

HONEYWELL INTERNATIONAL INC

Form 11-K

June 28, 2012

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

Form 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-8974

Honeywell Puerto Rico Savings and Ownership Plan
(Full Title of Plan)

Honeywell International Inc.
101 Columbia Road
Morris Township, NJ 07962

(Name of Issuer of Securities Held Pursuant to the Plan and
the Address of its Principal Executive Office)

Honeywell Puerto Rico Savings and Ownership Plan

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Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of
Honeywell Puerto Rico Savings and Ownership Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of Honeywell Puerto Rico Savings and Ownership Plan (the Plan) at December 31, 2011 and 2010, and the changes in net assets available for benefits for the year ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

Florham Park, New Jersey
June 27, 2012

**Honeywell Puerto Rico Savings and Ownership Plan
Statements of Net Assets Available for Benefits
at December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
	<i>(dollars in thousands)</i>	
Plan interest in Honeywell Savings and Ownership Plan Master Trust at fair value	\$ 6,113	\$ 4,139
Total investments	<u>6,113</u>	<u>4,139</u>
Receivables:		
Notes receivable from participants	165	114
Contribution receivable from participating employees	64	50
Contribution receivable from the Company, net of forfeitures	14	9
Total receivables	<u>243</u>	<u>173</u>
Net assets available for benefits, at fair value	<u>6,356</u>	<u>4,312</u>
Adjustment from fair value to contract value for fully benefit-responsive investment contracts		(1)
Net assets available for benefits	<u>\$ 6,356</u>	<u>\$ 4,311</u>

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The accompanying notes are an integral part of these financial statements.

**Honeywell Puerto Rico Savings and Ownership Plan
Statement of Changes in Net Assets Available for Benefits
for the year ended December 31, 2011**

	2011
	<i>(dollars in thousands)</i>
Additions to net assets attributable to:	
Interest income from notes receivable from participants	\$ 7
Contributions:	
Participating employees	1,559
The Company, net of forfeitures	374
Roll-over contributions	163
Total contributions	2,096
Plan transfers to Puerto Rico Honeywell Savings and Ownership Plan	188
Total additions	2,291
Deductions from net assets attributable to:	
Investment loss from Plan interest in Honeywell Savings and Ownership Plan Master Trust	(33)
Benefits paid to participants	(211)
Plan expenses	(2)
Total deductions	(246)
Net increase in net assets during the year	2,045
Net assets available for benefits:	
Beginning of year	4,311
End of year	\$ 6,356

Honeywell Puerto Rico Savings and Ownership Plan

Notes to Financial Statements

1. Description of the Plan

General

On May 1, 2008, the Honeywell Puerto Rico Savings and Ownership Plan (the Plan) was established as a defined contribution plan for certain employees of Honeywell International Inc. (the Company), ADI of Puerto Rico, Inc. and Honeywell Aerospace de Puerto Rico, Inc (together with the Company, the Employer). It is subject to the provisions of the Employee Retirement Income Security Act of 1974 as amended (ERISA) and the applicable Puerto Rico Internal Revenue Code (the Code). The following represents a summary of key provisions of the Plan but does not purport to be complete and is qualified in its entirety by the terms of the Plan. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

Administration

The Company's Vice President of Compensation and Benefits is the Plan Administrator and has full discretionary authority to manage and control the operation and administration of the Plan, including the power to interpret provisions of the Plan and to promulgate policies and procedures for the Plan's administration and to delegate its administrative responsibilities. The Savings Plan Investment Committee has the power and authority to enter into agreements with trustees to provide for the investment of Plan assets and to appoint investment managers to direct such trustees, as appropriate. The day to day administration of the Plan is handled by ING Institutional Plan Services, LLC (ING), formerly known as CitiStreet. The trustee of the Plan is Banco Popular de Puerto Rico (the Trustee) and the custodian of the Plan is State Street Bank and Trust Company (the Custodian).

Contributions and Vesting

For the year ended December 31, 2011, participants may elect to contribute from 1% to 20% of their base pay as defined in the Plan during each pay period, subject to certain restrictions for highly compensated employees, as defined in the Plan document. Contributions are permitted to be made either on a before-tax or after-tax basis, or a combination of both, and may be directed into any investment option available within the Plan. In addition to regular before-tax or after-tax contributions, eligible participants may also contribute catch-up contributions up to \$1,000 per year if they are or will attain the age of 50 by December 31st and are contributing at least 10 percent on a before-tax basis to the Plan or have contributed the maximum regular before-tax contributions to the Plan.

Generally, the Employer matching contribution does not begin until the first pay period following the employee's completion of one year of service with the Employer. The Employer matching contributions are made to the eligible participants' accounts each pay period that employee contributions are made to the Plan.

Effective January 1, 2011, participants received basic matching contributions whereby the Employer matched 31.25 percent of the first 6 percent of base pay that the participant contributed to the Plan (excluding rollover and catch-up contributions). Additionally, participants who were actively employed by the Employer on December 31, 2010, and who received matching contribution during the year ended December 31, 2010, received an additional one-time matching contribution in 2011 as a match restoration equal to 25 percent of the matching contributions that were made to the participant's account for the period from July 1, 2010 through December 31, 2010.

The Employer does not match catch-up contributions. All of the Employer's matching contributions are initially invested in the Honeywell Common Stock Fund.

Participants have a full and immediate vested interest in the portion of their accounts contributed by them and the earnings on such contributions. A participant will become 100 percent vested in any

Honeywell Puerto Rico Savings and Ownership Plan

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Employer contributions upon completion of three years of vesting service or upon attainment of age 65 while an employee of the Employer or an affiliated company. In addition, a participant's account will become 100 percent vested if the participant's termination with the Employer or an affiliated company was due to any one of the following (i) retirement under the terms of a Employer pension plan in which the participant participates; (ii) disability (as defined under the plan provisions); (iii) death; (iv) a reduction in force or layoff (as determined by the Employer); or (v) a participant's business unit is sold or divested.

A participant will also become 100 percent vested in the event the Employer permanently discontinues contributions to or terminates the Plan.

Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of (1) the Employer's matching contribution, if applicable, and (2) investment earnings, and charged with an allocation of investment losses and certain administrative expenses that are not paid by the Company. The allocation is based on participants' account balances as defined in the Plan document. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Notes Receivable from Participants

Effective July 1, 2011, no new loans were permitted from the Plan.

Prior to July 1, 2011, loans were made to participants from their account balances in the following order (1) before-tax contributions and earnings, (2) after-tax contributions and earnings, (3) rollover contributions and earnings, (4) prior employer contributions and earnings, and (5) vested Employer matching contributions and earnings.

The maximum loan amount to a participant was the lesser of (1) \$50,000, reduced by the participant's highest combined outstanding loan balance and accrued interest during the preceding twelve month period, or (2) 50% of the vested portion of a participant's account including loan balance(s) less any current outstanding loan balance(s). The interest rate on the loans was generally the published prime rate plus 1% for the month preceding the effective date of the loan. The term of any loan could not be less than 1 month or more than 60 months unless used to acquire a principal residence for which the term could be up to 25 years.

Interest rates for loans outstanding at December 31, 2011 and 2010 were approximately 4.25%.

Termination

Although it has not expressed intent to do so, the Employer has the right under the Plan document to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of a partial or full Plan termination, all Plan funds must be used in accordance with the terms of the Plan.

Distribution of Benefits

Upon termination of service with the Employer, if a participant's vested account balance is \$1,000 or less (including any rollover contributions), the entire vested amount in the participant's account can be distributed to the participant in a single payment, without his or her consent, unless the participant affirmatively elects to have the benefit rolled over to an eligible retirement plan. If the participant's vested account balance exceeds \$1,000 (excluding any rollover contributions), the balance in the account will remain in the Plan and shall be distributed (1) at the participant's request, or (2) upon the participant's death, whichever is earlier. When a participant dies, if his or her spouse is the beneficiary, the spouse may remain in the Plan until December 31 of the calendar year following the calendar year of the participant's death. If the value of the participant's account is \$1,000 or less, the

Honeywell Puerto Rico Savings and Ownership Plan

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entire amount in the participant's account is distributed in a single payment to the participant's beneficiary (ies) according to the terms of the Plan.

Forfeitures

Forfeitures of the Employer's contributions and earnings thereon due to terminations and withdrawals reduce contributions otherwise due from the Employer. Employer contributions due to the Plan were reduced by \$5 thousand and \$10 thousand due to forfeited nonvested accounts for the years ended December 31, 2011 and 2010, respectively.

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation

For investment and administrative purposes, the Plan's assets are held in the Honeywell Savings and Ownership Plan Master Trust (Master Trust) along with the assets of the Honeywell Savings and Ownership Plan (the HSOP) and the Honeywell Secured Benefit Plan. The Plan's investment in the Master Trust represents the Plan's interest in the net assets of the Master Trust. The Plan's investment is stated at fair value and is based on the beginning of year value of the Plan's interest in the Master Trust plus actual Plan contributions and allocated investment income less Plan distributions, allocated investment losses and allocated expenses.

Notes Receivable from Participants

Notes receivable from participants are valued at cost plus accrued unpaid interest.

Payment of Benefits

Withdrawals and distributions to participants are recorded when paid.

Expenses

Certain external and internal expenses relating to the administration of the Master Trust and managing the investment funds established thereunder are not borne by the participating plans but borne by certain businesses of the Company. Brokerage commissions, transfer taxes and other charges incurred in connection with the purchase and sale of securities are paid out of the fund to which such charges are attributable. Certain other fees are charged directly to the participant's account with respect to which the fee relates.

Recent Accounting Pronouncements

The Master Trust adopted the Financial Accounting Standards Board (FASB) issued guidance which requires new disclosures and clarifies existing disclosure requirements, about fair value measurements. The new guidance requires (a) disclosure of gross significant transfers in and/or out between Levels 1 and 2 and the reasons for those transfers, (b) disclosure of all transfers in/out of Level 3 (significant transfers to be presented gross) and the reasons for those transfers, and (c) purchases, sales, issuances and settlements to be disclosed separately (i.e. gross) within the Level 3 roll-forward. The guidance also clarifies (a) the levels of disaggregation in presenting fair value disclosures for each class of assets and liabilities and (b) the disclosures about valuation techniques

Honeywell Puerto Rico Savings and Ownership Plan

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and inputs that are required for fair value measurements that fall within either Level 2 or Level 3. Items (a) and (b) were adopted in 2010. Item (c) was adopted in 2011 and had no significant impact on the Statements of Net Assets Available for Benefits and the Statement of Changes in Net Assets Available for Benefits.

In May 2011, the FASB issued guidance on Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS). The guidance is intended to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRS. The amendments are of two types: (i) those that clarify the Board's intent about the application of existing fair value measurement and disclosure requirements and (ii) those that change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The update is effective for annual periods beginning after December 15, 2011. Plan's management does not believe the adoption of this update will have a significant impact on the Plan's financial statements.

3. Interest in Honeywell Savings and Ownership Plan Master Trust

The Plan's investment is held in the Master Trust, which is commingled with the assets of the HSOP and the Honeywell Secured Benefit Plan. Each participating plan has an undivided interest in the Master Trust. The assets of the Master Trust are held by the Trustee. At December 31, 2011 and 2010, the Plan, the HSOP and the Honeywell Secured Benefit Plan's interest in the net assets of the Master Trust were 0.065%, 98.59% and 1.345% and 0.044%, 98.291% and 1.665%, respectively. Investment income or loss is allocated based on participant balances, and administrative expenses relating to the Master Trust are allocated daily to the respective plans based upon the net asset value balances invested by each plan.

The Master Trust is comprised of the following types of investments, at fair value, as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
	<i>(dollars in millions)</i>	
Common and Collective Trusts and Commingled Funds	\$ 3,510	\$ 3,400
Honeywell Common Stock	2,726	2,710
Short Term Investments	1,442	1,264
Common/Preferred Stocks (Separately Managed Portfolios)	914	962
Fixed Income Investments	761	
Guaranteed Investment Contracts	16	883
Mutual Funds		197
	<u>9,369</u>	<u>9,416</u>
Total Investments, at fair value		
Adjustment from fair value to contract value for fully-benefit responsive investment contracts		(18)
	<u>\$ 9,369</u>	<u>\$ 9,398</u>
Total Investments, at contract value		

Honeywell Puerto Rico Savings and Ownership Plan

Notes to Financial Statements

The Master Trust's investment income for the year ended December 31, 2011 is presented in the following table. The net appreciation loss/(depreciation) consists of both realized gains/(losses) on investments bought, sold and matured, as well as the change in unrealized gains/(losses) on investments held during the year by the Master Trust.

	2011
	<i>(dollars in millions)</i>
Net appreciation/(depreciation) in fair value of investments:	
Honeywell Common Stock	\$ 81
Common/Preferred Stocks (Separately Managed Portfolios)	(15)
Fixed Income Investments	2
Common and Collective Trusts And Commingled Funds	(5)
Mutual Funds	(7)
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Net appreciation	56
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Dividend Income	85
Interest Income	36
	<hr/>
Total investment income	\$ 177
	<hr/>

Honeywell Puerto Rico Savings and Ownership Plan

Notes to Financial Statements

Investment Valuation and Income Recognition Master Trust

Master Trust investments are stated at fair value. Investments in mutual and common/commingled funds are valued at the net asset value of units held at year-end. Common stocks, including Honeywell Common Stock, traded on a national securities exchange, are valued at the last reported sales price or close price at the end of the year. Fixed income securities traded in the over-the-counter market are valued at the bid prices. Short term securities are valued at amortized cost, which includes cost plus accrued interest, which approximates fair value. Traditional guaranteed investment contracts are stated at fair value based on a discounted cash flow method.

Interest income is recorded on the accrual basis, and dividend income is recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis.

From time to time, investment managers may use derivative financial instruments including foreign exchange forward and futures contracts. Derivative instruments are used primarily to mitigate exposure to foreign exchange rate and interest rate fluctuations as well as manage the investment mix in the portfolio. The Master Trust held no derivative instruments as of December 31, 2011 and December 31, 2010.

The Plan's interest in the Master Trust represents more than 5 percent of the Plan's net assets at December 31, 2011 and 2010.

Guaranteed Investment Contracts

The Master Trust entered into benefit-responsive investment contracts, such as traditional guaranteed investment contracts and synthetic guaranteed investment contracts (GICs) with various third parties. These benefit-responsive investment contracts are held through the Honeywell Short Term Fixed Income Fund. Contract values represent contributions made to the investment contract plus earnings, less participant withdrawals and administrative expenses.

Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The Statements of Net Assets Available for Benefits present the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

A traditional GIC provides for a fixed return on principal over a specified period of time through fully benefit-responsive contracts issued by a third party which are backed by assets owned by the third party. The contract values of the traditional GICs were \$16 million and \$125 million at December 31, 2011 and 2010, respectively.

A synthetic GIC provides for a fixed return on principal over a specified period of time through fully benefit-responsive wrapper contracts issued by a third party which are backed by underlying assets owned by the Master Trust. As of December 31, 2011, the Master Trust did not hold any synthetic GICs. The contract value of the synthetic GICs was \$740 million at December 31, 2010. Not included in the contract value of the synthetic GICs was \$15 million at December 31, 2010 attributable to wrapper contract providers representing the amounts by which the value of the investment contracts is less than the value of the underlying assets.

The average yield rate of the Honeywell Short Term Fixed Income Fund was 2.45% for the year ended December 31, 2010. The average crediting interest rate of the Honeywell Short Term Fixed Income Fund was 2.36% for the year ended December 31, 2010. On December 1, 2011, the

Honeywell Puerto Rico Savings and Ownership Plan

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insurance wraps which provided benefit-responsive accounting to approximately 50% of the Short Term Fixed Income Fund were removed. The Master Trust is exposed to credit loss in the event of non-performance by the companies with whom the GICs are placed. The Company does not anticipate non-performance by these companies.

Determination of Fair Value

The accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value.

The Plan or Master Trust valuation methodologies for assets and liabilities measured at fair value are described on page 12 Investment Valuation and Income Recognition Master Trust . The methods described on page 12 may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Valuation Hierarchy

The accounting guidance establishes a three-level valuation hierarchy for disclosure of fair value measurements. The three levels are defined as follows:

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The following is a description of the valuation methodologies used for financial instruments measured at fair value. There have been no changes in the methodologies used at December 31, 2011 and 2010.

Honeywell International Inc. common stock, other common stocks and mutual funds

Honeywell International Inc. common stock is valued at the closing price reported on the New York Stock Exchange Composite Transaction Tape. Other common stocks are valued at the closing price reported on the principal market on which the respective securities are traded. Mutual funds values are based on the Net Asset Value (NAV) that is quoted on an active market. Honeywell International Inc. common stock, other common stocks and mutual funds are all classified within level 1 of the valuation hierarchy.

Honeywell Puerto Rico Savings and Ownership Plan

Notes to Financial Statements

Common, Collective Trust, Commingled and Short Term Investment Funds

Common, Collective Trust, Commingled and Short Term Investment funds are investment vehicles utilized within the target date funds, equity index funds, investment grade bond fund, global REIT fund and short term investment fund. These funds permit daily subscriptions and redemption of units. These investments are valued using the NAV provided by the administrator of the underlying fund. The NAV is based on the value of the underlying assets owned by the fund, less its liabilities, divided by the number of units outstanding. The NAV is a quoted price in a market that is not active and classified within level 2 of the valuation hierarchy.

Fixed Income Investments

Fixed income securities (other than certain short term investments maturing in less than 61 days and Commercial Backed Mortgage Securities) are valued at the regular close of trading of the principal exchanges on each valuation date at the evaluated bid prices supplied by a pricing agent or brokers, if any, whose prices reflect broker/dealer supplied valuations and electronic data processing techniques. U.S. Mortgage Backed Securities are valued using pool-specific pricing. Fixed income securities, including corporate bonds, U.S. Government & Federal agencies, Municipal bonds, asset-backed securities and commercial backed securities are categorized as Level 2 in the hierarchy.

Short term investments

Short term investments maturing in more than 60 days are valued at the closing price reported on the major market on which the individual securities are traded. Where quoted prices are available in an active market, the investments are classified within level 1 of the valuation hierarchy. If quoted market prices are not available for the specific security, then fair values are estimated by using pricing models, bids provided by brokers or dealers, quoted prices of securities with similar characteristics or discounted cash flows. When quoted market prices for the specific security are not available in an active market, they are classified within level 2 of the valuation hierarchy.

Guaranteed Investment contracts

The fair value of the synthetic guaranteed investment contracts is based on the underlying investments. As of December 31, 2011, the Master Trust held no synthetic guaranteed investment contracts. As of December 31, 2010, the investments underlying the synthetic guaranteed investment contracts were comprised of approximately 42% of US Treasury Securities, 38% of Asset-Backed Securities, 17% of Corporate Bonds, and 3% of Collateralized Mortgage Obligations. Synthetic guaranteed investment contracts were classified within level 2 of the valuation hierarchy.

Traditional guaranteed investment contracts and wrapper values are valued using a discounted cash flow method and are classified within level 3 of the valuation hierarchy.

Refer to page 10 of these financial statements for further information on these guaranteed investment contracts.

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The following tables present the Master Trust's assets measured at fair value as of December 31, 2011 and 2010, by the fair value hierarchy.

	2011			
	Level 1	Level 2	Level 3	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<i>(dollars in millions)</i>			
Common/Preferred Stock:				
Honeywell Common Stock	\$ 2,726	\$	\$	\$ 2,726
Large Cap Value	401			401
Large Cap Growth	289			289
Small-to-Mid Cap Value	224			224
	<u> </u>	<u> </u>	<u> </u>	