travelers Casualty and Surety Company of America is rated A+ in the Best's Key Rating Guide and is listed in the Department of the Treasury's Listing of Approved Sureties (Department Circular 570). Travelers Casualty and Surety Company of America has expressed its willingness to provide bonding support on single projects of $30,000,000 with a total aggregate of $200,000,000. The amount currently bonded is $67,584,871.

In accordance with the normal practice, Travelers Casualty and Surety Company of America's willingness to extend suretyship will be based on their underwriting of the account at the time the contractor requests bonds.

In addition, we would expect that the execution of any final bonds be subject to the review and acceptance of contract documents by Honeywell Building Solutions and Travelers Casualty and Surety Company of America.

Sincerely,

David C. Rosenberg
President

DCR/sas

cc: Chris Vahey, Travelers Casualty and Surety Company of America

ROSENBERG & PARKER RP 1946

455 SOUTH GULPH ROAD • SUITE 400 • KING OF PRUSSIA, PENNSYLVANIA 19406
p 610.668.9100 • p 800.394.9200 • f 610.667.5200
info@suretybond.com • suretybond.com