

January 18, 2012

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

In the Matter of)	
)	
HONEYWELL INTERNATIONAL INC.)	Docket No. 40-3392
)	
(Metropolis Works Uranium)	ASLBP No. 11-910-01-MLA-BD01
Conversion Facility))	

NRC STAFF'S REPLY TO HONEYWELL'S JANUARY 12, 2012 FILING

The NRC Staff responds to the affidavit Honeywell International Inc. filed on January 12, 2012. Honeywell filed its affidavit in response to the Board's questions concerning a prior affidavit Honeywell submitted regarding its debt. The Staff respectfully requests that the Board consider the following points when reviewing Honeywell's response.

First, Honeywell states that "none of the indebtedness of any Honeywell subsidiary encumbers or restricts in any manner the goodwill of that subsidiary." Affidavit of John Tus (Proposed Exh. HNY000066) (January 12, 2012) at ¶ 4. However, Honeywell previously stated that its "\$7,117 million of senior unsecured public debentures are governed by bond indentures that restrict Honeywell's ability to mortgage principal manufacturing properties located within the U.S. or to pledge the shares of the capital stock of any subsidiary owning such properties. . . ." Affidavit of John Tus (Proposed Exh. HNY000065) (January 4, 2012) at ¶ 4. It thus appears that while Honeywell's subsidiary indebtedness does not encumber or restrict goodwill, the indebtedness of the *parent company* could have this effect. For example, if Honeywell cannot mortgage certain properties, it would be unable to sell those properties, and the goodwill associated with the sale of such properties would be encumbered. Similarly, if Honeywell is

unable to pledge the shares of a subsidiary owning certain properties, this could interfere with the sale of those shares and thereby encumber the goodwill associated with the subsidiary.

Second, Honeywell states, “For additional context, total subsidiary debt is only a small fraction of reported goodwill.” Affidavit of John Tus (January 12, 2012) at ¶ 6. However, Honeywell’s subsidiary debt is also only a small fraction of its total debt, and it is an even smaller fraction of Honeywell’s total liabilities. Exh. HNY000018 at 22, 50. At the end of 2008, Honeywell had \$28.303 billion in total liabilities,¹ compared to \$10.185 billion in goodwill. *Id.* at 50.

Finally, a debt-related encumbrance is only one factor that might cause a delay in Honeywell converting goodwill into cash. Even without any such encumbrance, goodwill remains a relatively illiquid asset. Exh. NRC000001 at A.34, A.37; Exh. NRC000053 at A. 29–A.31, A.36.

Respectfully submitted,

*/Signed (electronically) by/
Patricia A. Jehle*

Michael J. Clark
Patricia A. Jehle
Emily L. Monteith
Counsel for the NRC Staff

Dated at Rockville, Maryland
this 18th day of January 2012

¹ Honeywell also had \$7.187 in shareowners’ equity at the end of 2008, such that its total liabilities and shareowners’ equity was \$35.490 billion. *Id.* at 50.

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CERTIFICATE OF SERVICE

I hereby certify that copies of the "NRC STAFF'S REPLY TO HONEYWELL'S JANUARY 12, 2012 FILING" have been served through the Electronic Information Exchange (EIE) this 18th day of January 2012, which to the best of my knowledge resulted in transmittal of the foregoing to those on the EIE Service List for this proceeding.

***/Signed (electronically) by/
Patricia Jehle***

Patricia Jehle
Counsel for NRC Staff