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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

Commission file number 1-812

UNITED TECHNOLOGIES CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE **(State or other jurisdiction of incorporation or organization)**	**06 0570975** **(I.R.S. Employer Identification No.)**
One Financial Plaza, Hartford, Connecticut **(Address of principal executive offices)**	**06103** **(Zip Code)**

Registrant's telephone number, including area code: (860) 728-7000

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

Title of each class	Name of each exchange on which registered
Common Stock ($1 par value) **(CUSIP 913017 10 9)**	**New York Stock Exchange**

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates at June 30, 2008 was approximately $59,346,468,617, based on the New York Stock Exchange closing price for such shares on that date. For purposes of this calculation, the Registrant has assumed that its directors and executive officers are affiliates.

At January 31, 2009, there were 942,294,242 shares of Common Stock outstanding.

List hereunder documents incorporated by reference and the Part of the Form 10-K into which the document is incorporated: (1) portions of the United Technologies Corporation 2008 Annual Report to Shareowners for the fiscal year ended December 31, 2008 are incorporated by reference in Parts I, II and IV hereof; and (2) portions of the United Technologies Corporation Proxy Statement for the 2009 Annual Meeting of Shareowners are incorporated by reference in Part III hereof.

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UNITED TECHNOLOGIES CORPORATION

Annual Report on Form 10-K for Year Ended December 31, 2008

Whenever reference is made in this Form 10-K to specific sections of UTC's 2008 Annual Report to Shareowners (2008 Annual Report), those sections are incorporated herein by reference. United Technologies Corporation and its subsidiaries' names, abbreviations thereof, logos, and product and service designators are all either the registered or unregistered trademarks or tradenames of United Technologies Corporation and its subsidiaries. As used herein, the terms "we," "us," "our" or "UTC," unless the context requires otherwise, mean United Technologies Corporation and its subsidiaries.

PART I

Item 1. Business

General

United Technologies Corporation was incorporated in Delaware in 1934. UTC provides high technology products and services to the building systems and aerospace industries worldwide. Growth is attributable to acquisitions and the internal development of our existing businesses. The following description of our business should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2008 Annual Report, especially the information contained therein under the heading "Business Overview."

Our operating units include businesses with operations throughout the world. Otis, Carrier and UTC Fire & Security (collectively referred to as the commercial businesses) serve customers in the commercial and residential property industries worldwide. Carrier also serves commercial, industrial, transport refrigeration and food service equipment customers. Pratt & Whitney, Hamilton Sundstrand and Sikorsky (collectively referred to as the aerospace businesses) primarily serve commercial and government customers in both the original equipment and aftermarket parts and services markets of the aerospace industry. Hamilton Sundstrand and Pratt & Whitney also serve customers in certain industrial markets. For 2008, our commercial and industrial revenues (generated principally by our commercial businesses) were approximately 62 percent of our consolidated revenues, and commercial aerospace and military aerospace revenues were approximately 21 percent and 17 percent, respectively, of our consolidated revenues. Revenues for 2008 from outside the United States, including U.S. export sales, were 64 percent of our total segment revenues.

This Form 10-K and our quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports are available free of charge through the Investor Relations section of our Internet website (http://www.utc.com) under the heading "SEC Filings" as soon as reasonably practicable after these reports are electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). Our SEC filings are also available for reading and copying at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site (http://www.sec.gov) containing reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

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Description of Business by Segment

We conduct our business through six principal segments: Otis, Carrier, UTC Fire & Security, Pratt & Whitney, Hamilton Sundstrand and Sikorsky. Each segment groups similar operating companies and the management organization of each segment has general operating autonomy over a range of products and services. The principal products and services of each segment are as follows:

Otis	—elevators, escalators, moving walkways and service.
Carrier	—residential, commercial and industrial heating, ventilating, air conditioning (HVAC) and refrigeration systems and equipment, food service equipment, building automation and controls, HVAC and refrigeration components and installation, retrofit and aftermarket services.
UTC Fire & Security	—fire and special hazard detection and suppression systems and fire fighting equipment, electronic security, monitoring and rapid response systems and service and security personnel services.
Pratt & Whitney	—commercial, military, business jet and general aviation aircraft engines, parts and services, industrial gas turbines and space propulsion.
Hamilton Sundstrand	—aerospace products and aftermarket services, including power generation, management and distribution systems, flight systems, engine control systems, environmental control systems, fire protection and detection systems, auxiliary power units, propeller systems and industrial products, including air compressors, metering pumps and fluid handling equipment.
Sikorsky	—military and commercial helicopters, aftermarket helicopter and aircraft parts and services.

UTC is in the process of incorporating UTC Power's combined cooling, heating and power systems business within Carrier's businesses, its geothermal power systems business within Pratt & Whitney's power systems business, and its space and defense fuel cell power plant business within Hamilton Sundstrand's energy, space and defense business. These transitions are expected to be completed during the first half of 2009.

Segment financial data for the years 2006 through 2008, including financial information about foreign and domestic operations and export sales, appears in Note 16 to the Consolidated Financial Statements in our 2008 Annual Report.

Otis

Otis is the world's largest elevator and escalator manufacturing, installation and service company. Otis designs, manufactures, sells and installs a wide range of passenger and freight elevators for low-, medium- and high-speed applications, as well as a broad line of escalators and moving walkways. In addition to new equipment, Otis provides modernization products to upgrade elevators and escalators as well as maintenance services for both its products and those of other manufacturers. Otis serves customers in the commercial and residential property industries around the world. Otis sells directly to the end customer and, to a limited extent, through sales representatives and distributors.

Revenues generated by Otis' international operations were 80 percent and 81 percent of total Otis segment revenues in 2008 and 2007, respectively. At December 31, 2008, Otis' backlog was $15,025 million as compared to $14,146 million at December 31, 2007. Of the total Otis backlog at December 31, 2008, approximately $8,476 million is expected to be realized as sales in 2009.

Carrier

Carrier is the world's largest manufacturer and distributor of HVAC and refrigeration systems. It also produces food service equipment and HVAC and refrigeration-related controls for residential, commercial, industrial and transportation applications. Carrier also provides installation, retrofit and aftermarket services and components for the products it sells and those of other manufacturers in the HVAC and refrigeration industries. Carrier's products and services are sold under Carrier and other brand names to building contractors and owners, homeowners, transportation companies, retail stores and food service companies. Carrier sells directly to the end customer and through manufacturers' representatives, distributors, wholesalers, dealers and retail outlets. Certain of Carrier's HVAC businesses are seasonal and can be impacted by weather. Carrier customarily offers its customers incentives to purchase products to ensure an adequate supply of its products in the distribution channels.

Revenues generated by Carrier's international operations, including U.S. export sales, were 60 percent and 59 percent of total Carrier segment revenues in 2008 and 2007, respectively. At December 31, 2008, Carrier's business backlog was $1,996 million as compared to $2,097 million at December 31, 2007. Substantially all the business backlog at December 31, 2008 is expected to be realized as sales in 2009.

UTC Fire & Security

UTC Fire & Security is a global provider of security and fire safety products and services. We created the UTC Fire & Security segment in the second quarter of 2005 upon acquiring Kidde and adding the Kidde industrial, retail and commercial fire safety businesses to the former Chubb segment. In the electronic security industry, UTC Fire & Security provides system integration, installation and service of intruder alarms, access control systems and video surveillance systems under several brand names including Chubb. In the fire safety industry, UTC Fire & Security designs, manufactures, integrates, installs, sells and services a wide range of specialty hazard detection and fixed suppression products and systems and manufactures, sells and services portable fire extinguishers and other fire fighting equipment under several brand names, including Kidde. UTC Fire & Security also provides monitoring, response and security personnel services, including cash-in-transit security, to complement its electronic security and fire safety businesses. Its products and services are used by governments, financial institutions, architects, building owners and developers, security and fire consultants and other end-users requiring a high level of security and fire protection for their businesses and residences.

UTC Fire & Security provides its products and services under Chubb, Kidde and other brand names and sells directly to the customer as well as through manufacturer representatives, distributors, dealers and U.S. retail distribution. Revenues generated by UTC Fire & Security's international operations were 83 percent and 82 percent of total UTC Fire & Security segment revenues in 2008 and 2007, respectively. At December 31, 2008, UTC Fire & Security's business backlog was $1,064 million as compared to $1,084 million at December 31, 2007. Substantially all the business backlog at December 31, 2008 is expected to be realized as sales in 2009.

Pratt & Whitney

Pratt & Whitney is among the world's leading suppliers of aircraft engines for the commercial, military, business jet and general aviation markets. Pratt & Whitney's Global Services provides maintenance, repair and overhaul services, including the sale of spare parts, as well as fleet management services for large commercial engines. Pratt & Whitney produces families of engines for wide and narrow body aircraft in the commercial and military markets. Pratt & Whitney also sells engines for industrial applications and space propulsion systems. Pratt & Whitney Canada (P&WC) is a world leader in the production of engines powering business, regional, light jet, utility and military aircraft and helicopters. Pratt & Whitney Rocketdyne (PWR) is a leader in the design, development and manufacture of sophisticated aerospace propulsion systems for military and commercial applications, including the U.S. space shuttle. Pratt & Whitney's Global Material Solutions (GMS) is in the process of engineering, certifying, manufacturing and selling new parts, including life limited parts, for CFM56®-3 engines.

In view of the risks and costs associated with developing new engines, Pratt & Whitney has entered into collaboration arrangements in which revenues, costs and risks are shared. At December 31, 2008, the interests of participants in new and existing Pratt & Whitney-directed commercial jet engine production programs ranged from 14 percent to 29 percent. In addition, Pratt & Whitney has interests in other engine programs, including a 33 percent interest in the International Aero Engines (IAE) collaboration that sells and supports V2500® engines for the Airbus A320 family of aircraft. At December 31, 2008, a portion of Pratt & Whitney's interests in IAE (equivalent to 4 percent of the overall IAE collaboration) were held by Pratt & Whitney sub-partners. Pratt & Whitney also has a 50 percent interest in the Engine Alliance (EA), a joint venture with GE Aviation, undertaken to develop, market and manufacture the GP7000® engine for the Airbus A380 aircraft. This engine entered into service with its first revenue service flight in August 2008. At December 31, 2008, 40 percent of Pratt & Whitney's 50 percent interest in the EA was held by other participants. Pratt & Whitney is also pursuing additional collaboration partners.

In terms of engine development programs, Pratt & Whitney is under contract with the U.S. Air Force to develop the F135 engine, a derivative of Pratt & Whitney's F119 engine, to power the single-engine F-35 Lightning II aircraft being developed by Lockheed Martin. In addition, Pratt & Whitney is currently developing technology intended to enable it to power proposed and future aircraft, including testing of the PurePower PW1000G geared turbofan engine. The technology demonstrator of the PurePower PW1000G engine completed flight testing in 2008. Pratt & Whitney has also received Federal Aviation Authority (FAA) certification for the Advantage 70 upgrade to its PW4000 engine for Airbus A330 aircraft. The Advantage 70 upgrade is intended to reduce maintenance and fuel costs and increase thrust. Certifications for the Advantage 70 from the European Aviation Safety Agency (EASA) are anticipated in 2009. PWR is developing a liquid fuel J-2X engine to support NASA's vision for space exploration. PWR is also upgrading the performance of the RS68 engine to support U.S. Air Force launch requirements and NASA requirements. P&WC is developing the PW600 engine series for the very light jet market. In 2008, P&WC received FAA and EASA certification for the PW600. PW600 engine models have been selected by engine manufacturers such as Cessna Aircraft and Embraer. P&WC is also developing the PW210 engine for Sikorsky's S-76D helicopter and the PurePower PW800 for the new generation of long-range business jets. In 2008, IAE received EASA and FAA aircraft certification for its SelectOne™ upgrade to the V2500 engine for the Airbus A320 family of aircraft. The first of these upgraded engines entered into revenue service in October 2008. The SelectOne upgrade is part of IAE's V2500Select℠ program of product and service enhancements launched in November 2005. In 2008, GMS received supplemental type certifications from the FAA and EASA for all of the CFM56-3 engine life limited parts being developed by GMS. Pratt & Whitney continues to enhance its programs through performance improvement measures and product base expansion.

Pratt & Whitney's products are sold principally to aircraft manufacturers, airlines and other aircraft operators, aircraft leasing companies, space launch vehicle providers and the U.S. and foreign governments. Pratt & Whitney's products and services must adhere to strict regulatory and market-driven safety and performance standards. The frequently changing nature of these standards, along with the long duration of aircraft engine programs, create uncertainty regarding engine program profitability. The vast majority of sales are made directly to the end customer and, to a limited extent, through independent distributors and foreign sales representatives. Sales to Airbus and Boeing were 11.7 and 6.5 percent, respectively, of total Pratt & Whitney revenues in 2008, before taking into account discounts or financial incentives offered to customers. Sales to the U.S. government were 27.4 percent of total Pratt & Whitney segment revenues in 2008.

Revenues from Pratt & Whitney's international operations, including U.S. exports, were 60 percent and 56 percent of total Pratt & Whitney segment revenues in 2008 and 2007, respectively. At December 31, 2008, Pratt & Whitney's business backlog was $23,570 million, including $5,871 million of U.S. government-funded contracts and subcontracts, as compared to $23,607 million and $5,334 million, respectively, at December 31, 2007. Of the total Pratt & Whitney backlog at December 31, 2008, approximately $8,975 million is expected to be realized as sales in 2009. Pratt & Whitney's backlog includes certain contracts for which actual costs may ultimately exceed total revenues from these contracts. See Note 1 to the Consolidated Financial Statements in our 2008 Annual Report for a description of our accounting for long-term contracts.

Hamilton Sundstrand

Hamilton Sundstrand is among the world's leading suppliers of technologically advanced aerospace and industrial products and aftermarket services for diversified industries worldwide. Hamilton Sundstrand's aerospace products, such as power generation, management and distribution systems, flight systems, engine control systems, environmental control systems, fire protection and detection systems, auxiliary power units and propeller systems, serve commercial, military, regional, business and general aviation, as well as space and undersea applications. Aftermarket services include spare parts, overhaul and repair, engineering and technical support and fleet maintenance programs. Hamilton Sundstrand sells aerospace products to airframe manufacturers, the U.S. and foreign governments, aircraft operators and independent distributors. Hamilton Sundstrand sales of aerospace products to Boeing, Airbus and Pratt & Whitney, collectively, including sales where the U.S. government was the ultimate customer, were 17.3 percent of Hamilton Sundstrand segment sales in 2008.

Hamilton Sundstrand is engaged in development programs for the Boeing 787 aircraft, the Lockheed Martin F-35 Lightning II military aircraft and the Airbus A400M military aircraft, and has developed and delivered systems for the Airbus A380 aircraft. Hamilton Sundstrand is also the prime contractor for NASA's space suit/life support system and produces environmental monitoring and control, life support, mechanical systems and thermal control systems for the U.S. space shuttle program, the international space station and the Orion crew exploration vehicle.

Hamilton Sundstrand's principal industrial products, such as air compressors, metering pumps and fluid handling equipment, serve industries involved with raw material processing, bulk material handling, construction, hydrocarbon and chemical processing, and water and wastewater treatment. Hamilton Sundstrand sells these products under the Sullair, Sundyne, Milton Roy and other brand names directly to end-users, and through manufacturer representatives and distributors.

Revenues generated by Hamilton Sundstrand's international operations, including U.S. export sales, were 51 percent and 50 percent of total Hamilton Sundstrand segment revenues in 2008 and 2007, respectively. At December 31, 2008, Hamilton Sundstrand's business backlog was $5,226 million, including $913 million under U.S. government-funded contracts and subcontracts, as compared to $5,152 million and $823 million, respectively, at December 31, 2007. Of the total Hamilton Sundstrand backlog at December 31, 2008, approximately $2,543 million is expected to be realized as sales in 2009.

Sikorsky

Sikorsky is one of the world's largest manufacturers of military and commercial helicopters and also provides aftermarket helicopter and aircraft parts and services.

Current major production programs at Sikorsky include the UH-60M Black Hawk medium-transport helicopters and HH-60M Medevac helicopters for the U.S. and foreign governments, the S-70 Black Hawk for foreign governments, the MH-60S and MH-60R helicopters for the U.S. Navy, the International Naval Hawk for multiple naval missions, and the S-76 and S-92 helicopters for commercial operations. The UH-60M helicopter is the latest and most modern in a series of Black Hawk variants that Sikorsky has been delivering to the U.S. Army since 1978 and requires significant additional assembly hours relative to the previous variants. In December 2007, the U.S. government and Sikorsky signed a five-year multi-service contract for 537 H-60 helicopters to be delivered to the U.S. Army and U.S. Navy, which include the UH-60M, HH-60M, MH-60S and MH-60R. The contract includes options for an additional 263 aircraft, spares, and kits, potentially making it the largest contract in UTC and Sikorsky history. Actual production quantities will be determined year-by-year over the life of the program based on funding allocations set by Congress and Pentagon acquisition priorities. The deliveries of the aircraft are scheduled to be made through 2012. Sikorsky is also developing the CH-53K next generation heavy lift helicopter for the U.S. Marine Corps and the CH-148, a derivative of the H-92, a military variant of the S-92, for the Canadian government. The latter is being developed under a fixed-price contract that provides for the development, production, and 20-year logistical support of 28 helicopters. This is the largest and most expansive fixed-price development contract in Sikorsky's history. In December 2008, Sikorsky and the Canadian government executed amendments to the contract that revised the delivery schedule and contract specifications. The first test flight was successfully conducted in November 2008 and delivery of the first helicopter is scheduled for the fourth quarter of 2010.

Sikorsky's aftermarket business includes spare parts sales, overhaul and repair services, maintenance contracts and logistics support programs for helicopters and other aircraft. Sales are made directly by Sikorsky and by its subsidiaries and joint ventures. Sikorsky is increasingly engaging in logistics support programs and partnering with its government and commercial customers to manage and provide maintenance and repair services.

Revenues generated by Sikorsky's international operations, including U.S. export sales, were 36 percent and 34 percent of total Sikorsky revenues in 2008 and in 2007, respectively. At December 31, 2008, Sikorsky's business backlog was $13,167 million, including $6,725 million under U.S. government-funded contracts and subcontracts, as compared to $11,445 million and $5,180 million, respectively, at December 31, 2007. Of the total Sikorsky backlog at December 31, 2008, approximately $6,055 million is expected to be realized as sales in 2009.

Other

UTC Power has developed products and services for commercial buildings using 200kW phosphoric acid fuel cell and microturbine-driven absorption chilling systems. These systems are highly efficient combined cooling, heating and power systems. In addition, UTC Power has developed a geothermal power system capable of producing power from the lowest temperature geothermal water used to date to produce electricity. UTC Power is the world leader in the application of fuel cell technology to transportation applications, including automobiles, transit buses and the U.S. space shuttle program. UTC Power is also a provider of energy advisory and consulting services aimed at making commercial buildings more energy efficient.

UTC Power is the world leader in stationary fuel cell power with more than 260 200kW phosphoric acid fuel cell power plants sold since 1992. UTC Power has also developed a 400kW fuel cell which is scheduled to be placed into service in 2009. This new fuel cell is expected to have greater durability than any other large stationary fuel cell currently available in the market. UTC Power's automotive and bus transportation fuel cell power plants are based on proton exchange membrane (PEM) technology, including its PureMotion 120 power plant, which is currently used in revenue service in transit bus applications in Connecticut, California and Europe. UTC Power is currently developing PEM fuel cells for submarine applications. In addition, UTC Power is a maker of alkaline-based fuel cells used to provide electricity and drinking water to the U.S. space shuttle.

Although fuel cells are believed to be superior to conventional power generation technologies in terms of total system efficiency and environmental characteristics, the technology is still in either early commercialization or development. Continued technology advancement and cost reduction are required to achieve wide-scale market acceptance. Government support is needed to fully commercialize fuel cell technology. There is still significant uncertainty as to whether and when commercially viable fuel cells will be produced.

UTC Power merged with UTC Fuel Cells, effective January 1, 2007, with UTC Power continuing as the surviving entity. UTC is in the process of incorporating UTC Power's combined cooling, heating and power systems business within Carrier's businesses, its geothermal power systems business within Pratt & Whitney's power systems business, and its space and defense fuel cell power plant business within Hamilton Sundstrand's energy, space and defense business. These transitions are expected to be completed during the first half of 2009. The results of UTC Power and UTC Fuel Cells are included in the "Eliminations and Other" category in the segment financial data in Note 16 to the Consolidated Financial Statements in our 2008 Annual Report.

Other Matters Relating to Our Business as a Whole

Competition and Other Factors Affecting Our Businesses

As worldwide businesses, our operations can be affected by a variety of economic and other factors, including those described in this section, in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2008 Annual Report, in Item 1, "Cautionary Note Concerning Factors That May Affect Future Results," and in Item 1A, "Risk Factors" in this Form 10-K. Each business unit is subject to significant competition from a large number of companies in the United States and other countries, and each competes on the basis of price, delivery schedule, product performance and service.

Our aerospace businesses are subject to substantial competition from domestic manufacturers, foreign manufacturers (whose governments sometimes provide research and development assistance, marketing subsidies and other assistance for their national commercial products) and companies that obtain regulatory agency approval to manufacture spare parts. In particular, Pratt & Whitney experiences intense competition for new commercial airframe/engine combinations. Engine suppliers may offer substantial discounts and other financial incentives, performance and operating cost guarantees, participation in financing arrangements and maintenance agreements. Customer selections of engines and components can also have a significant impact on later sales of parts and services. In addition, the U.S. government's and other governments' policies of purchasing parts from suppliers other than the original equipment manufacturer affect military spare parts sales. Significant elements of our aerospace businesses, such as spare parts sales for engines and aircraft in service, have short lead times. Therefore, backlog information may not be indicative of future demand. Pratt & Whitney's major competitors in the sale of engines are GE Aviation, Rolls-Royce, Honeywell and Turbomeca. For information regarding customer financing commitments, participation in guarantees of customer financing arrangements and performance and operating cost guarantees, see Notes 4 and 13 to the Consolidated Financial Statements in our 2008 Annual Report.

Research and Development

Since changes in technology can have a significant impact on our operations and competitive position, we spend substantial amounts of our own funds on research and development. These expenditures, which are charged to expense as incurred, were $1,771 million or 3.1 percent of total sales in 2008, as compared with $1,678 million or 3.1 percent of total sales in 2007 and $1,529 million or 3.2 percent of total sales in 2006. We also perform research and development work under contracts funded by the U.S. government and other customers. This contract research and development, which is performed principally in the Pratt & Whitney segment and to a lesser extent in the Hamilton Sundstrand and Sikorsky segments, amounted to $2,101 million in 2008, as compared to $2,123 million in 2007 and $1,952 million in 2006. These contract research and development costs include amounts that are expensed as incurred, through cost of products sold, and amounts that are capitalized into inventory to be subsequently recovered through production aircraft shipments. Of the totals, $2,008 million, $1,872 million and $1,621 million were expensed in 2008, 2007 and 2006, respectively. The remaining costs have been capitalized.

U.S. Government Contracts

U.S. government contracts are subject to termination by the government, either for the convenience of the government or for default as a result of our failure to perform under the applicable contract. In the case of a termination for convenience, we would normally be entitled to reimbursement for our allowable costs incurred, plus termination costs and a reasonable profit. If terminated by the government as a result of our default, we could be liable for additional costs the government incurs in acquiring undelivered goods or services from another source and any other damages it suffers. Most of our U.S. government sales are made under fixed-price type contracts, while approximately $2,721 million or 4.6 percent of our total sales for 2008 were made under cost-reimbursement type contracts.

Our contracts with the U.S. government are also subject to audits. Like many defense contractors, we have received audit reports from the U.S. government which recommend that we reduce certain contract prices because cost or pricing data we submitted in negotiation of the contract prices or cost accounting practices may not have conformed to government regulations. Some of these audit reports have involved substantial reductions. We have made voluntary refunds in those cases we believe appropriate, have settled some allegations and continue to litigate certain cases. For further discussion of risks related to government contracting, see the discussion in Item 1A, "Risk Factors" and Item 3, "Legal Proceedings," in this Form 10-K and Note 15 to the Consolidated Financial Statements in our 2008 Annual Report for further discussion.

Compliance with Environmental and Other Government Regulations

Our operations are subject to and affected by environmental regulation by federal, state and local authorities in the United States and regulatory authorities with jurisdiction over our foreign operations. We have incurred and will likely continue to incur liabilities under various government statutes for the cleanup of pollutants previously released into the environment. We do not anticipate that compliance with current provisions relating to the protection of the environment or that any payments we may be required to make for cleanup liabilities will have a material adverse effect upon our cash flows, competitive position, financial condition or results of operations. Environmental matters are further addressed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Notes 1 and 15 to the Consolidated Financial Statements in our 2008 Annual Report.

Most of the U.S. laws governing environmental matters include criminal provisions. If we were convicted of a violation of the federal Clean Air Act or Clean Water Act, the facility or facilities involved in the violation would be ineligible to be used in performing any U.S. government contract we are awarded until the Environmental Protection Agency certified that the condition giving rise to the violation had been corrected.

We conduct our businesses through subsidiaries and affiliates worldwide. Changes in legislation or government policies can affect our worldwide operations. For example, governmental regulation of refrigerants and energy efficiency standards, elevator safety codes and fire safety regulations are important to the businesses of Carrier, Otis and UTC Fire & Security respectively, while government safety and performance regulations, restrictions on aircraft engine noise and emissions and government procurement practices can impact our aerospace businesses.

Intellectual Property and Raw Materials

We maintain a portfolio of patents, trademarks, licenses and franchises related to our businesses. While this portfolio is cumulatively important to our business, we do not believe that the loss of any one or group of related patents, trademarks, licenses or franchises would have a material adverse effect on our overall business or on any of our operating segments.

We believe we have adequate sources for our purchases of materials, components, services and supplies used in our manufacturing. We work continuously with our supply base to ensure an adequate source of supply and to reduce costs. We pursue cost reductions through a number of mechanisms, including consolidating our purchases, reducing the number of suppliers, strategic global sourcing and using online bidding competitions among potential suppliers. In some instances, we depend upon a single source of supply or participate in commodity markets that may be subject to allocations of limited supplies by suppliers. Like other users in the United States, we are largely dependent upon foreign sources for certain raw materials requirements such as cobalt (Finland, Norway, Russia and Canada), tantalum (Australia and Canada), chromium (South Africa, Kazakhstan, Zimbabwe and Russia) and rhenium (Chile, Kazakhstan and Germany). We have a number of ongoing programs to manage this dependence and the accompanying risk, including long-term agreements and the conservation of materials through scrap reclamation and new manufacturing processes. We believe that our supply management practices are based on an appropriate balancing of the foreseeable risks and the costs of alternative practices. Although recent high prices for some raw materials important to some of our businesses (steel, copper, aluminum, titanium and nickel) have caused margin and cost pressures, we do not foresee any near term unavailability of materials, components or supplies that would have an adverse effect on our overall business or on any of our business segments. For further discussion of the possible effects of the cost and availability of raw materials on our business, see Item 1A, “Risk Factors” in this Form 10-K.

Employees and Employee Relations

At December 31, 2008, our total employment was approximately 223,100, approximately 65 percent of which represents employees based outside the United States. During 2008, we renegotiated thirteen multi-year collective bargaining agreements, the largest of which covered certain workers at Carrier, Hamilton Sundstrand, and Sikorsky. In 2009, numerous collective bargaining agreements are subject to renegotiation, the largest of which cover certain workers at Sikorsky and Carrier. We do not anticipate any problems in renegotiating these contracts that would either individually or in the aggregate have a material adverse effect on our financial condition or results of operations. For discussion of the effects of our restructuring actions on employment, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 11 to the Consolidated Financial Statements in our 2008 Annual Report.

For a discussion of other matters which may affect our financial condition, results of operations or cash flows, including the risks of our international operations, see the further discussion under the headings “General” and “Description of Business by Segment” in this section, Item 1A, “Risk Factors” in this Form 10-K, and under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2008 Annual Report.

Cautionary Note Concerning Factors That May Affect Future Results

This Form 10-K contains statements which, to the extent they are not statements of historical or present fact, constitute “forward-looking statements” under the securities laws. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These forward-looking statements are intended to provide management’s current expectations or plans for our future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as “believe,” “expect,” “plans,” “strategy,” “prospects,” “estimate,” “project,” “target,” “anticipate,” “guidance” and other words of similar meaning in connection with a discussion of future operating or financial performance. These include, among others, statements relating to:

- future revenues, earnings, cash flow, uses of cash and other measures of financial performance;
- the effect of economic conditions in the United States and globally, including the financial condition of our customers and suppliers;
- new business opportunities;
- restructuring costs and savings;
- the scope, nature or impact of acquisition activity and integration into our businesses;
- the development, production and support of advanced technologies and new products and services;
- the anticipated benefits of diversification and balance of operations across product lines, regions and industries;
- the impact of the negotiation of collective bargaining agreements;
- the outcome of contingencies;
- future repurchases of common stock;
- future levels of indebtedness and capital spending; and
- pension plan assumptions and future contributions.

All forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. This Annual Report on Form 10-K for 2008 includes important information as to these factors that may cause actual results to vary materially from those stated in the forward-looking statements in the “Business” section under the headings “General,” “Description of Business by Segment” and “Other Matters Relating to Our Business as a Whole,” and in the “Risk Factors” and “Legal Proceedings” sections. Additional important information as to these factors is included in our 2008 Annual Report in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings “Business Overview,” “Critical Accounting Estimates,” “Environmental Matters” and “Restructuring and Other Costs.” For additional information identifying factors that may cause actual results to vary materially from those stated in the forward-looking statements, see our reports on Forms 10-K, 10-Q and 8-K filed with the SEC from time to time.

Item 1A. Risk Factors

Our business, financial condition, operating results and cash flows can be impacted by a number of factors, including, but not limited to, those set forth below, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results. For a discussion identifying additional risk factors and important factors that could cause actual results to differ materially from those anticipated, see the discussion in the “Business” section under the headings “Other Matters Relating to Our Business as a Whole” and “Cautionary Note Concerning Factors That May Affect Future Results” in this Form 10-K and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Notes to Consolidated Financial Statements” in our 2008 Annual Report.

Our Global Growth is Subject to a Number of Economic Risks

As widely reported, financial markets in the United States, Europe and Asia have been experiencing extreme disruption in recent months, including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. Governments have taken unprecedented actions intended to address extreme market conditions that include severely restricted credit and declines in real estate values. While currently these conditions have not impaired our ability to access credit markets and finance our operations, there can be no assurance that there will not be a further deterioration in financial markets and confidence in major economies. These economic developments affect businesses such as ours in a number of ways. The current tightening of credit in financial markets adversely affects the ability of our customers to obtain financing for significant purchases and operations and could result in a decrease in or cancellation of orders for our products and services as well as impact the ability of our customers to make payments. Similarly, this tightening of credit may adversely affect our supplier base and increase the potential for one or more of our suppliers to experience financial distress or bankruptcy. Our global business is also adversely affected by decreases in the general level of economic activity, such as decreases in business and consumer spending, air travel, construction activity, financial strength of airline customers and government procurement. Strengthening of the rate of exchange for the U.S. Dollar against certain major currencies such as the Euro, the Canadian Dollar and other currencies also adversely affects our results. We are unable to predict the likely duration and severity of the current disruption in financial markets and adverse economic conditions in the U.S. and other countries.

Our Financial Performance Is Dependent on the Conditions of the Construction and Aerospace Industries

The results of our commercial and industrial businesses, which generated approximately 62 percent of our revenues in 2008, are influenced by a number of external factors including fluctuations in residential and commercial construction activity, regulatory changes, interest rates, labor costs, foreign currency exchange rates, customer attrition, raw material and energy costs, the tightening of the U.S. credit markets and other global and political factors. In addition to these factors, Carrier’s financial performance can also be influenced by production and utilization of transport equipment and, in its residential business, weather conditions.

The results of our commercial and military aerospace businesses, which generated approximately 38 percent of our consolidated revenues in 2008, are directly tied to the economic conditions in the commercial aviation and defense industries, which are cyclical in nature. The challenging operating environment currently faced by commercial airlines is expected to continue. As a result, capital spending by commercial airlines and aircraft manufacturers may be influenced by a wide variety of factors, including current and predicted traffic levels, load factors, aircraft fuel pricing, labor issues, worldwide airline profits, airline consolidation, airline insolvencies, competition, the retirement of older aircraft, regulatory changes, terrorism and related safety concerns, general economic conditions, corporate profitability, and backlog levels, all of which could reduce both the demand for air travel and the aftermarket sales and margins of our aerospace businesses. Future terrorist actions or pandemic health issues could dramatically reduce both the demand for air travel and our aerospace businesses aftermarket sales and margins. Also, since a substantial portion of the backlog for commercial aerospace customers is scheduled for delivery beyond 2009, changes in economic conditions may cause customers to request that firm orders be rescheduled or canceled. At times, our aerospace businesses also enter into firm fixed-price development contracts, which may require us to bear cost overruns related to unforeseen technical and design challenges that arise during the development stage of the program. In addition, our aerospace businesses face intense competition from domestic and foreign manufacturers of new equipment and spare parts. The defense industry is also affected by a changing global political environment, continued pressure on U.S. and global defense spending and U.S. foreign policy and the level of activity in military flight operations. Spare parts sales and aftermarket service trends are affected by similar factors, including usage, pricing, technological improvements, regulatory changes and the retirement of older aircraft. Furthermore, because of the lengthy research and development cycle involved in bringing products in these business segments to market, we cannot predict the economic conditions that will exist when any new product is complete. A reduction in capital spending in the commercial aviation or defense industries could have a significant effect on the demand for our products, which could have an adverse effect on our financial performance or results of operations.

Our Business May Be Affected by Government Contracting Risks

U.S. government contracts are subject to termination by the government, either for the convenience of the government or for default as a result of our failure to perform under the applicable contract. If terminated by the government as a result of our default, we could be liable for additional costs the government incurs in acquiring undelivered goods or services from another source and any other damages it suffers. We are now, and believe that in light of the current U.S. government contracting environment we will continue to be, the subject of one or more U.S. government investigations. If we or one of our business units were charged with wrongdoing as a result of any U.S. government investigation (including violation of certain environmental or export laws), the U.S. government could suspend us from bidding on or receiving awards of new U.S. government contracts pending the completion of legal proceedings. If convicted or found liable, the U.S. government could subject us to fines, penalties, repayments and treble and other damages. The U.S. government could void any contracts found to be tainted by fraud. The U.S. government also reserves the right to debar a contractor from receiving new government contracts for fraudulent, criminal or other seriously improper conduct. Debarment generally does not exceed three years. Independently, failure to comply with U.S. laws and regulations related to the export of goods and technology outside the United States could result in civil or criminal penalties and suspension or termination of our export privileges. In addition, we are also sensitive to U.S. military budgets, which may fluctuate to reflect the policies of a new administration or Congress.

Our International Operations Subject Us to Economic Risk As Our Results of Operations May Be Adversely Affected by Changes in Economic Conditions, Foreign Currency Fluctuations and Changes in Local Government Regulation

We conduct our business on a global basis, with approximately 64 percent of our total 2008 segment revenues derived from operations outside of the United States and from U.S. export sales. Changes in local and regional economic conditions, including fluctuations in exchange rates, may affect product demand and reported profits in our non-U.S. operations (primarily the commercial businesses) where transactions are generally denominated in local currencies. In addition, currency fluctuations may affect the prices we pay suppliers for materials used in our products. As a result, our operating margins may also be negatively impacted by worldwide currency fluctuations that result in higher costs for cross border transactions. Our financial statements are denominated in U.S. dollars. Accordingly, fluctuations in exchange rates may also give rise to translation gains or losses when financial statements of non-U.S. operating units are translated into U.S. dollars. Given that the majority of our revenues are non-U.S. based, a strengthening of the U.S. dollar against other major foreign currencies could adversely affect our results of operations.

The majority of sales in the aerospace businesses is transacted in U.S. dollars, consistent with established industry practice, while the majority of costs at locations outside the United States is incurred in the applicable local currency (principally the Euro and the Canadian dollar). For operating units with U.S. dollar sales and local currency costs, there is a foreign currency exposure that could impact our results of operations depending on market changes in the exchange rate of the U.S. dollar against the applicable foreign currencies. To manage certain exposures, we employ long-term hedging strategies associated with U.S. dollar revenues. See Note 1 to the Consolidated Financial Statements in our 2008 Annual Report for a discussion of our hedging strategies.

Our international sales and operations are subject to risks associated with changes in local government laws, regulations and policies, including those related to tariffs and trade barriers, investments, taxation, exchange controls, employment regulations, and repatriation of earnings. Our international sales and operations are also sensitive to changes in foreign national priorities, including government budgets, as well as to political and economic instability. International transactions may involve increased financial and legal risks due to differing legal systems and customs in foreign countries. For example, as a condition of sale or award of a contract, some international customers require us to agree to offset arrangements, which may include in-country purchases, manufacturing and financial support arrangements. The contract may provide for penalties in the event we fail to perform in accordance with the offset requirements. In addition, as part of our globalization strategy, we have invested in certain countries, including Argentina, Brazil, China, India, Russia and South Africa that carry high levels of currency, political and economic risk.

While these factors or the impact of these factors are difficult to predict, any one or more of them could adversely affect our business, financial condition or operating results.

We Use a Variety of Raw Materials, Supplier-Provided Parts, Components, Sub-Systems and Third Party Contract Manufacturing Services in Our Businesses, and Significant Shortages, Supplier Capacity Constraints, Supplier Production Disruptions or Price Increases Could Increase Our Operating Costs and Adversely Impact the Competitive Positions of Our Products

Our reliance on suppliers, third party contract manufacturing and commodity markets to secure raw materials, parts, components and sub-systems used in our products exposes us to volatility in the prices and availability of these materials. In some instances, we depend upon a single source of supply, manufacturing or assembly or participate in commodity markets that may be subject to allocations of limited supplies by suppliers. A disruption in deliveries from our suppliers or third party contract manufacturers, supplier capacity constraints, supplier and third party contract manufacturer production disruptions, price increases, or decreased availability of raw materials or commodities, could have an adverse effect on our ability to meet our commitments to customers or increase our operating costs. We believe that our supply management and production practices are based on an appropriate balancing of the foreseeable risks and the costs of alternative practices. Nonetheless, price increases, supplier capacity constraints, supplier production disruptions or the unavailability of some raw materials may have an adverse effect on our results of operations or financial condition.

We Engage in Acquisitions, and May Encounter Difficulties Integrating Acquired Businesses with Our Current Operations; Therefore, We May Not Realize the Anticipated Benefits of the Acquisitions

We seek to grow through strategic acquisitions. In the past several years, we have made various acquisitions and entered into joint venture arrangements intended to complement and expand our businesses, and may continue to do so in the future. The success of these transactions will depend on our ability to integrate assets and personnel acquired in these transactions, apply our internal controls processes to these acquired businesses, and cooperate with our strategic partners. We may encounter difficulties in integrating acquisitions with our operations, applying our internal controls processes to these acquisitions, or in managing strategic investments. Furthermore, we may not realize the degree or timing of benefits we anticipate when we first enter into a transaction. Any of the foregoing could adversely affect our business and results of operations. In addition, the recent effectiveness of Statement of Financial Accounting Standards No. 141 (revised 2007), “Business Combinations,” which, among other things, requires companies to expense certain acquisition costs as incurred, may cause us to incur greater earnings volatility and generally lower earnings during periods in which we acquire new businesses.

We Design, Manufacture and Service Products that Incorporate Advanced Technologies; The Introduction of New Products and Technologies Involves Risks and We May Not Realize the Degree or Timing of Benefits Initially Anticipated

We seek to achieve growth through the design, development, production, sale and support of innovative products that incorporate advanced technologies. We regularly invest substantial amounts in research and development efforts that pursue advancements in a wide range of technologies, products and services. Our ability to realize the anticipated benefits of these advancements depends on a variety of factors, including meeting development, production, certification and regulatory approval schedules; execution of internal and external performance plans; availability of internal and supplier-produced parts and materials; performance of suppliers and subcontractors; achieving cost and production efficiencies, validation of innovative technologies and the level of customer interest in new technologies and products. These factors involve significant risks and uncertainties. We may encounter difficulties in developing and producing these new products and services, and may not realize the degree or timing of benefits initially anticipated. In particular, we cannot predict with certainty whether, when and in what quantities Pratt & Whitney or its affiliates will produce aircraft engines currently in development or pending required certifications. Any of the foregoing could adversely affect our business and results of operations.

We Are Subject to Litigation and Legal Compliance Risks That Could Adversely Affect Our Operating Results

We are subject to a variety of litigation and legal compliance risks. These risks include, among other things, litigation concerning product liability matters, personal injuries, intellectual property rights, government contracts, taxes, environmental matters and compliance with U.S. and foreign export laws, competition laws and sales and trading practices. We or one of our business units could be charged with wrongdoing as a result of such litigation. If convicted or found liable, we could be subject to fines, penalties, repayments, other damages (in certain cases, treble damages), or suspension or debarment from government contracts. Independently, failure of us or one of our business units to comply with applicable export and trade practice laws could result in civil or criminal penalties and suspension or termination of export privileges. While we believe we have adopted appropriate risk management and compliance programs to address and reduce these risks, the global and diverse nature of our operations means that these risks will continue to exist and additional legal proceedings and contingencies will arise from time to time. Our results may be affected by the outcome of legal proceedings and other contingencies that cannot be predicted with certainty. For non-income tax risks, we estimate material loss contingencies and establish reserves as required by generally accepted accounting principles based on our assessment of contingencies where liability is deemed probable and reasonably estimable in light of the facts and circumstances known to us at a particular point in time. Subsequent developments in legal proceedings may affect our assessment and estimates of the loss contingency recorded as a liability or as a reserve against assets in our financial statements and could result in an adverse effect on our results of operations in the period in which a liability would be recognized or cash flows for the period in which damages would be paid. For a description of current legal proceedings, see Part I, Item 3, "Legal Proceedings," in this Form 10-K. For income tax risks, we recognize tax benefits based on our assessment that a tax benefit has a greater than 50% likelihood of being sustained upon ultimate settlement with the applicable taxing authority that has full knowledge of all relevant facts. For those income tax positions where we assess that there is not a greater than 50% likelihood that such tax benefit will be sustained, we do not recognize a tax benefit in our financial statements. Subsequent events may cause us to change our assessment of the likelihood of sustaining a previously-recognized benefit which could result in an adverse effect on our results of operations in the period in which such event occurs or on our cash flows in the period in which the ultimate settlement with the applicable taxing authority occurs.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Location	Otis	Carrier	UTC Fire & Security	Pratt & Whitney	Hamilton Sundstrand	Sikorsky	Other	Total
	Number of Facilities - Owned							
Manufacturing:								
North America	—	13	7	36	22	8	—	86
Europe & Middle East	7	7	12	2	18	—	—	46
Asia	4	3	—	6	2	—	—	15
Emerging Markets*	10	19	7	12	5	2	—	55
	21	42	26	56	47	10	—	202
Non-Manufacturing:								
North America	4	5	1	28	4	—	13	55
Europe & Middle East	16	12	2	—	1	—	—	31
Asia	2	2	5	1	—	—	—	10
Emerging Markets*	7	7	5	3	—	—	—	22
	29	26	13	32	5	—	13	118

Location	Otis	Carrier	UTC Fire & Security	Pratt & Whitney	Hamilton Sundstrand	Sikorsky	Other	Total
	Number of Facilities - Leased							
Manufacturing:								
North America	1	5	7	24	8	7	2	54
Europe & Middle East	3	3	16	1	12	1	—	36
Asia	—	2	—	4	3	—	—	9
Emerging Markets*	2	6	6	—	4	—	—	18
	6	16	29	29	27	8	2	117

Location	Otis	Carrier	UTC Fire & Security	Pratt & Whitney	Hamilton Sundstrand	Sikorsky	Other	Total
	Number of Facilities - Leased							
Non-Manufacturing:								
North America	4	93	16	14	3	6	4	140
Europe & Middle East	10	22	13	—	—	—	—	45
Asia	8	3	7	1	1	1	—	21
Emerging Markets*	9	11	6	—	—	—	—	26
	31	129	42	15	4	7	4	232

* For purposes of this table, emerging markets is based on the countries included in the Morgan Stanley Capital International Emerging Markets Global Index℠.

Our fixed assets as of December 31, 2008 include manufacturing facilities and non-manufacturing facilities such as warehouses set forth in the tables above and a substantial quantity of machinery and equipment, most of which are general purpose machinery and equipment using special jigs, tools and fixtures and in many instances having automatic control features and special adaptations. The facilities, warehouses, machinery and equipment in use as of December 31, 2008 are in good operating condition, are well-maintained and substantially all are in regular use.

Our management believes that the fixed assets capitalized and the facilities in operation at December 31, 2008 for the production of our products are suitable and adequate for the business conducted therein in the current business environment and have sufficient production capacity for their present intended purposes. Utilization of the facilities varies based on demand for the products. We continuously review our anticipated requirements for facilities and, based on that review, may from time to time adjust our facility needs.

For discussion of the effect of our restructuring actions on manufacturing facilities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 11 to the Consolidated Financial Statements in our 2008 Annual Report.

Item 3. Legal Proceedings

As previously disclosed, the Department of Justice (DOJ) sued us in 1999 in the U.S. District Court for the Southern District of Ohio, claiming that Pratt & Whitney violated the civil False Claims Act and common law. This lawsuit relates to the "Fighter Engine Competition" between Pratt & Whitney's F100 engine and General Electric's F110 engine. The DOJ alleges that the government overpaid for F100 engines under contracts awarded by the U.S. Air Force in fiscal years 1985 through 1990 because Pratt & Whitney inflated its estimated costs for some purchased parts and withheld data that would have revealed the overstatements. At trial of this matter, completed in December 2004, the government claimed Pratt & Whitney's liability to be $624 million. On August 1, 2008, the trial court judge held that the Air Force had not suffered any actual damages because Pratt & Whitney had made significant price concessions. However, the trial court judge found that Pratt & Whitney violated the False Claims Act due to inaccurate statements contained in the 1983 offer. In the absence of actual damages, the trial court judge awarded the DOJ the maximum civil penalty of $7.09 million, or $10,000 for each of the 709 invoices Pratt & Whitney submitted in 1989 and later under the contracts. Both the DOJ and UTC have appealed the decision. Should the government ultimately prevail, the outcome of this matter could result in a material effect on our results of operations in the period in which a liability would be recognized or cash flows for the period in which damages would be paid.

As previously disclosed, on February 21, 2007, the European Commission's Competition Directorate (EU Commission) ruled that Otis' subsidiaries in Belgium, Luxembourg and the Netherlands, and a portion of the business of Otis' German subsidiary, violated European Union (EU) competition rules and assessed a €225 million (approximately $300 million) civil fine against Otis, its relevant local entities, and UTC, which was paid during 2007. In May 2007, we filed an appeal of the decision before the EU's European Court of First Instance. Resolution of the matter is not expected within the next twelve months.

As previously disclosed, during the first quarter of 2007, the Austrian Federal Competition Authority (Competition Authority) filed a complaint with the Cartel Court in Austria (Cartel Court) against Otis' Austrian subsidiary in connection with an investigation of unlawful collusive arrangements in the Austrian elevator and escalator industry. On December 14, 2007, the Cartel Court, at the request of the Competition Authority, assessed civil fines against the participants in the collusive arrangements, including a fine of €18.2 million (approximately $26 million) against Otis' Austrian subsidiary, which fine was fully provided for as of December 31, 2007. Otis Austria appealed this ruling in January 2008. In October 2008, the Cartel Court denied the appeal and in December 2008, this fine was paid in full.

As previously disclosed, in 2005 the Korean Fair Trade Commission (KFTC) conducted an inspection at the offices of Otis Korea and its Korean competitors with respect to collusive activities in the market for new equipment sales, and in May 2007 expanded its investigation to include pricing of subcontracts for elevator installation. In September 2008, the KFTC assessed a fine against Otis Korea of South Korean Won 17.3 billion (approximately $15 million) with respect to the new equipment sales investigation, which we previously accrued. In November 2008, this fine was paid in full. In October 2008, the KFTC notified us that the installation subcontractor pricing investigation had been closed without action.

In December 2008, the Department of Defense (DOD) issued a contract claim against Sikorsky to recover overpayments the DOD alleges it has incurred since January 2003 in connection with cost accounting changes approved by the DOD and implemented by Sikorsky in 1999 and 2006. These changes relate to the calculation of material overhead rates in government contracts. The DOD claimed that Sikorsky's liability is approximately $80 million (including interest). We believe this claim is without merit and intend to appeal.

Like many other industrial companies in recent years, we or our subsidiaries are named as a defendant in lawsuits alleging personal injury as a result of exposure to asbestos integrated into certain of our products or premises. While we have never manufactured asbestos and no longer incorporate it in any currently-manufactured products, certain of our historical products, like those of many other manufacturers, have contained components incorporating asbestos. A substantial majority of these asbestos-related claims have been covered by insurance or other forms of indemnity or have been dismissed without payment. The remainder of the closed cases have been resolved for amounts that are not material individually or in the aggregate. Based on the information currently available, we do not believe that resolution of these asbestos-related matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

Except as otherwise noted above, we do not believe that resolution of any of the legal matters discussed above will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition. A further discussion of government contracts and related investigations, as well as a discussion of our environmental liabilities, can be found under the heading "Other Matters Relating to Our Business as a Whole – Compliance with Environmental and Other Government Regulations" in Item 1, "Business," and in Item 1A, "Risk Factors," in this Form 10-K.

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

No matters were submitted to security holders for a vote during the quarter ended December 31, 2008.

PART II

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

The Performance Graph and Comparative Stock Data appearing in our 2008 Annual Report containing the following data relating to our Common Stock: shareholder return, principal market, quarterly high and low sales prices, approximate number of shareowners and frequency and amount of dividends are hereby incorporated by reference. The information required by Item 5 with respect to securities authorized for issuance under equity compensation plans is incorporated by reference in Part III, Item 12 of this Form 10-K.

Issuer Purchases of Equity Securities

The following table provides information about our purchases of equity securities that are registered by us pursuant to Section 12 of the Exchange Act during the quarter ended December 31, 2008.

2008	Total Number of Shares Purchased (000's)	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program (000's)	Maximum Number of Shares that may yet be Purchased Under the Program (000's)
October 1 – October 31	2,883	51.22	2,879	39,082
November 1 – November 30	5,185	48.83	5,184	33,898
December 1 – December 31	5,462	48.98	5,460	28,438
Total	13,530	49.40	13,523	28,438

We repurchase shares under a program announced on June 11, 2008, which authorized the repurchase of up to 60 million shares of our common stock. This new authorization replaced a previous program, approved in December 2006, which was nearing completion. Under the current program, shares may be purchased on the open market, in privately negotiated transactions and under plans complying with Rules 10b5-1 and 10b-18 under the Exchange Act, as amended. These repurchases are included within the scope of our overall repurchase program discussed above. We may also reacquire shares outside of the program from time to time in connection with the surrender of shares to cover taxes on vesting of restricted stock. Approximately 7,000 shares were reacquired in transactions outside the program during the quarter.

Item 6. Selected Financial Data

The Five Year Summary appearing in our 2008 Annual Report, containing revenues, net income, basic and diluted earnings per share, cash dividends per common share, total assets and long-term debt is hereby incorporated by reference. See "Notes to Consolidated Financial Statements" in our 2008 Annual Report for a description of any accounting changes and acquisitions or dispositions of businesses materially affecting the comparability of the information reflected in the Five Year Summary.

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

We hereby incorporate by reference in this Form 10-K the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2008 Annual Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

For information concerning market risk sensitive instruments, see discussion under the heading "Market Risk and Risk Management" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2008 Annual Report and under the heading "Foreign Exchange and Hedging Activity" in Note 1 and Note 12 to the Consolidated Financial Statements in our 2008 Annual Report.

Item 8. Financial Statements and Supplementary Data

The 2008 and 2007 Consolidated Balance Sheet, and other financial statements for the years 2008, 2007 and 2006, together with the report thereon of PricewaterhouseCoopers LLP dated February 11, 2009 in our 2008 Annual Report are incorporated by reference in this Form 10-K. The 2008 and 2007 unaudited Selected Quarterly Financial Data appearing in our 2008 Annual Report is incorporated by reference in this Form 10-K.

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

None.

Item 9A. Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended, we carried out an evaluation under the supervision and with the participation of our management, including the President and Chief Executive Officer (CEO), the Senior Vice President and Chief Financial Officer (CFO) and the Vice President, Controller (Controller), of the effectiveness of the design and operation of our disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our CEO, our CFO and our Controller concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our CEO, our CFO and our Controller, as appropriate, to allow timely decisions regarding required disclosure.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. 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 reporting purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2008. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework.* Our management concluded that based on its assessment, our internal control over financial reporting was effective as of December 31, 2008. The effectiveness of our internal control over financial reporting as of December 31, 2008 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in our 2008 Annual Report.

There has been no change in our internal control over financial reporting during the quarter ended December 31, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 with respect to directors, the Audit Committee of the Board of Directors and audit committee financial experts is incorporated herein by reference to the section of our Proxy Statement for the 2009 Annual Meeting of Shareowners titled "General Information Concerning the Board of Directors," under the headings "Nominees," "The Audit Committee," and "The Committee on Nominations and Governance."

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Executive Officers of the Registrant

The following persons are executive officers of United Technologies Corporation:

Name	Title	Other Business Experience Since 1/1/2004	Age 2/11/09
Alain Bellemare	President, Hamilton Sundstrand Corporation (since January 2009)	President, Pratt & Whitney Canada	47
Ari Bousbib	President, Commercial Companies and Executive Vice President (since May 2008)	President, Otis Elevator	47
J. Thomas Bowler, Jr.	Senior Vice President, Human Resources and Organization (since 2007)	Vice President, Human Resources, United Technologies Corporation; Vice President, Human Resources and Organization, Pratt & Whitney	56
William M. Brown	President, UTC Fire & Security (since 2006)	President, Asia Pacific, Carrier Corporation	46
Louis R. Chênevert	Director (since April 2008), President (since 2006) and Chief Executive Officer (since April 2008)	President and Chief Operating Officer, United Technologies Corporation; President, Pratt & Whitney	51
Geraud Darnis	President, Carrier Corporation (since 2001)	—	49
George David	Director (since 1992) and Chairman (since 1997)	Director, Chairman and Chief Executive Officer, United Technologies Corporation; Director, Chairman, President and Chief Executive Officer, United Technologies Corporation	66
James E. Geisler	Vice President, Corporate Strategy & Planning (since September 2008)	Vice President, Finance, United Technologies Corporation; Director, Financial Planning and Analysis, United Technologies Corporation	42
Charles D. Gill	Senior Vice President and General Counsel (since 2007)	Vice President and General Counsel, and Secretary, Carrier Corporation; Executive Assistant to Chairman and Chief Executive Officer, United Technologies Corporation	44
Gregory J. Hayes	Senior Vice President and Chief Financial Officer (since September 2008)	Vice President, Accounting and Finance, United Technologies Corporation; Vice President, Accounting and Control, United Technologies Corporation; Vice President, Controller, United Technologies Corporation	48
David P. Hess	President, Pratt & Whitney (since January 2009)	President, Hamilton Sundstrand Corporation; President, Hamilton Sundstrand Aerospace Power Systems	53
Didier Michaud-Daniel	President, Otis Elevator (since May 2008)	President, Otis United Kingdom and Central Europe Area, Otis Elevator	51

Name	Title	Other Business Experience Since 1/1/2004	Age 2/11/09
Jeffrey P. Pino	President, Sikorsky Aircraft (since 2006)	Senior Vice President, Corporate Strategy, Marketing & Commercial Programs, Sikorsky Aircraft	54
Thomas I. Rogan	Vice President, Treasurer (since 2001)	—	56
Margaret M. Smyth	Vice President, Controller (since 2007)	Vice President and Chief Accounting Officer, 3M Co.; Managing Partner, Deloitte & Touche	45

All of the officers serve at the pleasure of the Board of Directors of United Technologies Corporation or the subsidiary designated.

Information concerning Section 16(a) compliance is incorporated herein by reference to the section of our Proxy Statement for the 2009 Annual Meeting of Shareowners titled “Section 16(a) Beneficial Ownership Reporting Compliance.” We have adopted a code of ethics that applies to all our directors, officers, employees and representatives. This code is publicly available on our website at http://www.investors.utc.com/utc/Static%20files/Governance/coe_english.pdf. Amendments to the code of ethics and any grant of a waiver from a provision of the code requiring disclosure under applicable SEC rules will be disclosed on our website. Our Corporate Governance Guidelines and the charters of our Board of Directors’ Audit Committee, Finance Committee, Committee on Nominations and Governance, Public Issues Review Committee and Committee on Compensation and Executive Development are available on our website at http://www.investors.utc.com/utc/Governance/Board_Committee_Charters.html. These materials may also be requested in print free of charge by writing to our Investor Relations Department at United Technologies Corporation, United Technologies Building, Investor Relations, Hartford, CT 06101.

Item 11. Executive Compensation

The information required by Item 11 is incorporated herein by reference to the sections of our Proxy Statement for the 2009 Annual Meeting of Shareowners titled “Executive Compensation” and “Director Compensation.”

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

The information relating to security ownership of certain beneficial owners and management required by Item 12 is incorporated herein by reference to the sections of our Proxy Statement for the 2009 Annual Meeting titled “Security Ownership of Directors, Executive Officers and Certain Beneficial Owners.” The Equity Compensation Plan Information required by Item 12 is set forth in the table below.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2008 concerning common stock issuable under equity compensation plans.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (1)
Equity compensation plans approved by security holders	65,318,000 (2)	$ 48.72	43,300,000 (3)
Equity compensation plans not approved by security holders	9,539,000 (4)	$ 39.40	0
Total	74,857,000	$ 47.53 (5)	43,300,000

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(1) Consists of shares of UTC Common Stock or units equal in value to a share of UTC Common Stock (e.g., restricted stock, restricted stock units, performance share units) (Full Share Award) available for future issuance under the terms of the 2005 Long-Term Incentive Plan, as amended (2005 LTIP). Full Share Awards will result in a reduction in the number of shares of UTC Common Stock available for delivery under the 2005 LTIP in an amount equal to 3.1 times the number of shares to which the award corresponds. Stock options and stock appreciation rights do not constitute Full Share Awards and will result in a reduction in the number of shares of UTC Common Stock available for delivery under the 2005 LTIP on a one-for-one basis.

(2) Consists of options awarded under the 1989 Long Term Incentive Plan (1989 LTIP), the 2005 LTIP and the Non-Employee Director Stock Option Plan (Non-Employee Director Plan). Options issued under the 1989 LTIP include options that resulted from the conversion of awards granted under equity compensation plans of Sundstrand Corporation at the time it was merged into Hamilton Sundstrand. This amount includes 281,000 restricted shares and restricted share units and 2,991,000 performance share units at the target level. Up to an additional 2,991,000 could be issued if performance goals are achieved above target.

(3) Represents the maximum number of shares of common stock available to be awarded as of December 31, 2008.

(4) Consists of options awarded under the UTC Employee Stock Option Plan. This Plan authorized the award of non-qualified stock options to employees below the executive level considered to have the potential to contribute to the long-term success of UTC. These options consisted of rights to purchase a specified number of shares of UTC Common Stock at a fixed option price equal to the fair market value of UTC Common Stock on the date the stock option was granted. Options vested three years after the grant date and have a ten-year term. Effective April 14, 2005, all equity compensation awards are now provided under the shareowner-approved 2005 LTIP.

(5) Weighted-average calculation does not include restricted shares and performance share units because they have no exercise price.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 is incorporated herein by reference to the sections of our Proxy Statement for the 2009 Annual Meeting titled “Transactions with Related Persons” and “General Information Concerning the Board of Directors.”

Item 14. Principal Accounting Fees and Services

The information required by Item 14 is incorporated by reference to the section of our Proxy Statement for the 2009 Annual Meeting titled “Appointment of a Firm of Independent Registered Public Accountants to Serve as Independent Auditors for 2009,” including information provided with “Audit Fees,” “Audit Related Fees,” “Tax Fees” and “All Other Fees.”

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements, Financial Statement Schedules and Exhibits

(1) Financial Statements (incorporated by reference from the 2008 Annual Report):

(2) Financial Statement Schedule for the three years ended December 31, 2008:

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or the notes thereto.

(3) Exhibits:

The following list of exhibits includes exhibits submitted with this Form 10-K as filed with the SEC and those incorporated by reference to other filings.

Exhibit Number	
3(i)	Restated Certificate of Incorporation, restated as of May 8, 2006, incorporated by reference to Exhibit 3(i) to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2006.
3(ii)	Bylaws as amended and restated effective December 10, 2008, incorporated by reference to Exhibit 3(ii) to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on December 12, 2008.
4.1	Amended and Restated Indenture, dated as of May 1, 2001, between UTC and The Bank of New York, as trustee (incorporated by reference to Exhibit 4(a) to UTC's Registration Statement on Form S-3 (Commission file number 333-60276) filed with the SEC on May 4, 2001). UTC hereby agrees to furnish to the Commission upon request a copy of each other instrument defining the rights of holders of long-term debt of UTC and its consolidated subsidiaries and any unconsolidated subsidiaries.
10.1	United Technologies Corporation Annual Executive Incentive Compensation Plan, incorporated by reference to Exhibit 10.1 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1995 as amended January 1, 2009.*
10.2	United Technologies Corporation Executive Estate Preservation Program, incorporated by reference to Exhibit 10(iv) to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.
10.3	United Technologies Corporation Pension Preservation Plan, as amended and restated, effective January 1, 2005.*
10.4	United Technologies Corporation Senior Executive Severance Plan, incorporated by reference to Exhibit 10(vi) to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992, and Amendment thereto, effective December 10, 2003, incorporated by reference to Exhibit 10.4 of UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2003 and Amendment thereto, effective June 11, 2008, incorporated by reference to Exhibit 10.4 of UTC's Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended June 30, 2008.
10.5	United Technologies Corporation Deferred Compensation Plan, as amended and restated, effective January 1, 2005.*
10.6	United Technologies Corporation Long Term Incentive Plan, as amended, incorporated by reference to Exhibit 10.11 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1989, as amended by Amendment No. 1 filed as Exhibit 10.6 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1995 and Amendment No. 2 filed as Exhibit 10.6 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2003.
10.7	United Technologies Corporation Executive Leadership Program, incorporated by reference to Exhibit 10.7 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2004, as amended.
10.8	United Technologies Corporation Directors' Restricted Stock/Unit Program, incorporated by reference to Exhibit 10(xiii) to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.
10.9	United Technologies Corporation Board of Directors Deferred Stock Unit Plan, as amended and restated October 8, 2008, incorporated by reference to Exhibit 10.9 to UTC's Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2008.

10.10 United Technologies Corporation Special Retention and Stock Appreciation Program, incorporated by reference to Exhibit 10(xvi) to UTC's Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 1995.

10.11 United Technologies Corporation Nonemployee Director Stock Option Plan, incorporated by reference to Exhibit 10.12 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1995, Amendment 1 thereto, incorporated by reference to Exhibit 10(iii)(A)(2) to UTC's Report on Form 10-Q for the quarterly period ended June 30, 2000, Amendment 2 thereto, incorporated by reference to Exhibit 10(iii)(A)(1) to UTC's Report on Form 10-Q for the quarterly period ended June 30, 2001, Amendment 3 thereto, incorporated by reference to Exhibit 10.17 to UTC's Annual Report on Form 10-K for fiscal year ending December 31, 2001, Amendment 4 thereto, incorporated by reference to Exhibit 10.12 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ending December 31, 2002 and Amendment 5 thereto, incorporated by reference to Exhibit 10.12 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2003.

10.12 United Technologies Corporation Employee Stock Option Plan, incorporated by reference to Exhibit 10.13 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2002, and Amendment 1 thereto, incorporated by reference to Exhibit 10.13 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2003.

10.13 United Technologies Corporation Employee Scholar Program, as amended and restated on June 27, 2003, incorporated by reference to Exhibit 10.14 of UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2003.

10.14 Nonqualified Stock Option and Dividend Equivalent Award Schedule of Terms relating to the United Technologies Corporation Long Term Incentive Plan (previously filed as Exhibit 10.11 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1989, as amended by Amendment No. 1 filed as Exhibit 10.6 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1995 and Amendment No. 2 filed as Exhibit 10.6 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2003), incorporated by reference to Exhibit 10.15 to UTC's Annual Report on form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2004.

10.15 Restricted Stock Award Schedule of Terms and Form of Award relating to the United Technologies Corporation Long Term Incentive Plan (previously filed as Exhibit 10.11 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1989, as amended by Amendment No. 1 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1995 and Amendment No. 2 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2003), incorporated by reference to Exhibit 10.1 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2004.

10.16 Nonqualified Stock Option Award Schedule of Terms and Form of Award relating to the United Technologies Corporation Long-Term Incentive Plan (previously filed as Exhibit 10.11 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1989, as amended by Amendment No. 1 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1995 and Amendment No. 2 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2003), incorporated by reference to Exhibit 10.2 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2004.

10.17 Restricted Stock Unit Award relating to the United Technologies Corporation Directors' Restricted Stock/Unit Program (previously filed as Exhibit 10(xiii) to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992), incorporated by reference to Exhibit 10.3 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2004.

10.18 Form of Award relating to the United Technologies Corporation Nonemployee Director Stock Option Plan (previously filed as Exhibit 10.17 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1995, as amended by Amendment 1 thereto (previously filed as Exhibit 10(iii)(A)(2) to the Corporation's Report on Form 10-Q for quarterly period ended June 30, 2000), Amendment 2 thereto (previously filed as Exhibit 10(iii)(A)(1) to the Corporation's Report on Form 10-Q (Commission file number 1-812) for quarterly period ended June 30, 2001), Amendment 3 thereto (previously filed as Exhibit 10.17 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ending December 31, 2001), Amendment 4 thereto (previously filed as Exhibit 10.12 to the Corporation's Annual Report on Form 10-K for fiscal year ending December 31, 2002) and Amendment 5 thereto (previously filed as Exhibit 10.12 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ending December 31, 2003)), incorporated by reference to Exhibit 10.4 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2004.

10.19 Recognition Stock Option Program Prospectus and Statement of Award relating to the United Technologies Corporation Employee Stock Option Plan (previously filed as Exhibit 10.13 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2002, as amended by Amendment 1, filed as Exhibit 10.13 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2003), incorporated by reference to Exhibit 10.5 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2004.

10.20 Continuous Improvement Incentive Program Non-qualified Stock Option and Dividend Equivalent Award Schedule of Terms and Forms of Award relating to the United Technologies Corporation Long Term Incentive Plan (previously filed as Exhibit 10.11 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1989, as amended by Amendment No. 1 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1995 and Amendment No. 2 filed as Exhibit 10.6 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 2003), incorporated by reference to Exhibit 10.6 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2004.

10.21 Retainer Payment Election Form relating to the United Technologies Corporation Board of Directors Deferred Stock Unit Plan (previously filed as Exhibit 10.14 to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended 1995, as amended by Amendment No. 1 thereto (incorporated by reference to Exhibit 10(iii)(A)(1) to the Corporation's Report on Form 10-Q (Commission file number 1-812) for quarterly period ended June 30, 2000)), incorporated by reference to Exhibit 10.8 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2004.

10.22 United Technologies Corporation 2005 Long-Term Incentive Plan, as amended and restated effective April 9, 2008, incorporated by reference to Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on April 11, 2008.

10.23 Schedule of Terms for restricted stock awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (previously filed as Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on April 11, 2008), incorporated by reference to Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on September 20, 2005.

10.24 Form of Award Agreement for restricted stock awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (previously filed as Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on April 11, 2008), incorporated by reference to Exhibit 10.2 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on September 20, 2005.

10.25 Schedule of Terms for non-qualified stock option awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (previously filed as Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on April 11, 2008), incorporated by reference to Exhibit 10.3 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on September 20, 2005.

10.26 Form of Award Agreement for non-qualified stock option awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (previously filed as Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on April 11, 2008), incorporated by reference to Exhibit 10.4 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on September 20, 2005.

10.27 Form of Award Agreement for performance share unit and stock appreciation rights awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (previously filed as Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on April 11, 2008), incorporated by reference to Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on December 20, 2005.

10.28 Schedule of Terms for performance share unit awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (previously filed as Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on April 11, 2008).*

10.29 Schedule of Terms for stock appreciation rights awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (previously filed as Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on April 11, 2008).*

10.30 United Technologies Corporation Executive Leadership Group Agreement, as amended, incorporated by reference to Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on March 24, 2006.

10.31 Form of Agreement for Executive Leadership Group Restricted Share Unit Retention Awards, incorporated by reference to Exhibit 10.2 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on March 24, 2006.

10.32 Schedule of Terms for Executive Leadership Restricted Share Unit Awards, incorporated by reference to Exhibit 10.3 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on March 24, 2006.

10.33 United Technologies Corporation Board of Directors 2006 Retainer Payment Election Form, incorporated by reference to Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on April 18, 2006.

10.34 Form of Award Agreement for Performance Share Units and Stock Appreciation Rights Awards relating to the 2005 Long-Term Incentive Plan (previously filed as Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on April 11, 2008), incorporated by reference to Exhibit 10.1 to UTC's Current Report on Form 8-K filed with the SEC on October 16, 2006.

10.35 United Technologies Corporation International Deferred Compensation Replacement Plan, effective January 1, 2005.*

10.36 United Technologies Corporation LTIP Performance Share Unit Deferral Plan, relating to the 2005 Long-Term Incentive Plan (previously filed as Exhibit 10.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on April 11, 2008).*

11 Statement Re: Computations of Per Share Earnings.*

12 Statement Re: Computation of Ratios.*

13 Annual Report for the year ended December 31, 2008 (except for the information therein expressly incorporated by reference in this Form 10-K, the Annual Report is provided solely for the information of the SEC and is not to be deemed "filed" as part of this Form 10-K).*

14 Code of Ethics. The UTC Code of Ethics may be accessed via UTC's website at http://www.investors.utc.com/utc/Static%20files/Governance/coe_english.pdf.

21 Subsidiaries of the Registrant.*

23	Consent of PricewaterhouseCoopers LLP.*
24	Powers of Attorney of John V. Faraci, Jean-Pierre Garnier, Jamie S. Gorelick, Edward A. Kangas, Charles R. Lee, Richard D. McCormick, Harold W. McGraw III, Richard B. Myers, H. Patrick Swygert, André Villeneuve and Christine Todd Whitman.*
31	Rule 13a-14(a)/15d-14(a) Certifications.*
32	Section 1350 Certifications.*
100.INS	XBRL Instance Document.* (File name: utx-20081231.xml)
100.SCH	XBRL Taxonomy Extension Schema Document.* (File name: utx-20081231.xsd)
100.PRE	XBRL Taxonomy Presentation Linkbase Document.* (File name: utx-20081231_pre.xml)
100.LAB	XBRL Taxonomy Label Linkbase Document.* (File name: utx-20081231_lab.xml)
100.CAL	XBRL Taxonomy Calculation Linkbase Document.* (File name: utx-20081231_cal.xml)
100.DEF	XBRL Taxonomy Definition Linkbase Document.* File name: utx-20081231_def.xml)

Notes to Exhibits List:
* Submitted electronically herewith.

Exhibits 10.1 through 10.36 are contracts, arrangements or compensatory plans filed as exhibits pursuant to Item 15(b) of the requirements for Form 10-K reports.

Attached as Exhibit 100 to this report are the following formatted in XBRL (Extensible Business Reporting Language) for the year ended December 31, 2008: (i) Consolidated Statement of Operations, (ii) Consolidated Balance Sheet, (iii) Consolidated Statement of Cash Flows, (iv) Consolidated Statement of Changes in Shareowners' Equity, and (v) Notes to Consolidated Financial Statements tagged in Block Text format. Users of this data are advised pursuant to Rule 401 of Regulation S-T that the information contained in the XBRL documents is unaudited and these are not the official publicly filed financial statements of United Technologies Corporation. The purpose of submitting these XBRL formatted documents is to test the related format and technology and, as a result, investors should continue to rely on the official filed version of the furnished documents and not rely on this information in making investment decisions.

In accordance with Rule 402 of Regulation S-T, the XBRL related information in Exhibit 100 to this Annual Report on Form 10-K shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

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SIGNATURES

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

UNITED TECHNOLOGIES CORPORATION
(Registrant)

By: /s/ GREGORY J. HAYES
Gregory J. Hayes
Senior Vice President and Chief Financial Officer

By: /s/ MARGARET M. SMYTH
Margaret M. Smyth
Vice President, Controller

Date: February 11, 2009

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

Signature	Title	Date
/s/ GEORGE DAVID **(George David)**	Director, Chairman	February 11, 2009
/s/ LOUIS R. CHÊNEVERT **(Louis R. Chênevert)**	Director, President and Chief Executive Officer	February 11, 2009
/s/ GREGORY J. HAYES **(Gregory J. Hayes)**	Senior Vice President and Chief Financial Officer	February 11, 2009
/s/ MARGARET M. SMYTH **(Margaret M. Smyth)**	Vice President, Controller	February 11, 2009
/s/ JOHN V. FARACI* **(John V. Faraci)**	Director)	
/s/ JEAN-PIERRE GARNIER* **(Jean-Pierre Garnier)**	Director)	
/s/ JAMIE S. GORELICK * **(Jamie S. Gorelick)**	Director)	
/s/ EDWARD A. KANGAS * **(Edward A. Kangas)**	Director)	
/s/ CHARLES R. LEE* **(Charles R. Lee)**	Director)	
/s/ RICHARD D. MCCORMICK* **(Richard D. McCormick)**	Director)	

/s/ HAROLD W. MCGRAW III* **(Harold W. McGraw III)**	Director	)
/s/ RICHARD B. MYERS* **(Richard B. Myers)**	Director	)
/s/ H. PATRICK SWYGERT* **(H. Patrick Swygert)**	Director	)
/s/ ANDRÉ VILLENEUVE* **(André Villeneuve)**	Director	)
/s/ CHRISTINE TODD WHITMAN* **(Christine Todd Whitman)**	Director	)

*By: /s/ Charles D. Gill

Charles D. Gill
Senior Vice President and
General Counsel, as Attorney-in-Fact

Date: February 11, 2009

SCHEDULE I

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON

FINANCIAL STATEMENT SCHEDULE

To the Board of Directors
of United Technologies Corporation:

Our audits of the consolidated financial statements and of the effectiveness of internal control over financial reporting referred to in our report dated February 11, 2009 appearing in the 2008 Annual Report to Shareowners of United Technologies Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

Hartford, Connecticut
February 11, 2009

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SCHEDULE II

UNITED TECHNOLOGIES CORPORATION AND SUBSIDIARIES
Valuation and Qualifying Accounts
Three Years Ended December 31, 2008
(Millions of Dollars)

Allowances for Doubtful Accounts and Other Customer Financing Activity:

Balance December 31, 2005	$ 426
Provision charged to income	71
Doubtful accounts written off (net)	(89)
Other adjustments	16
Balance December 31, 2006	424
Provision charged to income	41
Doubtful accounts written off (net)	(101)
Other adjustments	4
Balance December 31, 2007	368
Provision charged to income	159
Doubtful accounts written off (net)	(129)
Other adjustments	(12)
Balance December 31, 2008	$ 386

Future Income Tax Benefits—Valuation allowance:

Balance December 31, 2005	$ 496
Additions charged to income tax expense	99
Additions charged to goodwill, due to acquisitions	24
Reductions credited to income tax expense	(92)
Other adjustments	15
Balance December 31, 2006	542
Additions charged to income tax expense	131
Additions charged to goodwill, due to acquisitions	2
Reductions credited to income tax expense	(36)
Other adjustments	(94)
Balance December 31, 2007	545
Additions charged to income tax expense	146
Reductions charged to goodwill, due to acquisitions	(152)
Reductions credited to income tax expense	(11)
Other adjustments	170
Balance December 31, 2008	$ 698

Exhibit 10.1

UNITED TECHNOLOGIES CORPORATION
ANNUAL EXECUTIVE INCENTIVE COMPENSATION PLAN

Amendment 2

The United Technologies Corporation Annual Executive Incentive Compensation Plan is hereby amended, effective January 1, 2009, by adding Article VII as follows:

VII. RECOUPMENT OF PAYMENTS

A. MANDATORY RECOUPMENT OF AWARD PAYMENTS. Any Employee or former Employee who received an award under this Plan shall be obligated to repay to the Corporation all or a portion of the amount received in connection with a fiscal year in which:

(i) there was a restatement of earnings for the Corporation or a business unit; or

(ii) there was a recalculation of a financial or other performance metric related to the determination of an annual incentive compensation award; and

(iii) the Employee was involved in the formulation of the incorrect statement of earnings or calculation of a performance metric; and

(iv) the inaccuracies were attributable, in whole or in part, to the Employee's negligence or intentional misconduct; and

(v) the restated earnings or corrected performance measurement would have (or likely would have) resulted in a smaller award than the amount actually received by the Employee.

B. AMOUNT SUBJECT TO RECOUPMENT. The minimum amount subject to repayment by an award recipient under the circumstances described in Section A will equal the difference between the actual amount of an award and the amount that would have been paid, as determined by the Committee in its sole discretion, had the correct earnings or other performance measurement been utilized in the determination of the amount of the award. The Committee may require repayment of an amount greater than the calculated adjustment, based on its review of the facts involved.

C. DISCRETIONARY RECOUPMENT OF AWARD PAYMENTS. The Committee reserves the right to require repayment of awards from Employees who were not involved in a financial restatement or erroneous performance measurement computation if the Committee determines that, as a result of the disparity between actual performance and inaccurate performance data used in determining awards, it would not be appropriate to maintain awards at the levels paid prior to the adjustment or re-calculation. Discretionary adjustments under this paragraph shall not be permitted after the occurrence of a “Change in Control,” as defined in the Corporation’s Long Term Incentive Plan.

D. ADMINISTRATION. The Committee shall be responsible for making determinations under this Article VII. Its decisions shall be binding and conclusive on all Award recipients. If an Employee refuses to repay all or a portion of an award, as requested by the Committee, such Employee shall be responsible for attorney’s fees and other costs incurred by the Corporation to secure the requested repayment amount.

Exhibit 10.3

UNITED TECHNOLOGIES CORPORATION

PENSION PRESERVATION PLAN

AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2005

WHEREAS, United Technologies Corporation (the "Corporation") established the United Technologies Corporation Pension Preservation Plan (the "Preservation Plan") effective January 1, 1978 for the benefit of certain employees; and

WHEREAS, the Corporation established the United Technologies Corporation Pension Replacement Plan (the "Replacement Plan") effective April 1, 1985 for the benefit of certain employees; and

WHEREAS, the Corporation reserved the right to amend the Preservation Plan through the action of its Pension Administration Committee (the "PAC"); and

WHEREAS, the Corporation reserved the right to terminate and amend the Replacement Plan through the action of the PAC; and

WHEREAS, at its meeting of December 8, 2006, the PAC approved the merger of the Replacement Plan into the Preservation Plan, effective December 31, 2006; and

WHEREAS, the merger is intended to simplify administration and communication of the programs operated under the respective Plans, which have effectively been, for all practical purposes, operated as a single program;

WHEREAS, Section 409A of the Internal Revenue Code requires the amendment of both the Replacement Plan and the Preservation Plan;

WHEREAS, From January 1, 2005 through December 31, 2008, the Replacement Plan and the Preservation Plan have been operated in good faith compliance with Section 409A in accordance with guidance provided by the Internal Revenue Service;

NOW, THEREFORE, effective December 31, 2006, the Replacement Plan is hereby merged into the Preservation Plan, and the Preservation Plan is amended and restated; and

NOW, THEREFORE, effective January 1, 2005, the merged Preservation Plan is hereby amended and restated to reflect the requirements of Section 409A of the Internal Revenue Code as follows:

1. INTRODUCTION & PURPOSE

The United Technologies Corporation Pension Preservation Plan (the "Preservation Plan") is maintained as an unfunded plan solely for the purpose of providing retirement benefits in excess of the retirement and survivor benefits that may be paid from tax-qualified retirement plans due to (i) benefit limitations imposed by Section 415 of the Internal Revenue Code of 1986, as amended from time to time (the "Code") and (ii) the limitation imposed by Section 401(a)(17) of the Code on compensation that may be taken into account in computing retirement benefits under tax-qualified retirement plans (referred to collectively as the "Limits"). The Preservation Plan restores the amount of the retirement benefit or survivor benefit that may not be paid from the United Technologies Corporation Employee Retirement Plan (or any other tax-qualified defined benefit retirement plan sponsored by the Corporation) (the "Qualified Retirement Plan") as a result of the Limits so that the total actuarial present value of the Qualified Retirement Plan and Pension Preservation Plan benefits equals the actuarial present value of the retirement benefit or survivor benefit that would be paid from the Qualified Retirement Plan if such Plan were administered without regard to the Limits. Effective with the merger of the Replacement Plan into this Plan, the amount of any reduction of Qualified Plan Retirement benefits resulting from the deferral of compensation that would otherwise be recognized under the Qualified Retirement Plans shall be provided under this Plan. The Preservation Plan shall be administered and construed to effectuate the foregoing intent.

2. EFFECTIVE DATE

The Preservation Plan became effective on January 1, 1978. Except to the extent otherwise specifically provided herein, the Preservation Plan is hereby amended and restated, effective January 1, 2005, to reflect the requirements of Section 409A of the Internal Revenue Code. The Preservation Plan, as amended and restated, applies to amounts that were earned or vested after December 31, 2004 under the Preservation and Replacement Plans. Amounts that were earned and vested (within the meaning of Section 409A) under either the Preservation Plan or the Replacement Plan before January 1, 2005, and any subsequent increases in these amounts that are treated as grandfathered benefits under Section 409A, are subject to and shall continue to be governed by the terms of the Prior Plans as set forth in Appendix A and Appendix B as applicable. The Preservation Plan is further amended and restated effective December 31, 2006 to effectuate the merger of the Replacement Plan into the Preservation Plan effective December 31, 2006.

From January 1, 2005 through December 31, 2008, the Preservation Plan has been operated in good faith compliance with Section 409A in accordance with guidance provided by the Internal Revenue Service and provided for the following during this good faith compliance period:

(a) Continued commencement of benefits under this Plan and the Qualified Retirement Plan;

(b) Allowance of new payment elections by participants to comply with 409A requirements; and

(c) Prohibited acceleration of any payments that would otherwise have been made in a later year and prohibited deferral to a later year of a payment that would otherwise have been made in the current year.

3. <u>DEFINITIONS</u>

Any capitalized terms used herein that are not defined in this Section 3 shall have the meanings given to them by the United Technologies Corporation Employee Retirement Plan unless the context clearly indicates otherwise.

Beneficiary means the person, persons or entity designated in writing by a Participant to receive the value of his or her Current Plan Benefit in the event of the Participant's death, , in accordance with the terms of this Plan. If a Participant fails to designate a Beneficiary under this Plan, the Beneficiary or Contingent Annuitant shall be determined under the Qualified Retirement Plan. If the Beneficiary (and any contingent Beneficiary) does not survive the Participant or if no Beneficiary is designated under the Qualified Retirement Plan, the value of the Participant's Plan Benefit will be payable to the estate of the Participant, in accordance with the terms of this Plan.

Compensation Reduction means a reduction in compensation otherwise recognized under the Qualified Retirement Plan (without regard to the Limits) by reason of a Participant's participation in the United Technologies Corporation Deferred Compensation Plan.

Code means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto. Reference to any section of the Internal Revenue Code shall include any final regulations or other published guidance interpreting that section.

Corporation means United Technologies Corporation.

Current Plan Benefit means amounts credited on or after January 1, 2005 under either the Preservation or Replacement Plans.

Disability means permanent and total disability as determined under the Corporation's long-term disability plan applicable to the Participant, or if there is no such plan applicable to the Participant, "Disability" means a determination of total disability by the Social Security Administration; provided that, in either case, the Participant's condition also qualifies as a "disability" for purposes of Section 409A(a)(2)(C) of the Code.

Election Form means the form provided to Participants electronically or in paper form for the purpose of electing the form of payment for a Current Plan Benefit.

Prior Plans means the United Technologies Corporation Pension Preservation Plan, as in effect on December 31, 2004, as set forth in Appendix A and the United Technologies Corporation Pension Replacement Plan, as in effect on December 31, 2004, as set forth in Appendix B.

Prior Preservation Plan means the United Technologies Corporation Pension Preservation Plan, as in effect on December 31, 2004, as set forth in Appendix A. All amounts earned and vested under the Prior Preservation Plan as of December 31, 2004, and any subsequent increases in these amounts that are permitted to be treated as grandfathered benefits under Section 409A, shall continue to be subject to the terms and conditions of the Prior Preservation Plan and shall not be affected by this amendment and restatement.

Prior Replacement Plan means the United Technologies Corporation Pension Replacement Plan, as in effect on December 31, 2004, as set forth in Appendix B. All amounts earned and vested under the Prior Replacement Plan as of December 31, 2004, and any subsequent increases in these amounts that are permitted to be treated as grandfathered benefits under Section 409A, shall continue to be subject to the terms and conditions of the Prior Replacement Plan and shall not be affected by this amendment and restatement.

Prior Plan Benefit means the aggregate value of the Prior Preservation Plan Benefit and Prior Replacement Plan Benefit as identified in Section 6, which are valued and administered separately in accordance with the terms and procedures in effect under the Prior Plans.

Qualified Retirement Plan means the United Technologies Corporation Employee Retirement Plan (or any other tax-qualified defined benefit retirement plan sponsored by the Corporation or a UTC Company).

Separation from Service means a Participant's Termination of Employment with all UTC Companies, other than by reason of death or Disability, that qualifies as a "separation from service" for purposes of Section 409A of the Code. A Separation from Service will be deemed to occur where the Participant and the UTC Company that employs the Participant reasonably anticipate that the bona fide level of services the Participant will perform (whether as an employee or as an independent contractor) will be permanently reduced to a level that is less than thirty-seven and a half percent (37.5%) of the average level of bona fide services the Participant performed during the immediately preceding 36 months (or the entire period the Participant has provided services if the Participant has been providing services to the UTC Companies for less than 36 months.) A Participant shall not be considered to have had a Separation from Service as a result of a transfer from one UTC Company to another UTC Company.

Specified Employee means each of the 50 highest-paid executives of the Corporation and its Subsidiaries effective annually as of March 31st, based on annual salary and incentive compensation paid in the prior year. The term includes both U.S. and non-U.S. employees.

UTC Company means United Technologies Corporation or any entity controlled by or under common control with United Technologies Corporation within the meaning of Section 414(b) or (c) of the Code (but substituting "at least 20 percent" for "at least 80 percent" as the control threshold used in applying Sections 414(b) and (c)).

4. ELIGIBILITY

Each employee of a UTC Company who is a Participant in the Qualified Retirement Plan shall be eligible to participate in the Preservation Plan if and to the extent such employee's compensation increases such that the Participant's Accrued Benefit under the Qualified

Retirement Plan is limited by (i) provisions of the Qualified Retirement Plan that are designed solely to comply with the Limits; or (ii) such employee experiences a Compensation Reduction. In no event shall any person who is not entitled to benefits under the Qualified Retirement Plan be eligible for retirement benefits or survivor benefits under this Preservation Plan. An employee of the UTC Companies who is eligible for retirement benefits under the Preservation Plan and has completed three years of “continuous service” (as defined in the UTC Employee Retirement Plan as in effect on January 1, 2008) shall be referred to herein as a “Participant.”

5. DETERMINATION OF PRESERVATION PLAN BENEFIT

The amount of the retirement benefit or survivor benefit payable from the Preservation Plan to or in respect of a Participant shall equal the excess, if any, of (a) over (b), and for purposes of this calculation, it shall be assumed that Qualified Retirement Plan Benefit and Preservation Plan Benefit commence at the same time, where

(a) equals the retirement benefit or survivor benefit that would be paid to such Participant (or on his or her behalf to his Contingent Annuitant or Beneficiary) under the Qualified Retirement Plan if the provisions of the Qualified Retirement Plan were administered without regard to the Limits and Compensation Reduction; and

(b) equals the retirement benefit or survivor benefit payable to such Participant (or on his or her behalf to his or her Contingent Annuitant or Beneficiary) under the Qualified Retirement Plan.

6. PLAN BENEFITS

(a) Prior Plan Benefit. Benefits accrued under the Prior Plan are not intended to be subject to Section 409A of the Code. No amendment to Appendix A or Appendix B that would constitute a “material modification” for purposes of Section 409A shall be effective unless the amending instrument states that it is intended to materially modify Appendix A and/or Appendix B and to cause the Prior Plan(s) to become subject to Section 409A. Although the Prior Plan

Benefit is not intended to be subject to Section 409A, neither the UTC Companies nor any director, officer, or other representative of a UTC Company shall be liable for any adverse tax consequence suffered by a Participant or Beneficiary if a Prior Plan Benefit becomes subject to Section 409A.

(i) *Prior Preservation Plan Benefit*

Amounts that were credited before January 1, 2005, and any subsequent increases in these amounts that are permitted to be treated as grandfathered benefits under Section 409A of the Code, shall be maintained and accounted for separately and shall remain subject to the terms and conditions of the Prior Plan, as set forth in Appendix A.

(ii) *Prior Replacement Plan Benefit*

Amounts that were credited before January 1, 2005, and any subsequent increases in these amounts that are permitted to be treated as grandfathered benefits under Section 409A of the Code, shall be maintained and accounted for separately and shall remain subject to the terms and conditions of the Prior Plan, as set forth in Appendix B.

(b) Current Plan Benefit. Current Plan Benefit shall include amounts credited to Participants under either the Preservation or Replacement Plans on or after January 1, 2005.

7. FORM OF PRESERVATION PLAN BENEFIT

(a) The Committee shall determine, as of the earlier of the Participant's Separation from Service or the Participant's date of death, that portion of the Participant's total retirement benefit or survivor benefit that is to be paid under the Preservation Plan, using the same formula that is used under the UTC Employee Retirement Plan to calculate such Participant's benefit. The Committee will apply either the Final Average Earnings (FAE) formula, Cash Balance (CB) formula, or both as applicable to each Participant under the Qualified Retirement Plan. The Preservation Plan retirement benefit or survivor benefit shall be paid to the Participant, or on his or her behalf to any Contingent Annuitant or Beneficiary (as designated under the Qualified Retirement Plan), as a monthly annuity, unless a timely election is made in accordance with Subparagraph (c) of this Section 7.

(b) A Participant may elect separate payment methods for Prior and Current Plan Benefits. Prior Plan Benefit elections are administered separately in accordance with the terms and procedures in effect under the Prior Plans, as set forth in Appendices A and B.

(c) Unless a Participant elects a form of the benefit payment for Current Plan Benefit, benefits earned under the Preservation Plan will be paid as a single life annuity or actuarially equivalent life annuity. A Participant may elect to receive a single lump-sum payment or a series of 2 to 10 annual installment payments. A payment election under the Plan shall be made on an electronic or written Election Form, completed and submitted to the UTC Pension Service Center no later than December 31st of the calendar year prior to the year in which the period of service commences on which the benefit is based. A change in actuarially equivalent annuities shall not be deemed to be a change in payment election for purposes of this Plan. Except as provided below in Subsection (d), a Participant's payment election shall become irrevocable on the election deadline date.

(d) Change in Payment Election. A Participant may make an election to change the form of payment that the Participant elected under Section 7(c), subject to the following requirements:

(i) The new election must be made at least twelve months prior to the date payments are scheduled to commence (and the new election shall be ineffective if the payment commencement date occurs within twelve months after the date of the new election);

(ii) The new election will not take effect until at least twelve months after the date when the Participant submits a new Election Form to the UTC Pension Service Center; and

(iii) The new benefit payment commencement date must be five years later than the date on which payments commence under the current election.

(e) If a Participant's benefit is calculated under the FAE formula and the Participant elects to have his or her Preservation Plan benefit paid in the form of a single lump-sum or annual installment distribution, the Actuarially Equivalent present value of the Preservation Plan retirement benefit or survivor benefit shall be determined using the RP-2000 Group Annuity Mortality Table and interest assumption equal to the average yield for tax-free municipal bonds of 10-year maturities, averaged over the prior 5 calendar years. For purposes of computing this interest assumption, the Actuary shall utilize the Barclays Capital 10-Year Municipal Bond Index, averaging the published yield for 10-year maturities (credit quality AA or above) on the last business day of the year over the most recent 5 consecutive full calendar year period. This rate shall be adjusted annually at the beginning of each calendar year.

(f) The payment of a monthly annuity, lump-sum or annual installment distribution in accordance with this Section 7 shall be in full satisfaction of all of the Corporation's obligations with respect to the Participant under the Preservation Plan.

8. DISTRIBUTION OF BENEFIT

(a) Except as provided in Section 7(d) (concerning the five-year delay following a Change in Payment Election), Section 8(b) (concerning distributions to Specified Employees), the value of a Participant's Preservation Plan Benefit will be distributed (or begin to be distributed) to the Participant as follows:

(i) If a Participant's benefit is calculated under the FAE formula only, the benefit will be paid to Participant on the first of the month following the later of a Participant's Separation from Service, or when the Participant reaches age 55;

(ii) If a Participant’s benefit is calculated under the CB formula only, the benefit will be paid to Participant on the first of the month following the Participant’s Separation from Service;

(iii) If a Participant’s benefit is calculated under both the FAE and CB formulas, the benefit will be paid to the Participant according to the rules outlined above in Subsections (i) and (ii) for the corresponding portions of the benefit.

(b) Separation from Service of Specified Employees. If the Participant is a Specified Employee on the date of the Participant’s Separation from Service, distribution of the Participant’s Current Plan Benefit to the Participant that is made on account of the Participant’s Separation from Service will not be made or commence earlier than the first day of the seventh month following the date of Separation from Service.

(c) Administrative Adjustments in Payment Date. A payment is treated as being made on the date when it is due under the Plan if the payment is made on the due date specified by the Plan, or on a later date that is either (i) in the same calendar year (for a payment whose specified due date is on or before September 30), or (ii) by the 15th day of the third calendar month following the date specified by the Plan (for a payment whose specified due date is on or after October 1). A payment also is treated as being made on the date when it is due under the Plan if the payment is made not more than 30 days before the due date specified by the Plan. In no event, will a payment to a Specified Employee be made or commence earlier than the first day of the seventh month following the date of Separation from Service. A Participant may not, directly or indirectly, designate the taxable year of a payment made in reliance on the administrative rules in this Section 8(c).

9. <u>DISTRIBUTION IN THE EVENT OF DEATH</u>

(a) If a Participant’s benefit (or portion of a benefit) is calculated under the FAE formula and the Participant has not made an election to receive his or her Pension Preservation Plan Benefit in a lump sum or installments as of the date of death, any survivor benefits will be paid as a life annuity subject to the following:

(i) If death occurs prior to age 55 with five years of service, the spouse of the Participant shall receive a 50% Contingent Annuity Benefit beginning on the date the Participant would have attained his or her 55th birthday. If the Participant is unmarried, no Plan benefit is payable.

(ii) If death occurs prior to age 55 with ten years of service, the spouse of the Participant shall receive a 100% Contingent Annuity Benefit beginning on the date the Participant would have attained his or her 55th birthday. If the Participant is unmarried, no Plan benefit is payable.

(iii) If death occurs on or after attainment of age 55 with ten years of service or attainment of age 65, survivor benefits shall be paid as a 100% Contingent Annuity Benefit beginning on the first business day of the month following the Participant's death in the following order:

(1) to the Spouse of the Participant, if the Participant is married at the time of death;

(2) to the named Beneficiary or contingent annuitant, if the Participant is not married at the time of death;

(3) to the children of the Participant if the Participant has not designated a Beneficiary prior to his or her death; or

(4) to the estate of the Participant, if the Participant has no children at the time of his or her death.

If the Participant is not married at the time of death and the Participant has not designated a Beneficiary or contingent annuitant, the benefit shall be payable as:

(1) a 10-year certain actuarially equivalent annuity to the children of the Participant; or

(2) a 5-year certain actuarially equivalent annuity to the estate of the Participant.

(b) If a Participant's benefit (or portion of a benefit) is calculated under the FAE formula and the Participant has made an election to receive his or her Preservation Plan Benefit in a lump sum or annual installments in accordance with Section 7(c) herein, such Participant shall have survivor benefits paid to his or her Beneficiary as follows: If death occurs prior to age 55, the Preservation Plan accrued benefit shall be paid in a lump sum payment as of the date the Participant would have attained his or her 55th birthday. If death occurs after the benefit commencement date but before all annual installments have been paid, the remaining installments will be paid to his or her Beneficiary as scheduled.

(c) If a Participant's benefit (or portion of a benefit) is calculated under the CB formula, the Participant shall have survivor benefits paid in a lump sum on the first business day of the month following the Participant's death as follows:

(i) to the Spouse of the Participant, if the Participant is married at the time of death;

(ii) to the named Beneficiary or contingent annuitant, if the Participant is not married at the time of death;

(iii) to the children of the Participant if the Participant has not designated a Beneficiary prior to his or her death; or

(iv) to the estate of the Participant, if the Participant has no children at the time of his or her death.

10. <u>DISABILITY</u>

In the event of the disability of a Participant, the Participant's Plan Benefit will be maintained and distributed in accordance with the Participant's elections on file.

11. MINIMUM BALANCE PAYOUT PROVISION

If the value of a Participant's Current Plan Benefit, determined at the time of the Participant's Separation From Service is less than one-hundred thousand dollars ($100,000), the Committee will distribute the Participant's entire Current Plan Benefit in a lump sum on the first business day following the Participant's Separation From Service, notwithstanding a Participant's election to receive a different form of distribution.

12. FUNDING

The Preservation Plan shall be maintained as an unfunded Plan that is not intended to meet the qualification requirements of Section 401 of the Code. Except in the event of a Change in Control of the Corporation (as described in Section 13 hereof), all benefits under the Preservation Plan shall be payable solely from the general assets of the Corporation. In this regard, the rights of each Participant, Contingent Annuitant and Beneficiary under the Preservation Plan with respect to his or her Preservation Plan retirement benefit or survivor benefit shall be those of a general unsecured creditor of the Corporation. No Participant, Contingent Annuitant or Beneficiary hereunder shall be entitled to receive any benefits payable under the Preservation Plan from the assets of the Qualified Retirement Plan, nor shall the Corporation undertake to set aside assets in trust or otherwise segregate assets to fund its obligations under the Preservation Plan except as provided in Section 13 hereof.

13. CHANGE OF CONTROL

In the event of a Change of Control of the Corporation, the Corporation shall immediately fully fund the value of all Accrued Benefit under the Preservation Plan, determined by the Actuary as of the date of the Change of Control, provided the funding is not proximate to a downturn in the Corporation's financial health within the meaning of Treas. Reg. Section 1.409A-3(j)(4)(ix)(C)(1). The required proceeds will be contributed to the United Technologies Corporation Pension Preservation Plan Retirement Security Trust, a rabbi trust, and such proceeds will be held and maintained in the United States. In addition, if the United

Technologies Corporation Board of Directors Committee on Compensation and Executive Development takes any action under the United Technologies Corporation Long Term Incentive Plan (the "LTIP"), including, without limitation, the accelerated vesting or other adjustment to outstanding LTIP awards in anticipation of (i) a Change of Control (ii) an event, which if consummated, would constitute a Change of Control or (iii) any other significant change pertaining to the ownership of the Corporation, the Corporation shall then also immediately fund the United Technologies Corporation Pension Preservation Plan Retirement Security Trust, a rabbi trust, provided the funding is not proximate to a downturn in the Corporation's financial health within the meaning of Treas. Reg. Section 1.409A-3(j)(4)(ix)(C)(1); and further provided such funds are held and maintained in the United States. For purposes of this Section 13, "Change of Control" shall have the meaning given to that term under the LTIP.

14. NONASSIGNABILITY

No Participant, Contingent Annuitant or Beneficiary or any other person shall have the right to sell, assign, transfer, pledge, or otherwise encumber any interest in the Preservation Plan. All Preservation Plan benefits are unassignable and non-transferable and shall not be subject to attachment or seizure for the payment of any debts, judgments or other obligations. No Preservation Plan interest shall be transferred by operation of law in the event of the bankruptcy or insolvency of a Participant, Contingent Annuitant, or Beneficiary.

15. NO CONTRACT OF EMPLOYMENT

Participation in the Preservation Plan shall not be construed to constitute a direct or indirect contract of employment between the Corporation and the Participant. Nothing in the Preservation Plan shall be deemed to give a Participant the right to be retained in the service of the Corporation for any length of time. Participants, Contingent Annuitants and Beneficiaries shall have no rights against the Corporation resulting from participation in the Preservation Plan other than as specifically provided herein.

16. <u>OPERATION AND ADMINISTRATION</u>

The Preservation Plan shall be administered by the Pension Administration and Investment Committee of United Technologies Corporation (the “Committee”). The Committee shall have the right to delegate its responsibilities hereunder to sub-committees and individuals. Any question of administration or interpretation arising under the Preservation Plan shall be determined by the Committee (or its delegate) in its full discretion, and its decision shall be final and binding upon all parties.

17. <u>TAXES/WITHHOLDING</u>

The Corporation shall have the right to withhold taxes from Preservation Plan benefit accruals and payments to the extent it reasonably determines such withholding to be required by law to be withheld from such credits and payments.

18. <u>GOVERNING LAW</u>

The Preservation Plan shall be construed, administered and enforced in accordance with the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and to the extent not preempted thereby, the laws of the State of Connecticut (disregarding its choice-of-law rules).

19. <u>AMENDMENT AND TERMINATION</u>

(a) The Corporation expects to continue the Preservation Plan indefinitely, but reserves the right, by action of the Committee, to amend or terminate the Preservation Plan at any time, provided, however, that no such action shall decrease any benefits accrued under the Preservation Plan as of the date of such action. Although the benefits accrued under the Preservation Plan are not subject to the restrictions imposed by Section 204(g) of ERISA, the proviso in the preceding sentence shall be construed in a manner consistent with Section 204(g) of ERISA. As a result, the proviso referred to in the preceding sentence imposes restrictions identical with the restrictions that would be imposed on the Preservation Plan if the Preservation Plan were subject to Section 204(g) of ERISA.

(b) Upon the termination of the Plan with respect to all Participants, and termination of all arrangements sponsored by the Corporation or its affiliates that would be aggregated with the Plan under Section 409A of the Code, the Corporation shall have the right, in its sole discretion, and notwithstanding any elections made by the Participant, to pay the Participant's vested Benefit in a lump sum, to the extent permitted under Section 409A. All payments that may be made pursuant to this Section 19(b) shall be made no earlier than the thirteenth month and no later than the twenty-fourth month after the termination of the Plan. The Corporation may not accelerate payments pursuant to this Section 19(b) if the termination of the Plan is proximate to a downturn in the Corporation's financial health within the meaning of Treas. Reg. Section 1.409A-3(j)(4)(ix)(C)(1). If the Corporation exercises its discretion to accelerate payments under this Section 19(b), it shall not adopt any new arrangement that would have been aggregated with this Plan under Section 409A within three years following the date of the Plan's termination.

20. <u>COMPLIANCE WITH SECTION 409A</u>

To the extent that rights or payments under this Plan are subject to Section 409A of the Internal Revenue Code, the Preservation Plan shall be construed and administered in compliance with the conditions of Section 409A and regulations and other guidance issued pursuant to Section 409A for deferral of income taxation until the time the compensation is paid. Any distribution election that would not comply with Section 409A of the Code shall not be effective for purposes of this Plan. To the extent that a provision of this Plan does not comply with Section 409A of the Code, such provision shall be void and without effect. The Corporation does not warrant that the Preservation Plan will comply with Section 409A of the Code with respect to any Participant or with respect to any payment. In no event shall a UTC Company; any director, officer, or employee of a UTC Company (other than the Participant); or any member of the Committee be liable for any additional tax, interest, or penalty incurred by a Participant or Beneficiary as a result of the Preservation Plan's failure to satisfy the requirements of Section 409A of the Code, or as a result of the Plan's failure to satisfy any other requirements of applicable tax laws.

21. SUCCESSORS

The provisions of the Preservation Plan shall bind and inure to the benefit of the Corporation, and its successors and assigns. The term successors shall include any corporate or other business entity that by merger, consolidation, purchase or otherwise acquires all or substantially all of the business and assets of the Corporation and successors of any such Corporation or other entity.

22. BENEFIT CLAIMS PROCEDURE

(a) The Committee shall establish and communicate procedures for Participants to obtain forms required to effect elections and designations under the Plan. The Committee may establish a telephonic communication system to facilitate the administration of the Plan and to provide information to Participants, provided that any estimate of a Participant’s current or projected accrued benefit shall in no event be binding on the Committee in the event of any discrepancy between such estimate and a Participant’s actual accrued benefit, which, in all cases, shall control. Upon notification of the death of any Participant while in the employment of the Employer, the Committee may initiate any claim on behalf of the Spouse, Contingent Annuitant, or Beneficiary.

(b) A Participant or Beneficiary who believes that he or she has been denied a benefit to which he or she is entitled under the Plan (referred to in this Section 22 as a “Claimant”) may file a written request with the Committee setting forth the claim. The Committee shall consider and resolve the claim as set forth below.

(i) Upon receipt of a claim, the Committee or its designated agent shall advise the Claimant that a response will be forthcoming within 90 days. The Committee may, however, extend the response period for up to an additional 90 days for reasonable cause, and shall notify the Claimant of the reason for the extension and the expected response date. The Committee or its designated agent shall respond to the claim within the specified period.

(ii) If the claim is denied in whole or part, the Committee shall provide the Claimant with a written decision, using language calculated to be understood by the Claimant, setting forth (1) the specific reason or reasons for such denial; (2) the specific reference to relevant provisions of this Plan on which such denial is based; (3) a description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation why such material or such information is necessary; (4) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review; (5) the time limits for requesting a review of the claim; and (6) the Claimant's right to bring an action for benefits under Section 502(a) of ERISA.

(iii) Within 60 days after the Claimant's receipt of the written decision denying the claim in whole or in part, the Claimant may request a review of such determination by filing a notice of appeal in writing with the Benefit Claims Appeal Committee (the "Benefits Appeal Committee"). Such notice must set forth all relevant factors upon which the appeal is based. The Claimant or his or her duly authorized representative may, but need not, review the relevant documents and submit issues and comment in writing for consideration by the Benefits Appeal Committee. If the Claimant does not request a review of the initial determination within such 60-day period, the Claimant shall be barred from challenging the determination.

(iv) Within 60 days after the Benefits Appeal Committee receives a request for review, it will review the initial determination. If special circumstances require that the 60-day time period be extended, the Benefits Appeal Committee will so notify the Claimant and will render the decision as soon as possible, but no later than 120 days after receipt of the request for review.

(v) The Benefits Appeal Committee shall have the greatest discretion permitted by law in making decisions pursuant to this Section 22. All decisions on review shall be final and binding with respect to all concerned parties. The decision on review shall set forth, in a manner calculated to be understood by the Claimant, (1) the specific reasons for the decision, including references to the relevant Plan provisions upon which the decision is based; (2) the Claimant's right to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information, relevant to his or her benefits; and (3) the Claimant's right to bring an action for benefits under Section 502(a) of ERISA

Appendix A

This Appendix A sets forth the United Technologies Corporation Pension Preservation Plan, as in effect on December 31, 2004 (“Prior Preservation Plan”), and as modified thereafter from time to time in a manner that does not constitute a “material modification” for purposes of Section 409A. Amounts that were earned and vested (within the meaning of Section 409A) prior to January 1, 2005, and any subsequent increases in these amounts that are permitted to be treated as grandfathered benefits under Section 409A, are generally subject to and shall continue to be governed by the terms of this Prior Preservation Plan.

UNITED TECHNOLOGIES CORPORATION

PENSION PRESERVATION PLAN

AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 1996

1. INTRODUCTION & PURPOSE

The United Technologies Corporation Pension Preservation Plan (the “Preservation Plan”) is maintained as an unfunded plan solely for the purpose of providing retirement benefits in excess of the retirement and survivor benefits that may be paid from tax-qualified retirement plans due to (i) benefit limitations imposed by Section 415 of the Internal Revenue Code of 1986, as amended from time to time (the “Code”) and (ii) the limitation imposed by Section 401(a)(17) of the Code on compensation that may be taken into account in computing retirement benefits under tax-qualified retirement plans (referred to collectively as the “Limits”). The Preservation Plan restores the amount of the retirement benefit or survivor benefit that is not paid from the United Technologies Corporation Employee Retirement Plan (or any other tax-qualified defined benefit retirement plan sponsored by the Corporation) (the “Qualified Retirement Plan”) as a result of the Limits so that the total actuarial present value of the Qualified Retirement Plan and Pension Preservation Plan benefits equals the actuarial present value of the retirement benefit or survivor benefit that would be paid from the Qualified Retirement Plan if such Plan were administered without regard to the Limits. The Preservation Plan shall be administered and construed to effectuate the foregoing intent.

The capitalized terms used herein shall have the meanings given to them by the United Technologies Corporation Employee Retirement Plan unless the context clearly indicates otherwise.

2. <u>EFFECTIVE DATE</u>

The Preservation Plan became effective on January 1, 1978. This amendment and restatement of the Preservation Plan shall be effective January 1, 1996, except to the extent otherwise specifically provided herein.

3. <u>ELIGIBILITY</u>

An employee of United Technologies Corporation (the "Corporation") or an affiliate thereof who is a Participant in the Qualified Retirement Plan shall be eligible to participate in the Preservation Plan if and to the extent the Participant's Accrued Benefit under the Qualified Retirement Plan is reduced or limited by provisions of the Qualified Retirement Plan that are designed solely to comply with the Limits. In no event shall any person who is not entitled to benefits under the Qualified Retirement Plan be eligible for retirement benefits or survivor benefits under the Preservation Plan. An employee of the Corporation or an affiliate thereof who is eligible for retirement benefits under the Preservation Plan shall be referred to herein as a "Participant."

4. <u>DETERMINATION OF PRESERVATION PLAN BENEFIT</u>

The amount of the retirement benefit or survivor benefit payable from the Preservation Plan to or in respect of a Participant shall equal the excess, if any, of (a) over (b), where

(a) equals the retirement benefit or survivor benefit that would be paid to such Participant (or on his or her behalf to his Contingent Annuitant or Beneficiary) under the Qualified Retirement Plan if the provisions of the Qualified Retirement Plan were administered without regard to the Limits; and

(b) equals the retirement benefit or survivor benefit payable to such Participant (or on his or her behalf to his or her Contingent Annuitant or Beneficiary) under the Qualified Retirement Plan.

5. FORM OF PRESERVATION PLAN BENEFIT

(a) The Plan Administrator shall determine, as of the earlier of the Participant’s Retirement Date or the Participant’s date of death, that portion of the Participant’s total retirement benefit or survivor benefit that is to be paid under the Preservation Plan. The Preservation Plan retirement benefit or survivor benefit shall be paid to the Participant, or on his or her behalf to any Contingent Annuitant or Beneficiary (as designated under the Qualified Retirement Plan), in the form of distribution that applies to the benefit payments made to, or on behalf of, the Participant under the Qualified Retirement Plan unless the Participant has made a timely election to receive his or her Preservation Plan retirement benefit in a single lump-sum payment or in a series of 2 to 10 annual installment payments in accordance with this Section 5.

(b) If—

(i) the Participant qualifies for an Early Retirement Annuity or a Normal Retirement Annuity or satisfies the Rule of 65 under Section 5.4 of the United Technologies Corporation Employee Retirement Plan (or dies after qualifying for an Early Retirement Annuity or a Normal Retirement Annuity or satisfying such Rule of 65, but before the date as of which retirement benefits under the Qualified Retirement Plan are scheduled to begin), and

(ii) terminates, or retires from, employment with the Corporation and its affiliates after December 31, 1995,

the Participant may elect, in accordance with Section 5(c) hereof, to have his or her Preservation Plan retirement benefit or survivor benefit paid in a lump-sum or in annual installments, payable (or commencing) as of the Participant’s Retirement Date. Subject to the provisions of Section 5(c) hereof, a Participant may revoke any such election at any time. A Participant shall have no right under the Preservation Plan to have his or her Qualified Retirement Plan benefit paid in a lump sum or in annual installments. Distributions from the Qualified Retirement Plan shall be governed solely by the terms of the Qualified Retirement Plan.

(c) An election to have a lump-sum or installment distribution paid pursuant to Section 5(b) hereof (or a revocation of any such election) shall be disregarded unless it is filed at least one year before the Participant's Retirement Date (or, if earlier, the first day of the month next following the Participant's date of death), except that

(i) If such an election or revocation is filed on or before October 30, 1996, the election or revocation shall be given effect only if the Participant consents to a distribution (or the commencement of distributions) under the Preservation Plan as of a date occurring on or after January 1, 1997; and

(ii) If such an election or revocation is filed on or after November 1, 1996, and on or before December 31, 1996, the election or revocation shall be given effect only if the Participant consents to a distribution (or the commencement of distributions) under the Preservation Plan as of a date occurring on or after April 1, 1997.

(d) If a Participant elects to have his or her Preservation Plan benefit paid in the form of a single lump-sum or annual installment distribution, the Actuarially Equivalent present value of the Preservation Plan retirement benefit or survivor benefit shall be determined using the 1983 Group Annuity Mortality Table and an interest assumption equal to the average yield for tax-free municipal bonds of 10-year maturities, averaged over the prior 5 calendar years. For purposes of computing this interest assumption, the Actuary shall utilize the Lehman Bros. Municipal Bond Index, averaging the published yield for 10-year maturities (credit quality AA or above) on the last business day of the year over the most recent 5 consecutive full calendar year period. This rate shall be adjusted annually at the beginning of each calendar year.

(e) The payment of a lump-sum or annual installment distribution in accordance with this Section 5 shall be in full satisfaction of all of the Corporation's obligations with respect to the Participant under the Preservation Plan.

6. DEATH BENEFITS

A Participant who has made an election to receive Pension Preservation Plan benefits in a lump sum or annual installments in accordance with Section 5 herein shall have survivor benefits paid to his or her Pension Preservation Plan beneficiary as follows. If death occurs prior to age 55, the Pension Preservation Plan accrued benefit shall be paid in a lump sum payment as of the date the Participant would have attained his or her 55th birthday. If death occurs after retirement but before all annual installments have been paid, the remaining installments will be paid to his or her Beneficiary as scheduled unless the estate of the Participant is the Beneficiary in which case the commuted value of the remaining payments will be paid in a lump sum.

If no election to receive Pension Preservation Plan benefits in a lump sum or installments is in effect as of the date of death, any survivor benefits will be paid in accordance with the distribution option in effect and to the Beneficiary or Contingent Annuitant designated under the Qualified Retirement Plan.

7. FUNDING

The Preservation Plan shall be maintained as an unfunded Plan that is not intended to meet the qualification requirements of Section 401 of the Code. Except in the event of a Change in Control of the Corporation (as described in Section 7 hereof), all benefits under the Preservation Plan shall be payable solely from the general assets of the Corporation. In this regard, the rights of each Participant, Contingent Annuitant and Beneficiary under the Preservation Plan with respect to his or her Preservation Plan retirement benefit or survivor benefit shall be those of a general unsecured creditor of the Corporation. No Participant, Contingent Annuitant or Beneficiary hereunder shall be entitled to receive any benefits payable under the Preservation Plan from the assets of the Qualified Retirement Plan, nor shall the Corporation undertake to set aside assets in trust or otherwise segregate assets to fund its obligations under the Preservation Plan except as provided in Section 7 hereof.

8. CHANGE OF CONTROL

In the event of a Change of Control of the Corporation, the Corporation shall immediately fully fund the value of all Accrued Benefits under the Preservation Plan, determined by the Actuary as of the date of the Change of Control. The required proceeds will be contributed to the United Technologies Corporation Pension Preservation Plan Retirement Security Trust. In addition, if the United Technologies Corporation Board of Directors Committee on Compensation and Executive Development takes any action under the United Technologies Corporation Long Term Incentive Plan (the "LTIP"), including, without limitation, the accelerated vesting or other adjustment to outstanding LTIP awards in anticipation of (i) a Change of Control (ii) an event, which if consummated, would constitute a Change of Control or (iii) any other significant change pertaining to the ownership of the Corporation, the Corporation shall then also immediately fund the United Technologies Corporation Pension Preservation Plan Retirement Security Trust. For purposes of this Section 7, "Change of Control" shall have the meaning given to that term under the LTIP.

9. NONASSIGNABILITY

No Participant, Contingent Annuitant or Beneficiary or any other person shall have the right to sell, assign, transfer, pledge, or otherwise encumber any interest in the Preservation Plan. All Preservation Plan benefits are unassignable and non-transferable and shall not be subject to attachment or seizure for the payment of any debts, judgments or other obligations. No Preservation Plan interest shall be transferred by operation of law in the event of the bankruptcy or insolvency of a Participant, Contingent Annuitant, or Beneficiary.

10. NO CONTRACT OF EMPLOYMENT

Participation in the Preservation Plan shall not be construed to constitute a direct or indirect contract of employment between the Corporation and the Participant. Nothing in the Preservation Plan shall be deemed to give a Participant the right to be retained in the service of the Corporation for any length of time. Participants, Contingent Annuitants and Beneficiaries shall have no rights against the Corporation resulting from participation in the Preservation Plan other than as specifically provided herein.

11. OPERATION AND ADMINISTRATION

The Preservation Plan shall be administered by the Pension Administration and Investment Committee of United Technologies Corporation (the “Committee”). The Committee shall have the right to delegate its responsibilities hereunder to sub-committees and individuals. Any question of administration or interpretation arising under the Preservation Plan shall be determined by the Committee (or its delegate) in its full discretion, and its decision shall be final and binding upon all parties.

12. TAXES/WITHHOLDING

The Corporation shall have the right to withhold taxes from Preservation Plan benefit payments to the extent it reasonably determines such withholding to be required by law.

13. GOVERNING LAW

The Preservation Plan shall be construed, administered and enforced in accordance with the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and to the extent not preempted thereby, the laws of the State of Connecticut (disregarding its choice-of-law rules).

14. AMENDMENT AND DISCONTINUANCE

The Corporation expects to continue the Preservation Plan indefinitely, but reserves the right, by action of the Committee, to amend or discontinue the Preservation Plan at any time, provided, however, that no such action shall decrease any benefits accrued under the Preservation Plan as of the date of such action. Although the benefits accrued under the Preservation Plan are not subject to the restrictions imposed by Section 204(g) of ERISA, the proviso in the preceding sentence shall be construed in a manner consistent with Section 204(g) of ERISA. As a result, the proviso referred to in the preceding sentence imposes restrictions identical with the restrictions that would be imposed on the Preservation Plan if the Preservation Plan were subject to Section 204(g) of ERISA.

15. SUCCESSORS

The provisions of the Preservation Plan shall bind and inure to the benefit of the Corporation, and its successors and assigns. The term successors shall include any corporate or other business entity that by merger, consolidation, purchase or otherwise acquires all or substantially all of the business and assets of the Corporation and successors of any such Corporation or other entity.

16. BENEFIT CLAIMS PROCEDURE

(a) The Plan Administrator shall establish and communicate procedures for Participants to obtain forms required to effect elections and designations under the Plan. The Plan Administrator may establish a telephonic communication system to facilitate the administration of the Plan and to provide information to Participants, provided that any estimate of a Participant’s current or projected accrued benefit shall in no event be binding on the Plan Administrator in the event of any discrepancy between such estimate and a Participant’s actual Accrued Benefit, which, in all cases, shall control. Upon notification of the death of any Participant while in the employment of the Employer, the Plan Administrator may initiate any claim on behalf of the Spouse, Contingent Annuitant, or Beneficiary.

(b) If a claim is denied, the Plan Administrator or its designated agent shall give the claimant notice in writing of such denial, which notice shall set forth (i) the specific reason(s) for the denial; (ii) specific reference to pertinent Plan provisions on which the denial is based; (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such materials or information are necessary; and (iv) an explanation of the Plan’s claim review procedure.

(c) Within 60 days after receipt of the notice of denial described above, the claimant may request a review of such denial by filing a notice of appeal in writing with the Benefit Claims Appeal Committee (the “Benefits Appeal Committee”). Such notice must set forth all relevant factors upon which the appeal is based. The Benefits Appeal Committee shall decide the issues raised by the appeal, either with or without holding a hearing, and shall issue to the claimant a written notice setting forth its decision and the reasons for the decision. The Benefits Appeal Committee’s decision shall be made not more than 60 days after it has received the claimant’s request for review, unless the Benefits Appeal Committee determines that special circumstances require an extension of time and so notifies the claimant, in which case a decision shall be made not more than 120 days after it has received the request for review. The Benefits Appeal Committee shall have the greatest discretion permitted by law in making decisions pursuant to this Section 16. All interpretations, determinations, and decisions of the Benefits Appeal Committee in respect of any claim shall be conclusive and binding upon all persons having or claiming to have any interest or right under the Plan.

Appendix B

This Appendix B sets forth the United Technologies Corporation Pension Replacement Plan, as in effect on December 31, 2004 (“Prior Replacement Plan”), and as modified thereafter from time to time in a manner that does not constitute a “material modification” for purposes of Section 409A. Amounts that were earned and vested (within the meaning of Section 409A) prior to January 1, 2005, and any subsequent increases in these amounts that are permitted to be treated as grandfathered benefits under Section 409A, are generally subject to and shall continue to be governed by the terms of this Prior Replacement Plan.

UNITED TECHNOLOGIES CORPORATION

PENSION REPLACEMENT PLAN

AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 1996

1. INTRODUCTION & PURPOSE

The United Technologies Corporation Pension Replacement Plan (the "Replacement Plan") is maintained as an unfunded plan solely for the purpose of providing retirement benefits in excess of the retirement and survivor benefits that may be paid from the United Technologies Corporation Employee Retirement Plan (or any other tax-qualified defined benefit retirement plan sponsored by the Corporation) (the "Qualified Retirement Plan") and the United Technologies Corporation Pension Preservation Plan as a result of any reduction in a Participant's compensation that would otherwise be utilized in computing accrued benefits under such Plans where the reduction results from participation in the Corporation's Deferred Compensation Plan.

The capitalized terms used herein shall have the meanings given to them by the United Technologies Corporation Employee Retirement Plan unless the context clearly indicates otherwise.

2. EFFECTIVE DATE

The Replacement Plan became effective on April 1, 1985 as the United Technologies Corporation Supplemental Plan, which was subsequently renamed the United Technologies Corporation Pension Replacement Plan. This amendment and restatement of the Replacement Plan shall be effective January 1, 1996**,** except to the extent otherwise specifically provided herein.

3. <u>ELIGIBILITY</u>

An employee of United Technologies Corporation (the "Corporation") or an affiliate thereof who is a Participant in the Qualified Retirement Plan and the Pension Preservation Plan (if applicable) shall be eligible to participate in the Replacement Plan if and to the extent the Participant's Accrued Benefit under the Qualified Retirement Plan or the Pension Preservation Plan is reduced as a result of participation in the United Technologies Corporation Deferred Compensation Plan or other similar deferred compensation arrangement if the Corporation authorizes the replacement of pension benefits in such arrangement (the "Deferred Compensation Plan"). In no event shall any person who is not entitled to benefits under the Qualified Retirement Plan be eligible for retirement benefits or survivor benefits under the Replacement Plan. An employee of the Corporation or an affiliate thereof who is eligible for retirement benefits under the Replacement Plan shall be referred to herein as a "Participant."

4. <u>DETERMINATION OF REPLACEMENT PLAN BENEFIT</u>

The amount of the retirement benefit or survivor benefit payable from the Replacement Plan to or in respect of a Participant shall equal the excess, if any, of (a) over (b), where

(a) equals the retirement benefit or survivor benefit that would be paid to such Participant (or on his or her behalf to his Contingent Annuitant or Beneficiary) under the Qualified Retirement Plan and the Pension Preservation Plan if the provisions of such Plans were administered by taking into account any compensation that was deferred under the Deferred Compensation Plan; and

(b) equals the retirement benefit or survivor benefit payable to such Participant (or on his or her behalf to his or her Contingent Annuitant or Beneficiary) under the Qualified Retirement Plan and the Pension Preservation Plan.

5. <u>FORM OF PRESERVATION PLAN BENEFIT</u>

(a) The Plan Administrator shall determine, as of the earlier of the Participant's Retirement Date or the Participant's date of death, that portion of the Participant's total retirement benefit or survivor benefit that is to be paid under the Replacement Plan. The Replacement Plan retirement benefit or survivor benefit shall be paid to the Participant, or on his or her behalf to any Contingent Annuitant or Beneficiary (as designated under the Qualified Retirement Plan), in the form of distribution that applies to the benefit payments made to, or on behalf of, the Participant under the Qualified Retirement Plan unless the Participant has made a timely election to receive his or her Replacement Plan retirement benefit in a single lump-sum payment or in a series of 2 to 10 annual installment payments in accordance with this Section 5.

(b) If—

(i) the Participant qualifies for an Early Retirement Annuity or a Normal Retirement Annuity or satisfies the Rule of 65 under Section 5.4 of the United Technologies Corporation Employee Retirement Plan (or dies after qualifying for an Early Retirement Annuity or a Normal Retirement Annuity or satisfying such Rule of 65, but before the date as of which retirement benefits under the Qualified Retirement Plan are scheduled to begin), and

(ii) terminates, or retires from, employment with the Corporation and its affiliates after December 31, 1995,

the Participant may elect, in accordance with Section 5(c) hereof, to have his or her Replacement Plan retirement benefit or survivor benefit paid in a lump sum or in annual installments, payable (or commencing) as of the Participant's Retirement Date. Subject to the provisions of Section 5(c) hereof, a Participant may revoke any such election at any time. A Participant shall have no right under the Replacement Plan to have his or her Qualified Retirement Plan benefit paid in a lump sum or in annual installments. Distributions from the Qualified Retirement Plan shall be governed solely by the terms of the Qualified Retirement Plan.

(c) An election to have a lump-sum or installment distribution paid pursuant to Section 5(b) hereof (or a revocation of any such election) shall be disregarded unless it is filed at least one year before the Participant's Retirement Date (or, if earlier, the first day of the month next following the Participant's date of death), except that

(i) If such an election or revocation is filed on or before October 30, 1996, the election or revocation shall be given effect only if the Participant consents to a distribution (or the commencement of distributions) under the Replacement Plan as of a date occurring on or after January 1,1997; and

(ii) If such an election or revocation is filed on or after November 1, 1996, and on or before December 31, 1996, the election or revocation shall be given effect only if the Participant consents to a distribution (or the commencement of distributions) under the Replacement Plan as of a date occurring on or after April 1, 1997.

(d) If a Participant elects to have his or her Replacement Plan benefit paid in the form of a single lump-sum or annual installment distribution, the Actuarially Equivalent present value of the Replacement Plan retirement benefit or survivor benefit shall be determined using the 1983 Group Annuity Mortality Table and an interest assumption equal to the average yield for tax-free municipal bonds of 10-year maturities, averaged over the prior 5 calendar years. For purposes of computing this interest assumption, the Actuary shall utilize the Lehman Bros. Municipal Bond Index, averaging the published yield for 10-year maturities (credit quality AA or above) on the last business day of the year over the most recent 5 consecutive full calendar year period. This rate shall be adjusted annually at the beginning of each calendar year.

(e) The payment of a lump sum or annual installment distribution in accordance with this Section 5 shall be in full satisfaction of all of the Corporation's obligations with respect to the Participant under the Replacement Plan.

6. DEATH BENEFITS

A Participant who has made an election to receive Replacement Plan benefits in a lump sum or annual installments in accordance with Section 5 herein and such election is effective as of the date of the Participant's death shall have survivor benefits paid to his or her Replacement Plan Beneficiary as follows. If death occurs prior to age 55, the Replacement Plan benefits shall be paid in a lump sum payment as of the date the Participant would have attained his or her 55th birthday. If death occurs after retirement but before all annual installments have been paid, the remaining installments will be paid to his or her Beneficiary as scheduled unless the estate of the Participant is the Beneficiary in which case the commuted value of the remaining payments will be paid in a lump sum.

If no election to receive Replacement Plan benefits in a lump sum or installments is in effect as of the date of death, any survivor benefits will be paid in accordance with the distribution option in effect and to the Beneficiary or Contingent Annuitant designated under the Qualified Retirement Plan.

7. FUNDING

The Replacement Plan shall be maintained as an unfunded Plan that is not intended to meet the qualification requirements of Section 401 of the Code. Except in the event of a Change in Control of the Corporation (as described in Section 7 hereof), all benefits under the Replacement Plan shall be payable solely from the general assets of the Corporation. In this regard, the rights of each Participant, Contingent Annuitant and Beneficiary under the Replacement Plan with respect to his or her Preservation Plan retirement benefit or survivor benefit shall be those of a general unsecured creditor of the Corporation. No Participant, Contingent Annuitant or Beneficiary hereunder shall be entitled to receive any benefits payable under the Replacement Plan from the assets of the Qualified Retirement Plan, nor shall the Corporation undertake to set aside assets in trust or otherwise segregate assets to fund its obligations under the Replacement Plan except as provided in Section 7 hereof.

8. CHANGE OF CONTROL

In the event of a Change of Control of the Corporation, the Corporation shall immediately fully fund the value of all Accrued Benefits under the Replacement Plan, determined by the Actuary as of the date of the Change of Control. The required proceeds will be contributed to the United Technologies Corporation Pension Replacement Plan Retirement Security Trust. In addition, if the United Technologies Corporation Board of Directors Committee on Compensation and Executive Development takes any action under the United Technologies Corporation Long Term Incentive Plan (the “LTIP”**)** including, without limitation, the accelerated vesting or other adjustment to outstanding LTIP awards in anticipation of (i) a Change of Control (ii) an event, which if consummated, would constitute a Change of Control or (iii) any other significant change pertaining to the ownership of the Corporation, the Corporation shall then also immediately fund the United Technologies Corporation Pension Replacement Plan Retirement Security Trust. For purposes of this Section 7, “Change of Control” shall have the meaning given to that term under the LTIP.

9. NONASSIGNABILITY

No Participant, Contingent Annuitant or Beneficiary or any other person shall have the right to sell, assign, transfer, pledge, or otherwise encumber any interest in the Replacement Plan. All Replacement Plan benefits are unassignable and non-transferable and shall not be subject to attachment or seizure for the payment of any debts, judgments or other obligations. No Replacement Plan interest shall be transferred by operation of law in the event of the bankruptcy or insolvency of a Participant, Contingent Annuitant, or Beneficiary.

10. NO CONTRACT OF EMPLOYMENT

Participation in the Replacement Plan shall not be construed to constitute a direct or indirect contract of employment between the Corporation and the Participant. Nothing in the Replacement Plan shall be deemed to give a Participant the right to be retained in the service of the Corporation for any length of time. Participants, Contingent Annuitants and Beneficiaries shall have no rights against the Corporation resulting from participation in the Replacement Plan other than as specifically provided herein.

11. OPERATION AND ADMINISTRATION

The Replacement Plan shall be administered by the Pension Administration and Investment Committee of United Technologies Corporation (the "Committee"). The Committee shall have the right to delegate its responsibilities hereunder to sub-committees and individuals. Any question of administration or interpretation arising under the Replacement Plan shall be determined by the Committee (or its delegate) in its full discretion, and its decision shall be final and binding upon all parties.

12. TAXES/WITHHOLDING

The Corporation shall have the right to withhold taxes from Replacement Plan benefit payments to the extent it reasonably determines such withholding to be required by law.

13. GOVERNING LAW

The Replacement Plan shall be construed, administered and enforced in accordance with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and to the extent not preempted thereby, the laws of the State of Connecticut (disregarding its choice-of-law rules).

14. AMENDMENT AND DISCONTINUANCE

The Corporation expects to continue the Replacement Plan indefinitely, but reserves the right, by action of the Committee, to amend or discontinue the Replacement Plan at any time, provided, however, that no such action shall decrease any benefits accrued under the Replacement Plan as of the date of such action. Although the benefits accrued under the Replacement Plan are not subject to the restrictions imposed by Section 204(g) of ERISA, the proviso in the preceding sentence shall be construed in a manner consistent with Section 204(g) of ERISA. As a result, the proviso referred to in the preceding sentence imposes restrictions identical with the restrictions that would be imposed on the Replacement Plan if the Replacement Plan were subject to Section 204(g) of ERISA.

15. SUCCESSORS

The provisions of the Replacement Plan shall bind and inure to the benefit of the Corporation, and its successors and assigns. The term successors shall include any corporate or other business entity that by merger, consolidation, purchase or otherwise acquires all or substantially all of the business and assets of the Corporation, and successors of any such Corporation or other entity.

16. BENEFIT CLAIMS PROCEDURE

(a) The Plan Administrator shall establish and communicate procedures for Participants to obtain forms required to effect elections and designations under the Plan. The Plan Administrator may establish a telephonic communication system to facilitate the administration of the Plan and to provide information to Participants, provided that any estimate of a Participant’s current or projected accrued benefit shall in no event be binding on the Plan Administrator in the event of any discrepancy between such estimate and a Participant’s actual Accrued Benefit, which, in all cases, shall control. Upon notification of the death of any Participant while in the employment of the Employer, the Plan Administrator may initiate any claim on behalf of the Spouse, Contingent Annuitant, or Beneficiary.

(b) If a claim is denied, the Plan Administrator or its designated agent shall give the claimant notice in writing of such denial, which notice shall set forth (i) the specific reason(s) for the denial; (ii) specific reference to pertinent Plan provisions on which the denial is based; (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such materials or information are necessary; and (iv) an explanation of the Plan's claim review procedure.

(c) Within 60 days after receipt of the notice of denial described above, the claimant may request a review of such denial by filing a notice of appeal in writing with the Benefit Claims Appeal Committee (the "Benefits Appeal Committee"). Such notice must set forth all relevant factors upon which the appeal is based. The Benefits Appeal Committee shall decide the issues raised by the appeal, either with or without holding a hearing, and shall issue to the claimant a written notice setting forth its decision and the reasons for the decision. The Benefits Appeal Committee's decision shall be made not more than 60 days after it has received the claimant's request for review, unless the Benefits Appeal Committee determines that special circumstances require an extension of time and so notifies the claimant, in which case a decision shall be made not more than 120 days after it has received the request for review. The Benefits Appeal Committee shall have the greatest discretion permitted by law in making decisions pursuant to this Section 16. All interpretations, determinations, and decisions of the Benefits Appeal Committee in respect of any claim shall be conclusive and binding upon all persons having or claiming to have any interest or right under the Plan.

UNITED TECHNOLOGIES CORPORATION
DEFERRED COMPENSATION PLAN

(As amended and restated effective January 1, 2005)

ARTICLE I—PREAMBLE

United Technologies Corporation established the United Technologies Deferred Compensation Plan effective April 1, 1985. Pursuant to such Plan, certain eligible executives of the Corporation, its Subsidiaries and Affiliates deferred all or a portion of their compensation earned with respect to 1985 and 1986. No compensation earned after 1986 was deferred under the Plan until the Plan was amended and restated effective December 15, 1993 to offer eligible executives the opportunity to defer all or a portion of Compensation earned or otherwise payable in 1994 and subsequent years. The Plan has been amended from time to time since 1993.

The Plan is hereby amended and restated, effective January 1, 2005, to reflect the requirements of Section 409A of the Internal Revenue Code. The Plan, as amended and restated, applies to deferrals that were earned or vested after December 31, 2004. Amounts that were earned and vested (within the meaning of Section 409A) before January 1, 2005, and any subsequent increases in these amounts that are permitted to be treated as grandfathered benefits under Section 409A, are subject to and shall continue to be governed by the terms of the Prior Plan as set forth in Appendix A.

From January 1, 2005 through December 31, 2008, the Plan has been operated in good faith compliance with Section 409A in accordance with guidance provided by the Internal Revenue Service.

ARTICLE II—DEFINITIONS

Beneficiary means the person, persons or entity designated on an electronic or written form by the Participant to receive the value of his or her Plan Account in the event of the Participant's death. If the Participant fails to designate a Beneficiary, or the Beneficiary (and any contingent Beneficiary) does not survive the Participant, the value of the Participant's Plan Account will be paid to the estate of the Participant.

Benefit Reduction Contribution means a contribution by the Corporation to the Participant's Plan Account to recognize the reduction in the value of employer matching or other contributions under any of the Corporation's savings or other tax qualified defined contribution retirement plans as a result of the reduction of such Participant's Compensation pursuant to this Plan.

Code means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto. Reference to any section of the Internal Revenue Code shall include any final regulations or other published guidance interpreting that section.

Committee means the United Technologies Corporation Deferred Compensation Committee, which is responsible for the administration of the Plan. The Corporation's Pension Administration Committee shall appoint the Committee's members.

Compensation means base salary and Incentive Compensation Payments otherwise payable to a Participant by a UTC Company and considered to be wages for purposes of federal income tax withholding, but before any deferral of Compensation pursuant to the Plan. Compensation does not include foreign service premiums and allowances, compensation realized from Long Term Incentive Plan awards or other types of awards.

Corporation means United Technologies Corporation.

Credited Interest Account means the Investment Fund that is valued in the manner set forth in Section 5.2.

Deferral Period means the period prior to the receipt of Compensation deferred hereunder.

"Disability" means permanent and total disability as determined under the Corporation's long-term disability plan applicable to the Participant, or if there is no such plan applicable to the Participant, "Disability" means a determination of total disability by the Social Security Administration; provided that, in either case, the Participant's condition also qualifies as a "disability" for purposes of Section 409A(a)(2)(C) of the Code.

Election Form means the enrollment form provided by the Committee to Participants electronically or in paper form for the purpose of deferring Compensation under the Plan. Each Participant's Election Form must specify: the amount to be deferred from base salary and/or from any Incentive Compensation Payment with respect to the following calendar year; the respective amounts to be allocated to the Participant's Retirement Account and/or Special Purpose Account or Accounts; the percentage allocation among the Investment Funds with respect to each such Account; and if not previously elected for an Account, the method of distribution of each such Account; and the Deferral Period for each Special Purpose Account. There will be a separate Election Form for each calendar year.

Incentive Compensation Payment means amounts awarded to a Participant pursuant to the Corporation's Annual Executive Incentive Compensation Plan.

Investment Fund means the Credited Interest Account, the S&P 500 Account, the UTC Stock Unit Account or such other investment option as may be established by the Committee from time to time. The value of Participants' Accounts shall be adjusted to replicate the performance of the applicable Investment Funds. Amounts allocated to any Investment Fund do not result in any investment in actual assets corresponding to the Investment Fund.

Participant means an executive of a UTC Company who is paid from a US payroll, files a U.S. income tax return, and who elects to defer Compensation under the Plan.

Plan means the United Technologies Corporation Deferred Compensation Plan as amended and restated effective September 1, 2002, and as amended from time to time thereafter.

Plan Account means the aggregate value of all Special Purpose Accounts and the Retirement Account, but excluding accounts under the Prior Plan. Accounts under the Prior Plan will be valued and administered separately in accordance with the terms and procedures in effect under the Prior Plan.

Prior Plan means the United Technologies Corporation Deferred Compensation Plan, as in effect on October 3, 2004, as set forth in Appendix A. All amounts earned and vested under the Prior Plan, and any subsequent increases in these amounts that are permitted to be treated as grandfathered benefits under Section 409A, shall continue to be subject to the terms and conditions of the Prior Plan and shall not be affected by this amendment and restatement.

Retirement Account means a Plan Account maintained on behalf of the Participant that is targeted for distribution following the Participant's Retirement.

Retirement means Separation from Service on or after age 50 and attainment of age 65; Separation from Service on or after age 50 and attainment of at least age 55 and a minimum of 10 or more years of "continuous service" (as defined in the UTC Employee Retirement Plan as in effect on January 1, 2008); or a Rule of 65 termination.

Retirement Date means the date of a Participant's Retirement.

"Rule of 65" Termination means Separation from Service on or after age 50 and before age 55, with a combination of age and years of "continuous service" (as defined in the UTC Employee Retirement Plan as in effect on January 1, 2008) equal to at least 65.

Separation from Service means a Participant's termination of employment with all UTC Companies, other than by reason of death, or Disability that qualifies as a "separation from service" for purposes of Section 409A of the Code. A Separation from Service will be deemed to occur where the Participant and the UTC Company that employs the Participant reasonably anticipate that the bona fide level of services the Participant will perform (whether as an employee or as an independent contractor) for UTC Companies will be permanently reduced to a level that is less than thirty-seven and a half percent (37.5%) of the average level of bona fide services the Participant performed during the immediately preceding 36 months (or the entire period the Participant has provided services if the Participant has been providing services to the UTC Companies for less than 36 months). A Participant shall not be considered to have had a Separation from Service as a result of a transfer from one UTC Company to another UTC Company.

S&P 500 Account means an Investment Fund that is valued in the manner set forth in Section 5.4.

Special Purpose Account means a Plan Account maintained on behalf of the Participant with a targeted distribution date in the calendar year specified by the Participant. The minimum Deferral Period is five (5) calendar years following the end of the calendar year in which the Account is established; and the first payment from an Account must commence no later than in the calendar year in which the Participant attains age 72.

Specified Employee means each of the 50 highest-paid executives of the Corporation and its Subsidiaries, effective annually as of March 31st, based on annual salary and incentive compensation paid in the prior year. The term includes both U.S. and non-U.S. employees.

UTC Common Stock means the common stock of United Technologies Corporation.

UTC Company means United Technologies Corporation or any entity controlled by or under common control with United Technologies Corporation within the meaning of Section 414(b) or (c) of the Code (but substituting "at least 20 percent" for "at least 80 percent" as the control threshold used in applying Sections 414(b) and (c)).

UTC Stock Unit Account means the Investment Fund that is valued in the manner set forth in Section 5.3.

ARTICLE III—ELIGIBILITY AND PARTICIPATION

Section 3.1—Eligibility

Each employee of a UTC Company who is classified as an eligible Participant as of December 31 of the current year will be eligible to elect to defer Compensation under the Plan in respect of the immediately following calendar year in accordance with the terms of the Plan and the rules and procedures established by the Committee. Newly hired executives (or employees promoted to executive level) are eligible to elect to defer base salary during the current calendar year if they make an election within 30 calendar days from their hire date or promotion date.

Section 3.2—Participation

Each eligible Participant may elect to participate in the Plan with respect to any calendar year for which the Committee offers the opportunity to defer Compensation by timely filing with the Committee an Election Form, properly completed in accordance with Section 4.1. Participation in the Plan is entirely voluntary.

ARTICLE IV—PARTICIPANT ELECTIONS AND DESIGNATIONS

Section 4.1—Election

An eligible Participant may,, on or before the election deadline established by the Committee, make an electronic or written election on the Election Form provided by the Committee to defer Compensation for the immediately following calendar year.

Section 4.2—Election Amount

An eligible Participant must designate in the Election Form the dollar amount of base salary that will be deferred during such calendar year, and/or the percentage or dollar amount of any Incentive Compensation Payment otherwise payable with respect to services performed during such calendar year that will be deferred under the Plan. The minimum dollar amount that a Participant may defer under the Plan for any calendar year is $5,000. The maximum amount that a Participant may defer under the Plan for any calendar year is 70% of base salary and/or 100% of any Incentive Compensation Payment.

Section 4.3—Election Date

For an election to defer base salary, an electronic or written Election Form must be completed and submitted to the Committee no later than the December 31 immediately preceding the calendar year to which the election applies, or such earlier date as the Committee may specify. A deferral election shall be effective only if the individual making the election is still an eligible Participant at the election deadline. Except as provided below in Section 4.8 (Change in Election), the choices reflected on the Participant's Election Form shall be irrevocable on the election deadline. If an eligible executive fails to submit a properly completed Election Form by the election deadline, the executive will be ineligible to defer base salary under the Plan for the immediately following calendar year.

For an election to defer any Incentive Compensation Payment with respect to services to be performed in the current calendar year and otherwise payable in the immediately following calendar year, an electronic or written Election Form must be completed and submitted to the Committee no later than the June 30 of the current calendar year, or such earlier date as the Committee may specify. A deferral election shall be effective only if the individual making the election is still an eligible Participant as of the election deadline. Except as provided below in Section 4.8 (Change in Election), the choices reflected on the Participant's Election Form shall be irrevocable on the election deadline. If an eligible executive fails to submit a properly completed Election Form by the election deadline, the executive will be ineligible to defer Incentive Compensation under the Plan with respect to services to be performed in the current calendar year.

Section 4.4—Deferral Period

Each Participant shall specify in the Election Form, in whole percentages, how the amounts to be deferred in the immediately following calendar year are to be allocated among the Participant's Retirement Account and any Special Purpose Accounts established for the Participant. To the extent that the Participant fails to make an effective allocation among the available accounts, the deferral shall be allocated entirely to the Participant's Retirement Account. A Participant may elect to defer into a Special Purpose Account that has not previously been established, with a Deferral Period ending on a Specific Deferral Date that is at least five (5) calendar years following the end of the calendar year in which the Account is established (but not later than the Participant's 72nd birthday). If the Participant's 72nd birthday falls prior to the completion of this five (5) year period, the Participant must defer into the Retirement Account only.

Section 4.5—Distribution Election

At the time the Participant first elects to defer an amount to the Participant's Retirement Account or to a Special Purpose Account, the Participant must further make an election to have the Participant's Retirement or Special Purpose Account distributed in a lump sum or in two to fifteen annual installments. The Participant may elect a different form of distribution for the Retirement Account and for each Special Purpose Account. If no distribution election is made with respect to a Participant's Retirement Account or Special Purpose Account, the Account will be distributed in a lump sum.

Section 4.6—Investment Fund Allocations

When completing the Election Form, the Participant must allocate the amounts to be deferred, in whole percentages, among the available Investment Funds. To the extent that the Participant fails to make an effective allocation among the available Investment Funds, the deferral shall be allocated entirely to the Credited Interest Account.

Participants may reallocate their existing Plan Accounts among the available Investment Funds as permitted by the Committee, generally once per year. Such reallocations shall be in whole percentages and, unless otherwise specified by the Committee, shall be effective the first business day of the calendar year following the date of the reallocation election.

Section 4.7—Change in Election

A Participant who has made an election to defer Compensation under the Plan may make a one time irrevocable election to extend the Deferral Period for a Retirement Account and/or any Special Purpose Account. A Participant may also make a one time irrevocable election to change the form of distribution for the Retirement and/or any Special Purpose Account. A Participant may change his or her election, as provided in this Section 4.8, for some accounts and not for others; provided that the Participant may change his or her election only once for the Retirement Account and only once for each Special Purpose Account. With respect to each Special Purpose Account, the extended Deferral Period shall end not less than five (5) years following the date on which distribution would otherwise have occurred. With respect to the Retirement Account, the extended Deferral Period is five years form the date on which the Retirement Account would otherwise have commenced payment.

A deferral extension election and/or change to the form of distribution must meet all of the following requirements:

(a) The new election must be made at least twelve months prior to the date on which payments will commence under the current election (and the new election shall be ineffective if the payment commencement date under the current election occurs within twelve months after the date of the new election);

(b) The new election will not take effect until at least twelve months after the date when the new election is submitted in a manner acceptable to the Committee;

(c) The new payment commencement date must be five years later than the date on which payments would commence under the current election; and

(d) In no case may a Participant extend the Deferral Period for a Special Purpose Account beyond the Participant’s 72nd birthday. If the Participant’s 72nd birthday falls less than five (5) years after the date on which payments would commence under the current election, the Participant is not eligible to extend his or her Deferral Period or to change the form of distribution for the Special Purpose Account.

Section 4.8—Designation of Beneficiary

Each Participant shall designate a Beneficiary for his or her Plan Account on an electronic or written form provided by the Committee. A Participant may change such designation on an electronic or written form acceptable to the Committee and received by the Committee at any time before the Participant’s death. In the event that no Beneficiary designation is filed with the Committee, or if the

Beneficiary (and any contingent Beneficiary) does not survive the Participant, all amounts deferred hereunder will be paid to the estate of the Participant. If a Participant designates the Participant's spouse as the Participant's Beneficiary, that designation shall not be revoked or otherwise altered or affected by any: (a) change in the marital status of the Participant; (b) agreement between the Participant and such spouse; or (c) judicial decree (such as a divorce decree) affecting any rights that the Participant and such spouse might have as a result of their marriage, separation, or divorce; it being the intent of the Plan that any change in the designation of a Beneficiary hereunder may be made by the Participant only in accordance with the procedures set forth in this Section 4.8. In the event of the death of a Participant, distributions shall be made in accordance with Section 6.5.

ARTICLE V—PLAN ACCOUNTS

Section 5.1—Accounts

Deferred amounts that were earned and vested before January 1, 2005, and any subsequent increases in these amounts that are permitted to be treated as grandfathered benefits under Section 409A of the Code, shall be maintained in separate accounts and shall remain subject to the terms and conditions of the Prior Plan. The Prior Plan accounts are not intended to be subject to Section 409A of the Code. No amendment to Appendix A that would constitute a "material modification" for purposes of Section 409A shall be effective unless the amending instrument states that it is intended to materially modify Appendix A and to cause the Prior Plan to become subject to Section 409A. Although the Prior Plan accounts are not intended to be subject to Section 409A, neither the UTC Companies nor any director, officer, or other representative of a UTC Company shall be liable for any adverse tax consequence suffered by a Participant or Beneficiary if a Prior Plan account becomes subject to Section 409A.

Deferred amounts that were earned or vested after December 31, 2004, will be allocated to a Retirement Account and/or one or more Special Purpose Accounts as elected by the Participant. The Committee will establish the maximum number of Special Purpose Accounts.

Participants' Plan Accounts shall be allocated or reallocated among Investment Funds in accordance with each Participant's instructions in the manner set forth in Section 4.6.

Section 5.2—Valuation of Credited Interest Account

Deferred amounts allocated to the Credited Interest Account will be credited daily with a rate of interest equal to the average interest rate on 10-Year Treasury Bonds as of the last business day of each month from January through October in the calendar year prior to the calendar year in which the interest is credited, plus 1%.

Section 5.3—Valuation of UTC Stock Unit Account

Deferred Compensation allocated to the UTC Stock Unit Account will be converted to Stock Units, including fractional Stock Units. A UTC Stock Unit is equal to the closing price of one share of UTC Common Stock as reported on the composite tape of the New York Stock Exchange. The number of Stock Units will be calculated by dividing the amount of Compensation deferred by the closing price of UTC Common Stock on the date when the deferred amount is credited to the Participant's UTC Stock Unit Account. UTC Stock Units held in the UTC Stock Unit Account on a dividend payment date will be credited with dividend equivalent payments equal to the Corporation's declared dividend on UTC Common Stock (if any). Such dividend equivalent payments will be converted to additional UTC Stock Units and fractional units using the closing price of UTC Common Stock as of the date such dividends are credited to the Participant's UTC Stock Unit Account.

Section 5.4—Valuation of S&P 500 Account

Deferred amounts allocated to the S&P 500 Account will be converted to S&P Account units based on the closing share price of the Vanguard 500 Index Fund as of date the deferred amount is credited to the Participant's S&P 500 Account. The value of the S&P 500 Account units will fluctuate on each business day based on the performance of the Vanguard 500 Index Fund.

Section 5.5—Allocation to Accounts

During the year of deferral, deferred amounts will be allocated to the Participant's Plan Account and Investment Funds as of the date the deferred amounts would otherwise have been paid to the Participant.

Section 5.6—Crediting of Benefit Reduction Contribution

At the end of each calendar year, the Committee will determine if any Benefit Reduction has been incurred with respect to any of the Corporation's savings plans or other tax qualified defined contribution retirement plans, and will credit the amount of such Benefit Reduction to the affected Participant's Plan Account as of the last business day of the calendar year. Any such amounts will be allocated on a pro-rata basis to the Participant's Retirement Account and Special Purpose Accounts and Investment Funds in accordance with the Participant's deferral elections on file for that calendar year.

Section 5.7—Reports to Participants

The Committee will provide or make available detailed information to Participants regarding the value of Plan Accounts, distribution elections, Beneficiary designations, Investment Fund allocations and credited values for Retirement and Special Purpose Accounts, not less than once per year. Such information may be provided via electronic media as determined by the Committee.

ARTICLE VI—DISTRIBUTION OF ACCOUNTS

Section 6.1—Timing of Plan Distributions

Except as provided in Section 4.8 (concerning the five-year delay following a Change in Election), Section 6.3 (concerning Separation from Service before Attaining Age Fifty), and Section 6.4 (concerning distributions to Specified Employees), the value of a Participant's Retirement Account will be distributed (or begin to be distributed) to the Participant in April of the calendar year following the Retirement Date. The value of a Participant's Special Purpose Account will be distributed (or begin to be distributed) to the Participant in April of the year specified in the Participant's initial election or in any change in election under Section 4.8. This means, for example, that if a deferral election specifies a Deferral Period until 2015, distribution will occur in April of 2015.

Section 6.2—Method of Distribution

Except as provided in Section 6.3 (concerning Separation from Service before Attaining Age Fifty), each Retirement and Special Purpose Account will be distributed to the Participant in a single lump-sum cash payment, or in a series of annual cash installment payments, in accordance with the Participant's election with respect to each such account. Annual installments shall be payable to the Participant beginning as of the payment commencement date and continuing as of each anniversary of the payment commencement date thereafter until all installments have been paid. To determine the amount of each installment, the value of the Participant's Plan Account on the payment date will be multiplied by a fraction, the numerator of which is one and the denominator of which is the number of scheduled installments that remain unpaid.

Section 6.3—Separation from Service before Attaining Age Fifty

If a Participant's Separation from Service occurs before the Participant attains age fifty (50), the full value of the Participant's Plan Account will be distributed to the Participant in a lump-sum payment in April following the Participant's Separation from Service (or, if the Participant is a Specified Employee at the time of his or her Separation from Service, on the date provided in Section 6.4, below, if later) regardless of the distribution option elected.

If a Participant has a Separation from Service and is later re-hired by a UTC Company, the Participant's age at the time of the Participant's first Separation from Service will determine how the Participant's Plan Account at the time of the first Separation from Service is distributed. If the Participant accumulates any additional deferrals after the Participant is re-hired, the Plan shall separately account for the additional deferrals (and related investment gains or losses), and the Participant's age at the time of the Participant's second Separation from Service will determine how the additional amounts are distributed.

Section 6.4—Separation from Service of Specified Employees

If the Participant is a Specified Employee on the date of the Participant's Separation from Service, any distribution of the Participant's Plan Account to the Participant that is made on account of the Participant's Separation from Service will not be made or commence earlier than the first day of the seventh month following the date of Separation from Service. The Plan Account shall continue to accrue hypothetical investment gains and losses as provided in Article V until the distribution date.

Section 6.5—Distribution in the Event of Death

In the event of the death of a Participant, the full value of the Participant's Plan Account will be distributed to the designated Beneficiary in a lump sum on the first business day of the month following the Participant's death.

Section 6.6—Accelerated Distribution in the Case of an Unforeseeable Emergency

(a) Unforeseeable Emergency. The Committee may, upon a Participant's written application, agree to an accelerated distribution of some or all of the value of Participant's Plan Account upon the showing of an unforeseeable emergency. An "unforeseeable emergency" is a severe financial hardship to the Participant resulting from (1) an illness or accident of the Participant, the Participant's spouse, the Participant's Beneficiary, or the Participant's dependent (as defined in IRC Section 152, without regard to Section 152(b)(1), (b)(2), and (d)(1)(B)); (2) loss of the Participant's property due to casualty; or (3) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. Whether a Participant is faced with an unforeseeable emergency permitting a distribution is to be determined based on the relevant facts and circumstances of each case. Acceleration will not be granted if the emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets (to the extent the liquidation of such assets would not cause severe financial hardship), or by cessation of deferrals under the Plan.

(b) Amount of Distribution Permitted Upon an Unforeseeable Emergency. Distributions on account of an unforeseeable emergency, as defined in Section 6.6(a), shall be limited to the amount reasonably necessary to satisfy the emergency need. Such amount may include amounts necessary to pay any Federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the distribution.

(c) The Committee will determine from which Special Purpose or Retirement Accounts and associated Investment Funds hardship distributions will be made. Any Participant who is an officer or director of the Corporation within the meaning of Section 16 of the Securities Exchange Act of 1934 is not eligible for distributions on account of unforeseeable emergency.

Section 6.7—Disability

In the event of the Disability of a Participant, the Participant's Plan Accounts will be maintained and distributed in accordance with the Participant's elections on file.

Section 6.8—Administrative Adjustments in Payment Date

A payment is treated as being made on the date when it is due under the Plan if the payment is made on the due date specified by the Plan, or on a later date that is either (a) in the same calendar year (for a payment whose specified due date is on or before September 30), or (b) by the 15th day of the third calendar month following the date specified by the Plan (for a payment whose specified due date is on or after October 1). A payment also is treated as being made on the date when it is due under the Plan if the payment is made not more than 30 days before the due date specified by the Plan. In no event will a payment to a Specified Employee be made or commence earlier than the first day of the seventh month following the date of Separation from Service. A Participant may not, directly or indirectly, designate the taxable year of a payment made in reliance on the administrative rules in this Section 6.9.

ARTICLE VII—AMENDMENT AND TERMINATION OF PLAN

Section 7.1—Amendment

The Corporation may, at any time, amend the Plan in whole or in part, provided that no amendment may decrease the value of any Plan Accounts as of the date of such amendment. In the event of any change in law or regulation relating to the Plan and the tax treatment of Plan Accounts, the Plan shall, without further action by the Committee, be deemed to be amended to comply with any such change in law or regulation effective as of the first date necessary to prevent the taxation, constructive receipt or deemed distribution of Plan Accounts prior to the date Plan Accounts would be distributed under the provisions of Article VI.

Section 7.2—Plan Suspension and Termination

(a) The Corporation's Pension Administration Committee, may, at any time, suspend or terminate the Plan with respect to new or existing Election Forms if, in its sole judgment, the continuance of the Plan, the tax, accounting, or other effects thereof, or potential payments thereunder would not be in the best interest of the Corporation or for any other reason.

(b) In the event of the suspension of the Plan, no additional deferrals shall be made under the Plan, but all previous deferrals shall accumulate and be distributed in accordance with the otherwise applicable provisions of the Plan and the applicable elections on file.

(c) Upon the termination of the Plan with respect to all Participants, and the termination of all arrangements sponsored by the Corporation or its affiliates that would be aggregated with the Plan under Section 409A of the Code, the Corporation shall have the right, in its sole discretion, and notwithstanding any elections made by the Participant, to pay the Participant's Plan Account in a lump sum, to the extent permitted under Section 409A. All payments that may be made pursuant to this Section 7.2 shall be made no earlier than the thirteenth month and no later than the twenty-fourth month after the termination of the Plan. The Corporation may not accelerate payments pursuant to this Section 7.2 if the termination of the Plan is proximate to a downturn in the Corporation's financial health within the meaning of Treas. Reg. section 1.409A-3(j)(4)(ix)(C)(1). If the Corporation exercises its discretion to accelerate payments under this Section 7.2, it shall not adopt any new arrangement that would have been aggregated with the Plan under Section 409A within three years following the date of the Plan's termination.

Section 7.3—No Consent Required

The consent of any Participant, Beneficiary, or other person shall not be required with respect to any amendment, suspension, or termination of the Plan.

ARTICLE VIII—GENERAL PROVISIONS

Section 8.1—Unsecured General Creditor

The Corporation's obligations under the Plan constitute an unfunded and unsecured promise to pay money in the future. Participants' and Beneficiaries' rights under the Plan are solely those of a general unsecured creditor of the Corporation. No assets will be placed in trust, set aside or otherwise segregated to fund or offset liabilities in respect of the Plan or Participants' Plan Accounts.

Section 8.2—Nonassignability

No Participant or Beneficiary or any other person shall have the right to sell, assign, transfer, pledge, or otherwise encumber any interest in the Plan. All Plan Accounts and the rights to all payments are unassignable and non-transferable. Plan Accounts or payment hereunder, prior to actual payment, will not be subject to attachment or seizure for the payment of any debts, judgments or other obligations. Plan Accounts or other Plan benefit will not be transferred by operation of law in the event of a Participant's or any Beneficiary's bankruptcy or insolvency.

Section 8.3—No Contract of Employment

Participation in the Plan shall not be construed to constitute a direct or indirect contract of employment between any UTC Company and the Participant. Participants and Beneficiaries will have no rights against any UTC Company resulting from participation in the Plan other than as specifically provided herein. Nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of any UTC Company for any length of time or to interfere with the right of any UTC Company to terminate a Participant's employment prior to the end of any Deferral Period.

Section 8.4—Governing Law

The provisions of the Plan will be construed and interpreted according to the laws of the State of Connecticut, to the extent not preempted by federal law.

Section 8.5—Validity

If any provision of the Plan is held to be illegal or invalid for any reason, the remaining provisions of the Plan will be construed and enforced as if such illegal and invalid provision had never been inserted herein.

Section 8.6—Notice

Any notice or filing required or permitted to be given to the Committee under the Plan shall be sufficient if sent by first-class mail, to the United Technologies Corporation Deferred Compensation Committee, 1 Financial Plaza, Hartford, Connecticut 06101, Attn: Director, Compensation, MS-504. Any notice or filing required or permitted to be given to any Participant or Beneficiary under the Plan shall be sufficient if provided either electronically, hand-delivered, or mailed to the address (or email address, as the case may be) of the Participant or Beneficiary then listed on the records of the Corporation. Any such notice will be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or email system.

Section 8.7—Successors

The provisions of the Plan shall bind and inure to the benefit of the Corporation and its successors and assigns. The term successors as used herein shall include any corporate or other business entity, which by merger, consolidation, purchase or otherwise acquires all or substantially all of the business and assets of the Corporation, and successors of any such corporation or other business entity.

Section 8.8—Incompetence

If the Committee determines, upon evidence satisfactory to the Committee, that any Participant or Beneficiary to whom a benefit is payable under the Plan is unable to care for his or her affairs because of illness or accident, any payment due (unless prior claim therefore shall have been made by a duly authorized guardian or other legal representative) may be paid, upon appropriate indemnification of the Committee and the Corporation, to the spouse of the Participant or other person deemed by the Committee to have incurred expenses for the benefit of and on behalf of such Participant or Beneficiary. Any such payment from a Participant's Plan Account shall be a complete discharge of any liability under the Plan with respect to the amount so paid.

Section 8.9—Section 409A Compliance.

To the extent that rights or payments under this Plan are subject to Section 409A of the Internal Revenue Code, the Plan shall be construed and administered in compliance with the conditions of Section 409A and regulations and other guidance issued pursuant to Section 409A for deferral of income taxation until the time the compensation is paid. Any distribution election that would not comply with Section 409A of the Code shall not be effective for purposes of this Plan. To the extent that a provision of this Plan does not comply with Section 409A of the Code, such provision shall be void and without effect. The Corporation does not warrant that the Plan will comply with Section 409A of the Code with respect to any Participant or with respect to any payment In no event shall any UTC Company; any director, officer, or employee of a UTC Company (other than the Participant); or any member of the Committee be liable for any additional tax, interest, or penalty incurred by a Participant or Beneficiary as a result of the Plan's failure to satisfy the requirements of Section 409A of the Code, or as a result of the Plan's failure to satisfy any other requirements of applicable tax laws.

Section 8.10—Withholding Taxes

The Committee may make any appropriate arrangements to deduct from all deferrals and payments under the Plan any taxes that the Committee reasonably determines to be required by law to be withheld from such credits and payments.

ARTICLE IX—ADMINISTRATION AND CLAIMS

Section 9.1—Plan Administration

The Committee shall be solely responsible for the administration and operation of the Plan. The Committee shall have full and exclusive authority and discretion to interpret the provisions of the Plan and to establish such administrative procedures as it deems necessary and appropriate to carry out the purposes of the Plan.

Any person claiming a benefit, requesting an interpretation or ruling under the Plan, or requesting information under the Plan shall present the request in writing to the Committee at United Technologies Corporation, 1 Financial Plaza, Hartford, Connecticut 06101, Attn: Deferred Compensation Committee. The Committee shall respond in writing as soon as practicable.

Section 9.2—Claim Procedures

A Participant or Beneficiary who believes that he or she has been denied a benefit to which he or she is entitled under the Plan (referred to in this Section 9.2 as a “Claimant”) may file a written request with the Committee setting forth the claim. The Committee shall consider and resolve the claim as set forth below.

(a) Upon receipt of a claim, the Committee shall advise the Claimant that a response will be forthcoming within 90 days. The Committee may, however, extend the response period for up to an additional 90 days for reasonable cause, and shall notify the Claimant of the reason for the extension and the expected response date. The Committee shall respond to the claim within the specified period.

(b) If the claim is denied in whole or part, the Committee shall provide the Claimant with a written decision, using language calculated to be understood by the Claimant, setting forth (1) the specific reason or reasons for such denial; (2) the specific reference to relevant provisions of this Plan on which such denial is based; (3) a description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation why such material or such information is necessary; (4) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review; (5) the time limits for requesting a review of the claim; and (6) the Claimant’s right to bring an action for benefits under Section 502(a) of ERISA.

(c) Within 60 days after the Claimant’s receipt of the written decision denying the claim in whole or in part, the Claimant may request in writing that the Committee review the determination. The Claimant or his or her duly authorized representative may, but need not, review the relevant documents and submit issues and comment in writing for consideration by the Committee. If the Claimant does not request a review of the initial determination within such 60-day period, the Claimant shall be barred from challenging the determination.

(d) Within 60 days after the Committee receives a request for review, it will review the initial determination. If special circumstances require that the 60-day time period be extended, the Committee will so notify the Claimant and will render the decision as soon as possible, but no later than 120 days after receipt of the request for review.

(e) All decisions on review shall be final and binding with respect to all concerned parties. The decision on review shall set forth, in a manner calculated to be understood by the Claimant, (1) the specific reasons for the decision, including references to the relevant Plan provisions upon which the decision is based; (2) the Claimant's right to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information, relevant to his or her benefits; and (3) the Claimant's right to bring an action for benefits under Section 502(a) of ERISA.

CERTAIN REGULATORY MATTERS

The Plan is subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Because the Plan is an unfunded plan maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, the Plan is exempt from most of ERISA's requirements. Although the Plan is subject to Part 1 (Reporting and Disclosure) and Part 5 (Administration and Enforcement) of Title I, Subtitle B of ERISA, the Department of Labor has issued a regulation that exempts the Plan from most of ERISA's reporting and disclosure requirements.

TO WHOM SHOULD QUESTIONS CONCERNING THE PLAN BE DIRECTED?

All questions concerning the operation of the Plan (including information concerning the administrators of the Plan) should be directed to:

Director, Compensation
United Technologies Corporation
1 Financial Plaza, MS 504
Hartford, Connecticut 06101
Telephone: 860-728-6381

Appendix A

This Appendix A sets forth the United Technologies Corporation Deferred Compensation Plan, as in effect on October 4, 2004 (“Prior Plan”), and as modified thereafter from time to time in a manner that does not constitute a “material modification” for purposes of Section 409A. Amounts that were earned and vested (within the meaning of Section 409A) prior to January 1, 2005, and any subsequent increases in these amounts that are permitted to be treated as grandfathered benefits under Section 409A, are generally subject to and shall continue to be governed by the terms of this Prior Plan.

UNITED TECHNOLOGIES CORPORATION
DEFERRED COMPENSATION PLAN

(As amended and restated effective September 1, 2002)

ARTICLE I—PREAMBLE

United Technologies Corporation established the United Technologies Deferred Compensation Plan effective April 1, 1985. Pursuant to such Plan, certain eligible executives of the Corporation deferred all or a portion of their compensation earned with respect to 1985 and 1986. No compensation earned after 1986 was deferred under the Plan until the Plan was amended and restated effective December 15, 1993 to offer eligible executives the opportunity to defer all or a portion of Compensation earned or otherwise payable in 1994 and subsequent years. The Plan is hereby amended and restated, effective September 1, 2002, to reflect administrative changes and enhancements.

ARTICLE II—DEFINITIONS

Beneficiary means the person, persons or entity designated by the Participant to receive the value of his or her Plan Accounts in the event of the Participant's death. If the Participant fails to designate a Beneficiary, or the Beneficiary (and any contingent Beneficiary) does not survive the Participant, the value of the Participant's Plan Accounts will be paid to the estate of the Participant.

Benefit Reduction means either a reduction in a Participant's (or the Participant's Beneficiary's) benefit under any of the Corporation's defined benefit pension plans or a reduction in the value of employer matching or other contributions under any of the Corporation's savings or other tax qualified defined contribution retirement plans as a result of the reduction of such Participant's Compensation pursuant to this Plan.

Class Year means each calendar year for which Compensation has been deferred pursuant to the Plan prior to 2003.

Class Year Account means the account established for each Participant for each Class Year for which Compensation has been deferred under the Plan prior to January 1, 2003.

Committee means the United Technologies Corporation Deferred Compensation Committee, which is responsible for the administration of the Plan. The Corporation's Pension Administration Committee shall appoint the Committee's members.

Compensation means base salary and Incentive Compensation Payments otherwise payable to a Participant and considered to be wages for purposes of federal income tax withholding, but before any deferral of Compensation pursuant to the Plan. Compensation does not include foreign service premiums and allowances, compensation realized from Long Term Incentive Plan awards or other types of awards.

Corporation means United Technologies Corporation, its divisions, affiliates and subsidiaries.

Credited Interest Account means the Investment Fund that is valued in the manner set forth in Section 5.2.

Deferral Period means the period prior to the receipt of Compensation deferred hereunder.

Election Form means the enrollment form provided by the Committee to Participants electronically or in paper form for the purpose of deferring Compensation under the Plan. Each Participant's Election Form must specify: the amount to be deferred from base salary and/or from any Incentive Compensation Payment with respect to the following calendar year; the respective amounts to be allocated to the Participant's Retirement Account and/or Special Purpose Account or Accounts; the percentage allocation among the Investment Funds with respect to each such Account; the method of distribution of each such Account; and the Deferral Period for each Special Purpose Account. There will be a separate Election Form for each calendar year.

Incentive Compensation Payment means amounts awarded to a Participant pursuant to the Corporation's Annual Executive Incentive Compensation Plan.

Investment Fund means the Credited Interest Account, the S&P 500 Account, the UTC Stock Unit Account or such other investment option as may be established by the Committee from time to time. The value of Participants' Accounts shall be adjusted to replicate the performance of the applicable Investment Fund. Amounts allocated to any Investment Fund do not result in any investment in actual assets corresponding to the Investment Fund.

Participant means an executive of the Corporation who is paid from a US payroll, files a U.S. income tax return, and who elects to defer Compensation under the Plan.

Plan means the United Technologies Corporation Deferred Compensation Plan as amended and restated effective September 1, 2002, and as amended from time to time thereafter.

Plan Accounts means the aggregate value of all Class Year Accounts, Special Purpose Accounts, and Retirement Account, but excluding accounts under the Prior Plan. Accounts under the Prior Plan will be valued and administered separately in accordance with the terms and procedures in effect under the Prior Plan.

Prior Plan means the United Technologies Corporation Deferred Compensation Plan, as in effect prior to December 15, 1993. All amounts deferred and credited under the Prior Plan shall continue to be subject to the terms and conditions of the Prior Plan and shall not be affected by this amendment and restatement.

Retirement Account means a Plan Account maintained on behalf of the Participant that will be distributed in the manner elected by the Participant commencing in April of the calendar year following the Participant's Retirement Date.

Retirement means attainment of age 65; attainment of at least age 55 and a minimum of 10 or more years of "continuous service" (as defined in one of the Corporation's retirement plans); or termination of employment on or after age 50 and before age 55, with a combination of age and years of service equal to at least 65 (the "Rule of 65").

Retirement Date means the date a Participant terminates employment from the Corporation on or after attaining eligibility for Retirement.

S&P 500 Account means an Investment Fund that is valued in the manner set forth in Section 5.4.

Special Purpose Account means a Plan Account maintained on behalf of the Participant that will be distributed in the manner elected by the Participant commencing in April of the calendar year specified by the Participant. The minimum Deferral Period is five (5) calendar years following the end of the calendar year for which the Account is established.

UTC Common Stock means the common stock of United Technologies Corporation.

UTC Stock Unit Account means the Investment Fund that is valued in the manner set forth in Section 5.3.

ARTICLE III—ELIGIBILITY AND PARTICIPATION

Section 3.1—Eligibility

Each employee of the Corporation who is classified as an eligible Participant as of December 31 will be eligible to elect to defer Compensation under the Plan in respect of the subsequent calendar year in accordance with the terms of the Plan and the rules and procedures established by the Committee.

Section 3.2—Participation

Each eligible Participant may elect to participate in the Plan with respect to any calendar year for which the Committee offers the opportunity to defer Compensation by timely filing with the Committee an Election Form, properly completed in accordance with Section 4.1. Participation in the Plan is entirely voluntary.

ARTICLE IV—PARTICIPANT ELECTIONS

Section 4.1—Election

An eligible Participant may participate in the Plan by executing the Election Form provided by the Committee for the subsequent calendar year. The eligible Participant must designate the dollar amount of base salary that will be deferred during such calendar year, and/or the percentage or dollar amount of any Incentive Compensation Payment otherwise payable during such calendar year that will be deferred under the Plan. The minimum dollar amount that a Participant may defer under the Plan for any calendar year is $5,000. Any deferral election made in the Election Form is irrevocable and must be completed and returned to the Committee no later than the December 31 immediately preceding the calendar year to which the election applies, or such earlier date as the Committee may specify. If an eligible executive fails to return a properly completed Election Form by such date, the executive will be ineligible to defer Compensation under the Plan for the following calendar year.

Section 4.2—Investment Fund Allocations

When completing the Election Form, the Participant must allocate the amounts to be deferred, in whole percentages divisible by 10, among the available Investment Funds.

Participants may reallocate their existing post-1993 Class Year Accounts, Special Purpose Accounts and Retirement Account among the available Investment Funds as permitted by the Committee, generally once per year. Such reallocations shall be in whole percentages divisible by 10 and, unless otherwise specified by the Committee, shall be effective January 1 of the calendar year following the date of the reallocation election.

Section 4.3—Designation of Beneficiary

Each Participant shall designate a Beneficiary for his or her Plan Accounts on a form provided by the Committee. Such designation may be changed on a form acceptable to the Committee at any time by the Participant. In the event that no Beneficiary designation is filed with the Committee, or if the Beneficiary (and contingent Beneficiary) does not survive the Participant, all amounts deferred hereunder will be paid to the estate of the Participant in a lump sum. If a Participant designates the Participant's spouse as the Participant's Beneficiary, that designation shall not be revoked or otherwise altered or affected by any: (a) change in the marital status of the Participant; (b) agreement between the Participant and such spouse; or (c) judicial decree (such as a divorce decree) affecting any rights that the Participant and such spouse might have as a result of their marriage, separation, or divorce; it being the intent of the Plan that any change in the designation of a Beneficiary hereunder may be made by the Participant only in accordance with the procedures set forth in this Section 4.3. In the event of the death of a Participant, distributions shall be made in accordance with Section 6.4.

Section 4.4—Deferral Period

Each Participant shall specify in the Election Form the Deferral Period for amounts to be deferred in the following calendar year. The minimum Deferral Period for a Special Purpose Account is five (5) calendar years following the end of the calendar year in which the Account is established. Participants may defer Compensation into a Retirement Account until April of the calendar year following their Retirement Date.

Section 4.5—Distribution Schedule

Each Participant shall specify in the Election Form whether the value of the Participant's Retirement or Special Purpose Account shall be distributed in a single lump-sum cash payment or in a series of annual cash installment payments for a specified number of years (not to exceed 15 years).

ARTICLE V—PLAN ACCOUNTS

Section 5.1—Accounts

Prior to 2003, the Committee established a Class Year Account for each Participant with respect to each Class Year for which the Participant elected to defer Compensation under the Plan. Each Class Year Account will be maintained separately.

Amounts deferred in 2003 and subsequent calendar years will be allocated to a Retirement Account and/or one or more Special Purpose Accounts as elected by the Participant. The Committee will establish the maximum number of Special Purpose Accounts.

Participants' Plan Accounts shall be allocated or reallocated among Investment Funds in accordance with each Participant's instructions in the manner set forth in Section 4.2.

Section 5.2—Valuation of Credited Interest Account

Deferred amounts allocated to the Credited Interest Account will be credited with a rate of interest equal to the average interest rate on 10-Year Treasury Bonds as of the last business day of each month from January through October in the prior calendar year, plus 1%.

Section 5.3—Valuation of UTC Stock Unit Account

Deferred Compensation allocated to the UTC Stock Unit Account will be converted to Stock Units, or fractional Stock Units. A UTC Stock Unit is equal to the closing price of one share of UTC Common Stock as reported on the composite tape of the New York Stock Exchange. The number of Stock Units will be calculated by dividing the amount of Compensation deferred by the closing price of UTC Common Stock on the date the deferred amounts otherwise would have been paid. Stock Units held in the UTC Stock Unit Account will be credited with a dividend payment equal to the Corporation's declared dividend on UTC Common Stock (if any). Such dividend equivalent payments will be converted to additional Stock Units or fractional units using the closing price of UTC Common Stock as of the date such dividends are credited to the Participant's UTC Stock Unit Account.

Section 5.4—Valuation of S&P 500 Account

Deferred amounts allocated to the S&P 500 Account will be converted to S&P Account units based on the closing share price of the Vanguard 500 Index Fund as of date the deferred amount is credited to the Participant's S&P 500 Account. The value of the S&P 500 Account units will fluctuate on a daily basis based on the performance of the Vanguard 500 Index Fund.

Section 5.5—Allocation to Accounts

During the year of deferral, deferred amounts will be allocated to the Participant's Plan Accounts and Investment Funds as of the date the deferred amounts would otherwise have been paid.

Section 5.6—Reports to Participants

The Committee will provide or make available detailed information to Participants regarding the value of Plan Accounts, distribution elections, Beneficiary designations, Investment Fund allocations and credited values for Class Year, Retirement and Special Purpose Accounts, not less than once per year. Such information may be provided via electronic media as determined by the Committee.

ARTICLE VI—DISTRIBUTION OF ACCOUNTS

Section 6.1—Timing of Plan Distributions

The value of a Participant's Retirement Account will be distributed (or begin to be distributed) in April of the calendar year following the Retirement Date. The value of a Participant's Special Purpose Account will be distributed (or begin to be distributed) in April of the specified year. This means, for example, that if a deferral election specifies a Deferral Period until 2015, distribution will occur in April of 2015.

The value of a Participant's Class Year Account will be distributed (or begin to be distributed) in April of the last year of the Deferral Period. Upon Retirement, the value of a Participant's Class Year Account will be distributed (or begin to be distributed) in April next following the Retirement Date, or in April of the calendar year following the Retirement Date, as elected.

Section 6.2—Method of Distribution

Each Class Year, Retirement and Special Purpose Account will be distributed in a single lump-sum cash payment, or in a series of annual cash installment payments, in accordance with the Participant's election with respect to each such Account.

Section 6.3—Termination of Employment

In the event of termination of employment prior to a Participant's Retirement Date, during or after the Deferral Period with respect to any Class Year, Retirement or Special Purpose Account, the full value of the Participant's Plan Accounts will be distributed in a lump-sum cash payment in April following the date of termination, regardless of the distribution option elected.

Section 6.4—Distribution in the Event of Death

In the event of the death of a Participant prior to attaining eligibility for Retirement, and before the end of the Deferral Period with respect to any Plan Account, the full value of such Plan Accounts will be distributed to the designated Beneficiary in a lump sum as soon as administratively feasible.

In the event of the death of a Participant prior to attaining eligibility for Retirement, but after the end of the Deferral Period with respect to any Plan Account, the full value of such Plan Accounts will be distributed to the designated Beneficiary in accordance with the Participant's distribution election on file.

In the event of death of a Participant after attaining eligibility for Retirement, the full value of the Participant's Plan Accounts will be distributed to the Beneficiary in accordance with the Participant's distribution elections on file.

If the Beneficiary is the Participant's estate, the full value of the Participant's Plan Accounts will be paid in a single lump sum as soon as administratively feasible following the Participant's date of death.

In the event of the death of the Beneficiary (and any contingent Beneficiary) while receiving distributions from the Plan, the full value of the applicable Plan Accounts will be paid in a single lump sum to such Beneficiary's estate as soon as administratively feasible.

Section 6.5—Hardship Distribution

The Committee may, in its sole discretion, upon finding that the Participant (or Beneficiary in the event of a Participant's death) has suffered an unforeseen, severe and immediate financial emergency, permit such Participant to withdraw a portion of the value of the Participant's Plan Accounts in an amount sufficient to eliminate the hardship. Financial hardship distributions will be made only if the Committee determines that the Participant is unable to resolve the financial emergency through other means reasonably available to the Participant. Financial hardship distributions will be made following the Committee's determination of a qualifying financial emergency on the basis of the value of the Participant's Plan Accounts as of the most recent date available. The Committee will determine from which Special Purpose, Retirement or Class Year Accounts and associated Investment Funds hardship distributions will be made. Any Participant who is an officer or director of the Corporation within the meaning of Section 16 of the Securities Exchange Act of 1934 is not eligible for financial hardship distributions.

Section 6.6—Disability

In the event of the disability of a Participant, as determined under the Corporation's Long Term Disability Plan, the Participant's Plan Accounts will be maintained and distributed in accordance with the Participant's elections on file.

Section 6.7—Distribution from Supplemental Account

The Committee will effect distributions from supplemental retirement plans with respect to Benefit Reductions incurred in any of the Corporation's defined benefit pension plans at the same time, in the same manner and in the required amounts such that when combined with benefits provided by the defined benefit pension plans in which a Participant incurred a Benefit

Reduction, the total amount received by a Participant (or Beneficiary) will equal the amount of pension benefit that would otherwise have been paid had the Participant not participated in this Plan.

At the end of each calendar year, the Committee will determine if any Benefit Reduction has been incurred with respect to any of the Corporation's savings plans or other tax qualified defined contribution retirement plans, and will credit the amount of such Benefit Reduction to the affected Participant's Plan Accounts as of the last business day of the calendar year. Any such amounts will be allocated on a pro-rata basis to the Participant's Plan Accounts and Investment Funds in accordance with the Participant's deferral elections on file for that calendar year.

ARTICLE VII—AMENDMENT AND TERMINATION OF PLAN

Section 7.1—Amendment

The Corporation may, at any time, amend the Plan in whole or in part, provided that no amendment may decrease the value of any Plan Accounts as of the date of such amendment. In the event of any change in law or regulation relating to the Plan and the tax treatment of Plan Accounts, the Plan shall, without further action by the Committee, be deemed to be amended to comply with any such change in law or regulation effective the first date necessary to prevent the taxation, constructive receipt or deemed distribution of Plan Accounts prior to the date Plan Accounts would be distributed under the provisions of Article VI.

Section 7.2—Plan Suspension and Termination

The Corporation's Pension Administration Committee, may, at any time, suspend or terminate the Plan with respect to new or existing Election Forms if, in its sole judgment, the continuance of the Plan, the tax, accounting, or other effects thereof, or potential payments hereunder would not be in the best interest of the Corporation or for any other reason. In the event of the suspension of the Plan, no additional deferral shall be made under the Plan, but all previous deferrals shall accumulate and be distributed in accordance with the otherwise applicable provisions of the Plan and the applicable elections on file. In the event of the termination of the Plan, each Participant will receive, in a lump-sum cash payment, the value of his or her Plan Accounts.

Section 7.3—No Consent Required

The consent of any Participant, Beneficiary, or other person shall not be required with respect to any amendment, suspension, or termination of the Plan.

ARTICLE VIII—GENERAL PROVISIONS

Section 8.1—Unsecured General Creditor

The Corporation's obligations under the Plan constitute an unfunded and unsecured promise to pay money in the future. Participants' and Beneficiaries' rights under the Plan are solely those of a general unsecured creditor of the Corporation. No assets will be placed in trust, set aside or otherwise segregated to fund or offset liabilities in respect of the Plan or Participants' Plan Accounts.

Section 8.2—Nonassignability

No Participant or Beneficiary or any other person shall have right to sell, assign, transfer, pledge, or otherwise encumber any interest in the Plan. All Plan Accounts and the rights to all payments are unassignable and non-transferable. Plan Accounts or payment hereunder, prior to actual payment, will not be subject to attachment or seizure for the payment of any debts, judgments or other obligations. Plan Accounts or other Plan benefit will not be transferred by operation of law in the event of a Participant's or any Beneficiary's bankruptcy or insolvency.

Section 8.3—No Contract of Employment

Participation in the Plan shall not be construed to constitute a direct or indirect contract of employment between the Corporation and the Participant. Participants and Beneficiaries will have no rights against the Corporation resulting from participation in the Plan other than as specifically provided herein. Nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of the Corporation for any length of time or to interfere with the right of the Corporation to terminate a Participant's employment prior to the end of any Deferral Period.

Section 8.4—Governing Law

The provisions of the Plan will be construed and interpreted according to the laws of the State of Connecticut, to the extent not preempted by federal law.

Section 8.5—Validity

If any provision of the Plan is held to be illegal or invalid for any reason, the remaining provisions of the Plan will be construed and enforced as if such illegal and invalid provision had never been inserted herein.

Section 8.6—Notice

Any notice or filing required or permitted to be given to the Committee under the Plan shall be sufficient if sent by first-class mail, to the United Technologies Corporation Deferred Compensation Committee, 1 Financial Plaza, Hartford, Connecticut 06101, Attn: R. Larry Acorn, Director, Compensation, MS-504. Any notice or filing required or permitted to be given to any Participant or Beneficiary under the Plan shall be sufficient if provided either electronically, hand-delivered, or mailed to the address (or email address, as the case may be) of the Participant or Beneficiary then listed on the records of the Corporation. Any such notice will be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or email system.

Section 8.7—Successors

The provisions of the Plan shall bind and inure to the benefit of the Corporation and its successors and assigns. The term successors as used herein shall include any corporate or other business entity, which by merger, consolidation, purchase or otherwise acquires all or substantially all of the business and assets of the Corporation, and successors of any such corporation or other business entity.

Section 8.8—Incompetence

If the Committee determines, upon evidence satisfactory to the Committee, that any Participant or Beneficiary to whom a benefit is payable under the Plan is unable to care for their affairs because of illness or accident, any payment due (unless prior claim therefore shall have been made by a duly authorized guardian or other legal representative) may be paid, upon appropriate indemnification of the Committee and the Corporation, to the spouse of the Participant or other person deemed by the Committee to have incurred expenses for the benefit of and on behalf of such Participant or Beneficiary. Any such payment from a Participant's Plan Accounts shall be a complete discharge of any liability under the Plan with respect to the amount so paid.

ARTICLE IX—ADMINISTRATION AND CLAIMS

Section 9.1—Plan Administration

The Committee shall be solely responsible for the administration and operation of the Plan. The Committee shall have full and exclusive authority and discretion to interpret the provisions of the Plan and to establish such administrative procedures as it deems necessary and appropriate to carry out the purposes of the Plan.

Any person claiming a benefit, requesting an interpretation or ruling under the Plan, or requesting information under the Plan shall present the request in writing to the Committee which shall respond in writing as soon as practicable.

Section 9.2—Claim Procedures

If a Participant or Beneficiary requests a benefit or payment under the Plan and such claim or request is denied, the Committee will provide a written notice of denial which will specify (a) the reason for denial, with specific reference to the Plan provisions on which the denial is based and (b) a description of any additional material or information that may be required with respect to the claim and an explanation of why such information is necessary.

If a claim or request is denied or if the Participant or Beneficiary receives no response within 60 days, the Participant or Beneficiary may request review by writing to the Committee. The Committee will review the claim or request, and may request additional information or materials that it deems appropriate to the resolution of any issues presented. The decision on review will normally be made by the Committee within 60 days of its receipt of the request for review but may be extended up to 120 days from such date. The Committee's decision will be in writing and will state the basis for its decision and shall be conclusive and binding on all parties.

United Technologies Corporation
Long Term Incentive Plan

Performance Share Unit Award

Schedule of Terms

This Schedule of Terms describes the material features of the recipient's Performance Share Unit Award ("Award") granted under the United Technologies Corporation 2005 Long Term Incentive Plan as amended and restated on April 9, 2008 (the "LTIP"). The Award is subject to this Schedule of Terms and the terms, definitions, and provisions of the LTIP. The LTIP Prospectus contains detailed information about the LTIP and this Award.

Performance Share Unit

A Performance Share Unit (a "PSU") is equal in value to one share of common stock of the Corporation ("Common Stock"). PSUs are generally convertible into shares of Common Stock if and to the extent the associated pre-established performance targets are achieved (see "Vesting" below).

Acknowledgement of Award

The number of PSUs awarded is set forth in the Statement of Award. The recipient must acknowledge and accept the terms and conditions of the PSU Award by signing and returning the designated portion of the Statement of Award to the Stock Plan Administrator by the specified due date.

Vesting

PSUs vest only if pre-established three year performance targets are achieved. Performance targets include: (i) diluted earnings per share; (ii) total shareowner return; (iii) working capital and gross inventory turnover; and (iv) revenue growth. A PSU Award may be subject to a single or multiple performance targets. The Statement of Award will specify the applicable performance targets, the performance period and vesting date, the minimum performance required for vesting, the range of vesting relative to measured performance and, if multiple performance targets apply, the relative weighting of each.

In the event of certain types of misconduct, Awards may be forfeited, including vested Awards and gains realized from prior Awards. See "Forfeiture of Interest and Recoupment of Gains Realized from Prior Awards" on page 3.

No shareowner rights

A PSU is the right to receive a share of Common Stock in the future, subject to continued employment and achievement of performance targets. The holder of a PSU has no voting, dividend or other rights accorded to owners of Common Stock.

Payment/Conversion of PSUs

PSUs will generally be converted into shares of Common Stock, effective as of the vesting date, when the Committee on Compensation and Executive Development of the Corporation's Board of Directors (the "Committee") determines if, and to what extent, PSUs have vested as a result of the achievement of performance targets. If performance targets are not met, the PSUs that do not vest will be cancelled without value. PSUs may be paid in cash where local law restricts the distribution of Common Stock.

Termination of Employment

If the recipient terminates employment prior to the end of the performance measurement period for any reason other than death, disability, or retirement (including if the recipient meets the "Rule of 65", below), unvested PSUs will be cancelled as of the termination date.

Retirement. The recipient is eligible for retirement (including "Rule of 65") under this Award if the recipient is:

(i) age 65 on date of termination;

(ii) at least age 55 with 10 or more years of continuous service as of the date of termination; or

(iii) meets the "Rule of 65." The recipient qualifies for the Rule of 65 if termination of employment occurs after age 50, but before age 55, and the sum of age and continuous service adds up to 65 or more.

Following retirement, including termination under the Rule of 65, the unvested PSUs that have been held for at least one year prior to the date of retirement will remain outstanding and eligible to vest as scheduled, if and to the extent the Committee determines that performance targets have been achieved.

In all cases, PSUs held for less than one year prior to retirement or termination under the Rule of 65 will be cancelled without value.

Service used to determine eligibility for retirement or the “Rule of 65” will be based on continuous service recognized under the recipient’s UTC retirement plan.

Disability. If employment terminates by reason of disability, unvested PSUs will not be forfeited. As long as recipient the recipient remains disabled under the recipient’s UTC disability plan, PSUs not yet vested will remain eligible to vest per the terms of the Award.

Death. The number of PSUs awarded will vest and be converted to shares of Common Stock (at target) effective as of the date of death. The shares will be delivered to the estate of the recipient as soon as administratively practicable.

Rehire. If the recipient terminates employment and is then rehired by the Corporation before the end of the 90 day period immediately following the date of termination, unvested PSUs that were cancelled because of the termination of employment will be reinstated. If the recipient is rehired by the Corporation after the 90 day period immediately following the date of termination, the recipient will be treated as a new employee and cancelled PSUs will not be reinstated.

Forfeiture of Interests and Recoupment of Gains Realized from Prior Awards

PSUs shall be forfeited and the recipient will be obligated to repay the value realized from the conversion of PSUs into shares of unrestricted Common Stock under the following circumstances:

(i) Termination of Employment for Cause;

(ii) A restatement of financial results attributable to the recipient’s actions, whether intentional or negligent;

(iii) The Committee determines that Award vesting was based on incorrect performance measurement calculations. In such event, vesting (and recoupment, if applicable) will be adjusted consistent with the actual, corrected results;

(iv) If within three years following any Termination of Employment, the Committee or the Corporation determines that the recipient engaged in conduct before the recipient’s termination date that would have constituted the basis for a Termination of Employment for Cause;

(v) If at any time during the twenty-four month period immediately following any Termination of Employment, the recipient:

 (A) solicits for employment or otherwise attempts to retain the professional services of any individual then employed or engaged by the Corporation (other than a person performing secretarial or similar services) or who was so employed or engaged during the three month period preceding such solicitation; or

 (B) publicly disparages the Corporation or any of its officers, directors or senior executive employees or otherwise makes any public statement that is materially detrimental to the interests of the Corporation or such individuals; or

(vi) If at any time during the twelve month period following any Termination of Employment, the recipient becomes employed by, consults for or otherwise renders services to any business entity or person engaged in activities that compete with the Corporation or the business unit that employed the recipient, unless the recipient has first obtained the consent of the Committee. A recipient shall be deemed to have been employed by each business unit that employed the recipient within the two-year period immediately prior to the date of the Termination of Employment.

Adjustments

If the Corporation effects a subdivision or consolidation of shares of Common Stock or other capital adjustment, the number of PSUs (and the number of shares of Common Stock that will be issued upon conversion) shall be adjusted in the same manner and to the same extent as all other shares of Common Stock of the Corporation. In the event of material changes in the capital structure of the Corporation resulting from: the payment of a special dividend (other than regular quarterly dividends) or other distributions to shareowners without receiving consideration therefore; the spin-off of a subsidiary; the sale of a substantial portion of the Corporation's assets; in the event of a merger or consolidation in which the Corporation is not the surviving entity; or other extraordinary non-recurring events affecting the Corporation's capital structure and the value of Common Stock, equitable adjustments shall be made in the terms of outstanding Awards, including the number of PSUs and underlying shares of Common Stock as the Committee determines are necessary or appropriate to prevent an increase or decrease in the value of PSUs relative to Common Stock or the dilution or enlargement of the rights of recipients.

Change of Control

In the event of a change of control or restructuring of the Corporation, the Committee may take certain actions with respect to outstanding Awards to assure fair and equitable treatment of LTIP recipients. Such actions may include: acceleration of the vesting date; offering to purchase an outstanding Award from the holder for its equivalent cash value (as determined by the Committee); or providing for other adjustments or modifications to outstanding Awards as the Committee may deem appropriate.

Awards Not to Affect or Be Affected by Certain Transactions

PSU Awards shall not in any way affect the right or power of the Corporation or its shareowners to effect: (a) any or all adjustments, recapitalizations, reorganizations or other changes in the Corporation's capital structure or its business; (b) any merger or consolidation of the Corporation; (c) any issue of bonds, debentures, shares of stock preferred to, or otherwise affecting the Common Stock of the Corporation or the rights of the holders of such Common Stock; (d) the dissolution or liquidation of the Corporation; (e) any sale or transfer of all or any part of its assets or business; or (f) any other corporate act or proceeding.

Taxes/Withholding

Recipients are responsible for any income or other tax liability attributable to any Award. The closing price of UTC's Common Stock on the New York Stock Exchange on the vesting date will be used to calculate income realized from the vesting of PSUs. The Corporation shall take such steps as are appropriate to assure compliance with applicable federal, state and local tax withholding requirements. The Corporation shall, to the extent required by law, have the right to deduct directly from any payment or delivery of shares due to a recipient or from the recipient's regular compensation, all federal, state and local taxes of any kind required by law to be withheld with respect to the vesting of any PSU. Recipients not based in the United States and foreign nationals who are not permanent residents of the United States must pay the appropriate taxes as required by any country where they are subject to tax. A discussion of U.S. Federal tax treatment of PSUs may be found in the LTIP prospectus.

Deferral of Gain (U.S. based executives)

A recipient who qualifies as a Participant under the LTIP PSU Deferral Plan may irrevocably elect to defer the conversion of vested PSUs into shares of Common Stock to a date that is at least five years after the scheduled vesting date. The election to defer the conversion of shares must be made no later than the end of the second year of the performance measurement period, or such earlier date as may be specified by the Committee. Vested PSUs subject to a deferral election will be converted to unfunded deferred share units that will convert into shares of Common Stock on the distribution date as specified in the deferral election and the LTIP PSU Deferral Plan. Deferred share units will be credited with dividend equivalents. Under U.S. income tax law, a recipient will generally not be taxed until the resulting deferred share units are converted to shares of Common Stock and distributed. Deferred share units will not be funded by the Corporation. In this regard, a recipient's rights to deferred share units are those of a general unsecured creditor of the Corporation. Details of the deferral of PSUs into deferred share units will be provided with the election materials. The opportunity to make such an election is subject to changes in Federal tax law. The Committee reserves the right to discontinue offering PSU deferral elections at any time for any reason it deems appropriate in its sole discretion.

Nonassignability

Unless otherwise prescribed by the Committee, no assignment or transfer of any right or interest of an recipient in any PSU, whether voluntary or involuntary, by operation of law or otherwise, shall be permitted except by will or the laws of descent and distribution. Any attempt to assign such rights or interest shall be void and without force or effect.

Nature of Payments

All Awards made pursuant to the LTIP are in consideration of services performed for the Corporation or the business unit employing the recipient. Any gains realized pursuant to such Awards constitute a special incentive payment to the recipient and shall not be taken into account as compensation for purposes of any of the employee benefit plans of the Corporation or any business unit.

Administration

Under the LTIP, subject to certain limitations, the Committee has delegated to the Chief Executive Officer the authority to grant PSU Awards, and has further delegated the authority to administer and interpret such Awards to the Senior Vice President, Human Resources and Organization, and to such subordinates as he or she may further delegate. Awards to employees of the Corporation who are either reporting persons under Section 16 of the Securities Exchange Act of 1934 ("Insiders") or members of the Corporation's Executive Leadership Group will be granted, administered, and interpreted exclusively by the Committee.

Data Privacy

The Corporation maintains electronic records for the purpose of administering the LTIP and individual Awards. In the normal course of plan administration, electronic data may be transferred to different sites within the Corporation and to outside service providers. Acceptance of an Award constitutes consent by the recipient to the transmission of information related to the administration of Awards and the LTIP.

Government Contract Compliance

The “UTC Policy Statement on Business Ethics and Conduct in Contracting with the United States Government” calls for compliance with the letter and spirit of government contracting laws and regulations. In the event of a violation of government contracting laws or regulations, the Committee reserves the right to revoke any outstanding Award.

Interpretations

This Schedule of Terms and each Statement of Award are subject in all respects to the terms of the LTIP. In the event that any provision of this Schedule of Terms or any Statement of Award is inconsistent with the terms of the LTIP, the terms of the LTIP shall govern. Any question concerning administration or interpretation arising under the Schedule of Terms or any Statement of Award shall be determined by the Committee or its delegate, and such determination to be final and conclusive upon all parties in interest.

Additional Information

Questions concerning the Plan or Awards and requests for Plan documents can be directed to:

Stock Plan Administrator
United Technologies Corporation
1 Financial Plaza, MS 504
Hartford, CT 06101
stockoptionplans@utc.com

The Corporation and/or its approved Stock Plan Administrator will send any Award-related communications to the recipient’s email address or physical address on record. It is the responsibility of the recipient to ensure the address on record is up-to-date and accurate at all times to ensure delivery of Award-related communications.

Exhibit 10.29

United Technologies Corporation
Long Term Incentive Plan

Stock Appreciation Right

Schedule of Terms

This Schedule of Terms describes the material features of the recipient's Stock Appreciation Right Award ("Award") granted under the United Technologies Corporation 2005 Long Term Incentive Plan as amended and restated on April 9, 2008 (the "LTIP"). The Award is subject to this Schedule of Terms and the terms, definitions, and provisions of the LTIP. The LTIP Prospectus contains detailed information about the LTIP and this Award.

Stock Appreciation Right Award

A Stock Appreciation Right (a “SAR”) provides the recipient with the right to the appreciation in the common stock of the Corporation (“Common Stock”) measured from the date of grant to the date of exercise.

Acknowledgement of Award

The number of SARs awarded and the SAR grant price are set forth in the Statement of Award. The recipient must acknowledge and accept the terms and conditions of the SAR Award by signing and returning the designated portion of the Statement of Award to the Stock Plan Administrator by the specified due date.

Exercise Price (or “Grant Price”)

The Grant Price represents the Fair Market Value of the Corporation’s Common Stock on the date of grant. Fair Market Value means, as of any given date, the closing price of the Corporation’s Common Stock on the New York Stock Exchange.

Vesting and Expiration

The vesting and expiration dates are each set forth in the Statement of Award. SARs may be exercised on or after the vesting date until the earlier of:

(i) the expiration date specified in the Statement of Award, at which time the SARs and all associated rights lapse; or

(ii) the last day permitted following termination of employment as specified in “Termination of Employment” (see next page).

In the event of certain types of misconduct, awards may be forfeited, including vested awards and prior gains realized from exercises. See “Forfeiture of Interest and Recoupment of Gains Realized from Prior Awards” on page 4.

Exercise and Payment

While employed, SARs may be exercised on or after the vesting date until the expiration date using the method prescribed by the Corporation. Unexercised SARs will expire without value on the expiration date. The gross value realized upon the exercise of a SAR will equal the difference between the price at the time of exercise, and the Grant Price. The recipient will generally receive shares of Common Stock upon exercise. SARs may be paid in cash where local law restricts the distribution of Common Stock.

It is the responsibility of the recipient, or a designated representative, to track the expiration of their Award and exercise SARs in a timely manner. The Corporation assumes no responsibility for and will make no adjustments with respect to SARs that expire unexercised. Any communication from the Plan Administrator or the Corporation to the recipient with respect to expiration is provided as a courtesy only.

Termination of Employment

There are different provisions based on the circumstances associated with the recipient's termination of employment.

Retirement. The recipient is eligible for retirement (including "Rule of 65") under this Award if the recipient is:

(i) age 65 on date of termination;

(ii) at least age 55 with 10 or more years of continuous service as of the date of termination; or

(iii) meets the "Rule of 65." The recipient qualifies for the Rule of 65 if termination of employment occurs after age 50, but before age 55, and the sum of age and continuous service adds up to 65 or more.

Following retirement, including termination under the Rule of 65, vested SARs (i.e., those held for at least three years while continuously employed) may be exercised for three years following the date of retirement or until the expiration of the SAR, whichever is earlier. Unvested SARs that have been held for at least one year prior to the date of retirement will vest as of the date of retirement and may be exercised for three years thereafter (but not beyond the expiration date).

However, if retirement occurs on or after age 55 **and** the Corporation consents to the recipient's retirement, vested SARs may be exercised SARs for their full term until the expiration date. Such consent will be at the sole discretion of the Corporation based on its ability to effectively transition the recipient's responsibilities as of the retirement date and such other factors as it may deem appropriate.

Service used to determine eligibility for retirement or the Rule of 65 will be based on continuous service recognized under the rules of the UTC retirement plan.

In all cases, SARs held for less than one year as of the date of retirement or termination under the Rule of 65 will be cancelled without value.

Termination. If termination occurs before retirement or reaching the Rule of 65, vested SARs may be exercised for up to 90 days (or until the expiration of the SAR, if earlier) from the date employment with UTC is terminated, whether voluntary or involuntary, including layoff. All unvested SARs are cancelled as of the termination date.

Disability. If employment terminates by reason of disability, vested SARs may be exercised for up to three years from the date of termination (or until the expiration of the SAR, if earlier). Unvested SARs will vest as scheduled and may then be exercised for three years following the vesting date.

Death*. If the recipient dies while an active employee, all unvested SARs immediately vest. The estate will have one year from the date of death to exercise all outstanding SARs. If death occurs following termination of employment, the estate has one year from the date of death in which to exercise all SARs outstanding as of the date of death.

*Different tax rules may apply when the estate or heir exercises the deceased employee's SARs.

Rehire. If the recipient terminates employment and is then rehired by the Corporation within 90 days, unexercised vested SARs and unvested SARs that were cancelled because of the termination of employment will be reinstated. Unexercised SARs that received accelerated vesting at termination will be subject to the original vesting schedule upon rehire. If the recipient is rehired by the Corporation after the 90 day period immediately following the date of termination, cancelled SARs will not be reinstated.

Forfeiture of Interests and Recoupment of Gains Realized from Prior Awards

SARs, whether or not vested, shall be forfeited and the recipient will be obligated to repay gains realized from the exercise of SARs under the following circumstances:

(i) Termination of Employment for Cause;

(ii) A restatement of financial results attributable to the recipient's actions, whether intentional or negligent;

(iii) If within three years following any Termination of Employment, the Committee on Compensation and Executive Development of the Corporation's Board of Directors (the "Committee") or the Corporation determines that the recipient engaged in conduct before the recipient's termination date that would have constituted the basis for a Termination of Employment for Cause;

(iv) If at any time during the twenty-four month period immediately following any Termination of Employment, the recipient:

(A) solicits for employment or otherwise attempts to retain the professional services of any individual then employed or engaged by the Corporation (other than a person performing secretarial or similar services) or who was so employed or engaged during the three month period preceding such solicitation; or

(B) publicly disparages the Corporation or any of its officers, directors or senior executive employees or otherwise makes any public statement that is materially detrimental to the interests of the Corporation or such individuals; or

(v) If at any time during the twelve month period following any Termination of Employment, the recipient becomes employed by, consults for or otherwise renders services to any business entity or person engaged in activities that compete with the Corporation or the business unit that employed the recipient, unless the recipient has first obtained the consent of the Committee. A recipient shall be deemed to have been employed by each business unit that employed the recipient within the two-year period immediately prior to the date of the Termination of Employment.

Adjustments

If the Corporation effects a Common Stock split or other capital adjustment, the number of SARs (and, if applicable, the exercise price) will be adjusted in the same manner and to the same extent as shares of Common Stock of the Corporation. In the event of material changes in the capital structure of the Corporation such as the payment of a special dividend (other than regular quarterly dividends); the spin-off of a subsidiary; a merger; or other extraordinary non-recurring events affecting the Corporation's capital structure and the value of Common Stock, equitable adjustments will be made to the terms of outstanding awards as the Committee determines to be necessary or appropriate to prevent either an increase or decrease in the value of SARs relative to Common Stock or the dilution or enlargement of the rights of recipients.

Change of Control

In the event of a change of control or restructuring of the Corporation, the Committee may (in its sole discretion) take actions to assure fair and equitable treatment of LTIP recipients. Such actions may include acceleration of the Vesting Date or offering to purchase an Award for its equivalent cash value (as determined by the Committee).

Awards Not to Affect or Be Affected by Certain Transactions

SAR Awards do not limit the right or power of the Corporation or its shareowners to enter into transactions that may affect Common Stock and the value of this Award; examples include: (a) changes in the Corporation's capital structure or its business; (b) any merger or consolidation of the Corporation; (c) any issue of bonds, debentures, shares of stock preferred to, or otherwise affecting the Common Stock of the Corporation or the rights of the holders of such Common Stock; (d) the dissolution or liquidation of the Corporation; (e) any sale or transfer of all or any part of its assets or business; or (f) any other corporate act or proceeding.

Taxes/Withholding

Recipients are responsible for any income or other tax liability attributable to any Award. Additional details on tax treatment are provided in the LTIP Prospectus. The recipients are encouraged to consult with their personal tax advisor(s). The Corporation will comply with all tax reporting and withholding requirements and has the right to deduct tax withholding from any payment or delivery of shares due to the recipient or from a recipient's regular compensation.

Nonassignability

No assignment or transfer of any right or interest of a recipient in any SAR, whether voluntary or involuntary, by operation of law or otherwise, will be permitted except by will or the laws of descent and distribution.

Nature of Payments

All Awards made pursuant to the LTIP are in consideration of services performed for the Corporation or the business unit employing the recipient. Any gains realized pursuant to such Awards constitute a special incentive payment to the recipient and will not be taken into account as compensation for purposes of any of the employee benefit plans of the Corporation or any business unit.

Administration

Under the LTIP, subject to certain limitations, the Committee has delegated to the Chief Executive Officer the authority to grant SAR Awards, and has further delegated the authority to administer and interpret such Awards to the Senior Vice President, Human Resources and Organization, and to such subordinates as he or she may further delegate. Awards to employees of the Corporation who are either reporting persons under Section 16 of the Securities Exchange Act of 1934 ("Insiders") or members of the Corporation's Executive Leadership Group will be granted, administered, and interpreted exclusively by the Committee.

Data Privacy

The Corporation maintains electronic records for the purpose of administering the LTIP and individual Awards. In the normal course of plan administration, electronic data may be transferred to different sites within the Corporation and to outside service providers. Acceptance of an Award constitutes consent by the recipient to the transmission of information related to the administration of Awards and the LTIP.

Government Contract Compliance

The "UTC Policy Statement on Business Ethics and Conduct in Contracting with the United States Government" calls for compliance with the letter and spirit of government contracting laws and regulations. In the event of a violation of government contracting laws or regulations, the Committee reserves the right to revoke any outstanding Award.

Interpretations

This Schedule of Terms and each Statement of Award are subject in all respects to the terms of the LTIP. Any question concerning administration or interpretation arising under the Schedule of Terms or any Statement of Award will be determined by the Committee or the Senior Vice President, Human Resources and Organization, and their determination will be final and conclusive upon all parties in interest.

Additional Information

Questions concerning the Plan or awards and requests for Plan documents can be directed to:

Stock Plan Administrator
United Technologies Corporation
1 Financial Plaza, MS 504
Hartford, CT 06101
stockoptionplans@utc.com

The Corporation and/or its approved Stock Plan Administrator will send any Award-related communications to the recipient's email address or physical address on record. It is the responsibility of the recipient to ensure the address on record is up-to-date and accurate at all times to ensure delivery of Award-related communications.

Exhibit 10.35

UNITED TECHNOLOGIES CORPORATION

INTERNATIONAL DEFERRED COMPENSATION

REPLACEMENT PLAN

ARTICLE I – PREAMBLE

United Technologies Corporation hereby establishes the United Technologies International Deferred Compensation Replacement Plan (“the Plan”), effective January 1, 2005, for the purpose of complying with the requirements of Section 409A of the Internal Revenue Code. The Plan applies to any amounts credited or accrued, after December 31, 2004, to an employee of a UTC Company who accrues benefits or has amounts credited under a deferred compensation plan or arrangement outside the United States, where such amounts are or become subject to Section 409A. Such amounts shall automatically be credited and deferred under and distributed from this Plan in lieu of the Non-US Plan. This Plan shall be administered and construed to effectuate the foregoing intent.

From January 1, 2005 through December 31, 2008, the Plan has been operated in good faith compliance with Section 409A in accordance with guidance provided by the Internal Revenue Service.

1. INTRODUCTION & PURPOSE

The Plan shall be maintained as an unfunded plan solely for the purpose of deferring compensation and providing retirement benefits to certain employees who have deferred income or are eligible for benefits under a Non-US Plan, where such amounts would be deemed to be “deferred compensation” within the meaning of and subject to Section 409A. The amount of deferred income, retirement benefit or survivor benefit shall be credited under this Plan, in lieu of the Non-US Plan.

2. EFFECTIVE DATE

The Plan shall be effective January 1, 2005.

3. <u>DEFINITIONS</u>

Beneficiary means the person, persons or entity designated in writing by a Participant to receive the value of his or her Plan Account in the event of the Participant's death, , in accordance with the terms of this Plan. If a Participant fails to designate a Beneficiary under this Plan, the Beneficiary or Contingent Annuitant shall be determined under the Non-US Plan. If the Beneficiary (and any contingent Beneficiary) does not survive the Participant or if no Beneficiary is designated under the Non-US Plan, the value of the Participant's Plan Account will be payable to the estate of the Participant, in accordance with the terms of this Plan.

Code means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto. Reference to any section of the Internal Revenue Code shall include any final regulations or other published guidance interpreting that section.

Corporation means United Technologies Corporation.

Committee means the United Technologies Corporation Deferred Compensation Committee, which is responsible for the administration of the Plan. The Corporation's Pension Administration Committee shall appoint the Committee's members.

Covered Participant means an employee who participates in a Non-US Plan who is subject to Section 409A of the Code.

Disability means permanent and total disability as determined under the Corporation's long-term disability plan applicable to the Participant, or if there is no such plan applicable to the Participant, "Disability" means a determination of total disability by the Social Security Administration; provided that, in either case, the Participant's condition also qualifies as a "disability" for purposes of Section 409A(a)(2)(C) of the Code.

Election Form means the form provided to Participants electronically or in paper form for the purpose of electing the timing and form of payment for a Plan Account.

Non-US Plan means a deferred compensation plan or arrangement or defined benefit retirement benefit plan maintained the Corporation or a UTC Company outside of the United States. All amounts credited or deferred under the Non-US Plan prior to December 31, 2004 and amounts credited or deferred under the Non-US Plan which would not be deemed to be subject to 409A, and any subsequent increases in these amounts, shall continue to be subject to the terms and conditions of the Non-US Plan and shall not be affected by this Plan.

Plan Account means an account maintained for Covered Participants with respect to 409A Amounts credited or accrued under the Plan.

Retirement means Separation from Service on or after age 50 and attainment of age 65; Separation from Service on or after age 50 and attainment of at least age 55 and a minimum of 10 or more years of "continuous service" (as defined in the UTC Employee Retirement Plan as in effect on January 1, 2008); or a Rule of 65 termination.

Retirement Date means the date of a Participant's Retirement.

"Rule of 65" Termination means Separation from Service on or after age 50 and before age 55, with a combination of age and years of "continuous service" (as defined in the UTC Employee Retirement Plan as in effect on January 1, 2008) equal to at least 65.

Separation from Service means a Participant's Termination of Employment with all UTC Companies, other than by reason of death or Disability that qualifies as a "separation from service" for purposes of Section 409A of the Code. A Separation from Service will be deemed to occur where the Participant and the UTC Company that employs the Participant reasonably anticipate that the bona fide level of services the Participant will perform (whether as an employee or as an independent contractor) will be permanently reduced to a level that is less than thirty-seven and a half percent (37.5%) of the average level of bona fide services the Participant performed during the immediately preceding 36 months (or the entire period the Participant has provided services if the Participant has been providing services to the UTC Companies for less than 36 months.) A Participant shall not be considered to have had a Separation from Service as a result of a transfer from one UTC Company to another UTC Company.

Specified Employee means each of the 50 highest-paid executives of the Corporation and its Subsidiaries, effective annually as of March 31st, based on annual salary and incentive compensation paid in the prior year. The term includes both U.S. and non-U.S. employees.

UTC Company means United Technologies Corporation or any entity controlled by or under common control with United Technologies Corporation within the meaning of Section 414(b) or (c) of the Code (but substituting "at least 20 percent" for "at least 80 percent" as the control threshold used in applying Sections 414(b) and (c)).

409A Amount means the amount credited, or the actuarial present value of a benefit accrued under a Non-US Plan that is or becomes subject to Section 409A of the Code.

4. ELIGIBILITY

Each employee of a UTC Company who is a Participant in a Non-US Plan shall be become a Covered Participant under this Plan if and to the extent the Participant's Accrued Benefit under a Non-US Plan is subject to 409A. Participation shall commence automatically without any election or other action required of the employee to become a Covered Participant. In no event shall any person who is not entitled to benefits under a Non-US Plan be eligible for benefits under this Plan. An employee of the UTC Companies who becomes a Covered Participant under this Plan shall be referred to herein as a "Participant."

5. DETERMINATION OF PLAN BENEFIT

The amount of the benefit payable from this Plan to or in respect of a Participant shall equal the 409A Amount credited or accrued under any Non-US Plan in which the employee participates.

6. PLAN ACCOUNTS

Plan Accounts shall include amounts credited or accrued to Participants' Accounts under the Plan on or after January 1, 2005.

7. <u>FORM OF PLAN BENEFIT</u>

(a) Plan benefits shall be paid to the Participant, or on his or her behalf to any Contingent Annuitant or Beneficiary (as designated under the Non-US Plan), as a single life annuity or actuarially equivalent life annuity, unless the Participant timely makes an election for an alternative form of payment in accordance with Subparagraph (c) of this Section 7.

(b) A Participant may elect separate payment methods for benefits payable under the Non-US Plan and this Plan.

(c) Unless a Participant elects an alternative form of the benefit payment, benefits earned under the Plan will be paid as a single life annuity or actuarially equivalent life annuity. A Participant may elect to receive a single lump-sum payment or a series of 2 to 10 annual installment payments. A payment election under the Plan shall be made on an electronic or written Election Form, completed and submitted to the Committee no later than December 31st of the calendar year prior to the year in which the period of service commences on which the benefit is based. A change in actuarially equivalent annuities shall not be deemed to be a change in payment election for purposes of this Plan. Except as provided below in Subsection (d), a Participant’s payment election shall become irrevocable on the election deadline date.

(d) Change in Payment Election. A Participant may make a one-time irrevocable election to change the form of payment that the Participant elected under Section 7(c), subject to the following requirements:

(i.) The new election must be made at least twelve months prior to the date payments are scheduled to commence (and the new election shall be ineffective if the payment commencement date occurs within twelve months after the date of the new election);

(ii.) The new election will not take effect until at least twelve months after the date when the Participant submits a new Election Form to the Committee; and

(iii.) The new benefit payment commencement date must be at least five years later than the date on which payments commence under the current election.

(e) The payment of a monthly annuity, lump-sum or annual installment distribution in accordance with this Section 7 shall be in full satisfaction of all of the Corporation and/or any UTC Company's obligations with respect to the Participant under the Plan.

8. DISTRIBUTION OF ACCOUNTS

(a) Except as provided in Section 7(d) (concerning the five-year delay following a Change in Payment Election), Section 8(b) (concerning Separation from Service before Attaining Age Fifty), and 8(c) (concerning distributions to Specified Employees), the value of a Participant's Plan Accounts will be distributed (or begin to be distributed) to the Participant in April of the calendar year following the Retirement Date, if the benefit is a retirement benefit. If the benefit is income deferred until a set year, the value of a Participant's Plan Account will be distributed (or begin to be distributed) to the Participant in April of the set year. This means, for example, that if a deferral election specifies a Deferral Period until 2015, distribution will occur in April of 2015.

(b) Separation from Service before Attaining Age Fifty. If a Participant's Separation from Service occurs before the Participant attains age fifty (50), the full value of the Participant's Plan Account will be distributed to the Participant in a lump-sum payment in April following the Participant's Separation from Service (or, if the Participant is a Specified Employee at the time of his or her Separation from Service, on the date provided in Subsection 8(c), below, if later) regardless of the distribution option elected.

If a Participant has a Separation from Service and is later re-hired by a UTC Company, the Participant's age at the time of the Participant's first Separation from Service will determine how the Participant's Plan Account at the time of the first Separation from Service is distributed. If the Participant accumulates any additional deferrals after the Participant is re-hired, the Plan shall separately account for the additional deferrals (and related investment gains or losses), and the Participant's age at the time of the Participant's second Separation from Service will determine how the additional amounts are distributed.

(c) Separation from Service of Specified Employees. If the Participant is a Specified Employee on the date of the Participant's Separation from Service, distribution of the Participant's Plan Account to the Participant that is made on account of the Participant's Separation from Service will not be made or commence earlier than the first day of the seventh month following the date of Separation from Service.

(d) Administrative Adjustments in Payment Date. A payment is treated as being made on the date when it is due under the Plan if the payment is made on the due date specified by the Plan, or on a later date that is either (i) in the same calendar year (for a payment whose specified due date is on or before September 30), or (ii) by the 15th day of the third calendar month following the date specified by the Plan (for a payment whose specified due date is on or after October 1). A payment also is treated as being made on the date when it is due under the Plan if the payment is made not more than 30 days before the due date specified by the Plan. In no event, will a payment to a Specified Employee be made or commence earlier than the first day of the seventh month following the date of Separation from Service. A Participant may not, directly or indirectly, designate the taxable year of a payment made in reliance on the administrative rules in this Section 8(c).

9. DESIGNATION OF BENEFICIARY

Each Participant shall designate a Beneficiary for his or her Plan Account on an electronic or written form provided by the Committee. A Participant may change such designation on an electronic or written form acceptable to the Committee and received by the Committee at any time before the Participant's death. If a Participant fails to designate a Beneficiary under this Plan, the Beneficiary or Contingent Annuitant shall be determined under the Non-US Plan. If the Beneficiary (and any contingent Beneficiary) does not survive the Participant or if no Beneficiary is designated under the Non-US Plan, the value of the Participant's Plan Account will be payable to the estate of the Participant, in accordance with the terms of this Plan.

10. DISTRIBUTION IN THE EVENT OF DEATH

In the event of the death of a Participant, the full value of the Participant's Plan Account will be distributed to the designated Beneficiary in a lump sum on the first business day of the month following the Participant's death.

11. DISABILITY

In the event of the disability of a Participant, the Participant's Plan Accounts will be maintained and distributed in accordance with the Participant's elections on file.

12. MINIMUM BALANCE PAYOUT PROVISION

If a Participant's Plan Account balances under this Plan (and under all other nonqualified deferred compensation plans of the Corporation that are required to be aggregated with this Plan under Section 409A of the Code), determined at the time of the Participant's Separation From Service, is less than the amount set as the limit on elective deferrals under Section 402(g)(1)(B) of the Code in effect for the year in which the Participant's Separation From Service occurs, the Committee may distribute the Participant's entire Plan Account balances in a lump sum on the first business day following the Participant's Separation From Service, notwithstanding a Participant's election to receive a different form of distribution.

13. FUNDING

The Plan shall be maintained as an unfunded Plan that is not intended to meet the qualification requirements of Section 401 of the Code. All benefits under the Plan shall be payable solely from the general assets of the Corporation. In this regard, the rights of each Participant, Contingent Annuitant and Beneficiary under the Plan with respect to his or her Plan benefit shall be those of a general unsecured creditor of the Corporation. The Corporation shall not undertake to set aside assets in trust or otherwise segregate assets to fund its obligations under the Plan.

14. NONASSIGNABILITY

No Participant, Contingent Annuitant or Beneficiary or any other person shall have the right to sell, assign, transfer, pledge, or otherwise encumber any interest in the Plan. All Plan benefits are unassignable and non-transferable and shall not be subject to attachment or seizure for the payment of any debts, judgments or other obligations. No Plan interest shall be transferred by operation of law in the event of the bankruptcy or insolvency of a Participant, Contingent Annuitant, or Beneficiary.

15. NO CONTRACT OF EMPLOYMENT

Participation in the Plan shall not be construed to constitute a direct or indirect contract of employment between any UTC Company and the Participant. Nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of a UTC Company for any length of time. Participants, Contingent Annuitants and Beneficiaries shall have no rights against any UTC Company resulting from participation in the Plan other than as specifically provided herein.

16. OPERATION AND ADMINISTRATION

The Committee shall be solely responsible for the administration and operation of the Plan. The Committee shall have full and exclusive authority and discretion to interpret the provisions of the Plan and to establish such administrative procedures as it deems necessary and appropriate to carry out the purposes of the Plan. Any question of administration or interpretation arising under the Plan shall be determined by the Committee (or its delegate) in its full discretion, and its decision shall be final and binding upon all parties.

Any person claiming a benefit, requesting an interpretation or ruling under the Plan, or requesting information under the Plan shall present the request in writing to the Committee at United Technologies Corporation, 1 Financial Plaza, Hartford, Connecticut 06101, Attn: Deferred Compensation Committee. The Committee shall respond in writing as soon as practicable.

17. TAXES/WITHHOLDING

The Corporation shall have the right to withhold any federal, state, local or foreign taxes of any kind required to be withheld from all deferrals and distributions under the Plan that the Corporation reasonably determines to be required by law to be withheld from such deferrals and distributions.

18. GOVERNING LAW

The provisions of the Plan will be construed and interpreted according to the laws of the State of Connecticut, to the extent not preempted by federal law.

19. AMENDMENT

The Corporation may, at any time, amend the Plan in whole or in part, provided that no amendment may decrease the value of any Plan Accounts as of the date of such amendment. In the event of any change in law or regulation relating to the Plan and the tax treatment of Plan Accounts, the Plan shall, without further action by the Committee, be deemed to be amended to comply with any such change in law or regulation effective as of the first date necessary to prevent the taxation, constructive receipt or deemed distribution of Plan Accounts prior to the date Plan Accounts would be distributed under the provisions of Section 8.

20. PLAN SUSPENSION AND TERMINATION

(a) The Committee, may, at any time, suspend or terminate the Plan with respect to new or existing Election Forms if, in its sole judgment, the continuance of the Plan, the tax, accounting, or other effects thereof, or potential payments thereunder would not be in the best interest of the Corporation or for any other reason.

(b) In the event of the suspension of the Plan, no additional deferrals shall be made under the Plan, but all previous deferrals shall accumulate and be distributed in accordance with the otherwise applicable provisions of the Plan and the applicable elections on file.

(c) Upon the termination of the Plan with respect to all Participants, and the termination of all arrangements sponsored by the Corporation or its affiliates that would be aggregated with the Plan under Section 409A of the Code, the Corporation shall have the right, in its sole discretion, and notwithstanding any elections made by the Participant, to pay the Participant's Plan Account in a lump sum, to the extent permitted under Section 409A. All payments that may be made pursuant to this Section 19 shall be made no earlier than the thirteenth month and no later than the twenty-fourth month after the termination of the Plan. The Corporation may not accelerate payments pursuant to this Section 19 if the termination of the Plan is proximate to a downturn in the Corporation's financial health within the meaning of Treas. Reg. section 1.409A-3(j)(4)(ix)(C)(1). If the Corporation exercises its discretion to accelerate payments under this Section 19, it shall not adopt any new arrangement that would have been aggregated with the Plan under Section 409A within three years following the date of the Plan's termination.

21. COMPLIANCE WITH SECTION 409A

To the extent that rights or payments under this Plan are subject to Section 409A of the Internal Revenue Code, the Plan shall be construed and administered in compliance with the conditions of Section 409A and regulations and other guidance issued pursuant to Section 409A for deferral of income taxation until the time the compensation is paid. Any distribution election that would not comply with Section 409A of the Code shall not be effective for purposes of this Plan. To the extent that a provision of this Plan does not comply with Section 409A of the Code, such provision shall be void and without effect. The Corporation does not warrant that the Plan will comply with Section 409A of the Code with respect to any Participant or with respect to any payment. In no event shall UTC Company; any director, officer, or employee of a UTC Company (other than the Participant); or any member of the Committee be liable for any additional tax, interest, or penalty incurred by a Participant or Beneficiary as a result of the Plan’s failure to satisfy the requirements of Section 409A of the Code, or as a result of the Plan’s failure to satisfy any other requirements of applicable tax laws.

22. NO CONSENT REQUIRED

The consent of any Participant, Beneficiary, or other person shall not be required with respect to any amendment, suspension, or termination of the Plan.

23. VALIDITY

If any provision of the Plan is held to be illegal or invalid for any reason, the remaining provisions of the Plan will be construed and enforced as if such illegal and invalid provision had never been inserted herein.

24. NOTICE

Any notice or filing required or permitted to be given to the Committee under the Plan shall be sufficient if sent by first-class mail, to the United Technologies Corporation Deferred Compensation Committee, 1 Financial Plaza, Hartford, Connecticut 06101, Attn: Director, Compensation, MS-504. Any notice or filing required or permitted to be given to any Participant or Beneficiary under the Plan shall be sufficient if provided either electronically, hand-delivered, or mailed to the address (or email address, as the case may be) of the Participant or Beneficiary then listed on the records of the Corporation. Any such notice will be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or email system.

25. SUCCESSORS

The provisions of the Plan shall bind and inure to the benefit of the Corporation, and its successors and assigns. The term successors shall include any corporate or other business entity that by merger, consolidation, purchase or otherwise acquires all or substantially all of the business and assets of the Corporation and successors of any such Corporation or other entity.

26. BENEFIT CLAIMS PROCEDURE

A Participant or Beneficiary who believes that he or she has been denied a benefit to which he or she is entitled under the Plan (referred to in this Section 26 as a "Claimant") may file a written request with the Committee setting forth the claim. The Committee shall consider and resolve the claim as set forth below.

(a) Upon receipt of a claim, the Committee shall advise the Claimant that a response will be forthcoming within 90 days. The Committee may, however, extend the response period for up to an additional 90 days for reasonable cause, and shall notify the Claimant of the reason for the extension and the expected response date. The Committee shall respond to the claim within the specified period.

(b) If the claim is denied in whole or part, the Committee shall provide the Claimant with a written decision, using language calculated to be understood by the Claimant, setting forth (1) the specific reason or reasons for such denial; (2) the specific reference to relevant provisions of this Plan on which such denial is based; (3) a description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation why such material or such information is necessary; (4) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review; (5) the time limits for requesting a review of the claim; and (6) the Claimant's right to bring an action for benefits under Section 502(a) of ERISA.

(c) Within 60 days after the Claimant's receipt of the written decision denying the claim in whole or in part, the Claimant may request in writing that the Committee review the determination. The Claimant or his or her duly authorized representative may, but need not, review the relevant documents and submit issues and comment in writing for consideration by the Committee. If the Claimant does not request a review of the initial determination within such 60-day period, the Claimant shall be barred from challenging the determination.

(d) Within 60 days after the Committee receives a request for review, it will review the initial determination. If special circumstances require that the 60-day time period be extended, the Committee will so notify the Claimant and will render the decision as soon as possible, but no later than 120 days after receipt of the request for review.

(e) All decisions on review shall be final and binding with respect to all concerned parties. The decision on review shall set forth, in a manner calculated to be understood by the Claimant, (1) the specific reasons for the decision, including references to the relevant Plan provisions upon which the decision is based; (2) the Claimant's right to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information, relevant to his or her benefits; and (3) the Claimant's right to bring an action for benefits under Section 502(a) of ERISA.

Exhibit 10.36

UNITED TECHNOLOGIES CORPORATION
LTIP PERFORMANCE SHARE UNIT DEFERRAL PLAN

ARTICLE I—PREAMBLE

The United Technologies Corporation LTIP Performance Share Unit Deferral Plan (the *"Plan"*) was adopted pursuant to Section 13(f) of the United Technologies Corporation 2005 Long Term Incentive Plan (the *"LTIP"*) approved by the shareholders in April 2005. The purpose of this Plan is to provide eligible Participants with the opportunity to defer receipt of shares of Common Stock in respect of Performance Share Units ("PSUs") awarded under the LTIP. In addition to the terms and conditions set forth below, the Plan is subject to the provisions of the LTIP, which are incorporated herein by this reference.

This Plan incorporates the requirements of Section 409A of the Internal Revenue Code. From January 1, 2007 through December 31, 2008, the Plan has been operated in good faith compliance with Section 409A in accordance with guidance provided by the Internal Revenue Service.

ARTICLE II—DEFINITIONS

Except as defined in this Article II, terms used in this Plan have the definitions of the terms as set forth in Section 2 of the LTIP:

a) *Beneficiary* means the person, persons or entity designated on an electronic or written form by the Participant to receive the value of his or her Plan Account in the event of the Participant's death. If the Participant fails to designate a Beneficiary, or the Beneficiary (and any contingent Beneficiary) does not survive the Participant, the value of the Participant's Plan Account will be paid to the estate of the Participant.

b) *Code* means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto. References to any section of the Internal Revenue Code shall include any final regulations or other published guidance interpreting that section.

c) *Committee* means the Committee on Compensation and Executive Development of the Corporation's Board of Directors, except to the extent that said Committee has delegated authority to administer this Plan to the Corporation's Deferred Compensation Committee.

d) *Corporation* means United Technologies Corporation.

e) *Deferral Period* means the period designated (or deemed to be designated) by the Participant in accordance with this Plan that ends on the Participant's Retirement Date or on a Specific Deferral Date.

f) *Deferred Share Units* means PSUs which have been deferred pursuant to the terms of this Plan, and dividend equivalents that are credited and invested pursuant to Section 7.1.

g) *Default Deferral Period* means the minimum Deferral Period of five (5) years following the date on which the Performance Cycle Account is established.

h) *Default Distribution* means payment in a lump sum distribution.

i) *Disability* means permanent and total disability as determined under the Corporation's long-term disability plan applicable to the Participant, or if there is no such plan applicable to the Participant, "Disability" means a determination of total disability by the Social Security Administration; provided that, in either case, the Participant's condition also qualifies as a "disability" for purposes of Section 409A(a)(2)(C) of the Code.

j) *Distribution Date* means the date on which distributions commence following the Valuation Date.

k) *Election Form* means the enrollment form provided to Participants electronically or in paper form for the purpose of deferring PSUs under the Plan. Each Participant's Election Form must specify the percentage of the Award to be deferred with respect to the applicable Performance Cycle, the form of distribution elected, and the distribution start date (*see also* Default Deferral Period and Default Distribution). There will be a separate Election Form for each Performance Cycle.

l) *Participant* means an executive of a UTC Company who is paid from a U.S. payroll, files a U.S. income tax return, has been awarded PSUs and elects to defer a portion of such PSUs pursuant to the terms of this Plan.

m) Performance Cycle means the three-year performance measurement period during which the pre-established performance targets are measured for each PSU Award.

n) *Performance Cycle Account* means the account established for each Participant for each Performance Cycle for which PSUs have been deferred under the Plan. The Performance Cycle Account shall be established on the date when the PSUs vest.

o) *Plan* means the United Technologies Corporation LTIP Performance Share Unit Deferral Plan, as amended from time to time hereafter.

p) *Plan Account* means the aggregate value of all Performance Cycle Accounts.

q) *Retirement* means Separation From Service on or after age 50 and attainment of age 65; Separation From Service on or after age 50 and attainment of at least age 55 and a minimum of 10 or more years of “continuous service” (as defined in the UTC Employee Retirement Plan as in effect on January 1, 2008); or a “Rule of 65” Termination.

r) *Retirement Date* means the date of a Participant’s Retirement.

s) *“Rule of 65” Termination* means Separation From Service on or after age 50 and before age 55, with a combination of age and years of “continuous service” (as defined in the UTC Employee Retirement Plan as in effect on January 1, 2008) equal to at least 65.

t) *Separation from Service* means a Participant’s Termination of Employment with all UTC Companies, other than by reason of death or Disability that qualifies as a “separation from service” for purposes of Section 409A of the Code. A Separation from Service will be deemed to occur where the Participant and the UTC Company that employs the Participant reasonably anticipate that the bona fide level of services the Participant will perform (whether as an employee or as an independent contractor) for UTC Companies will be permanently reduced to a level that is less than thirty-seven and a half percent (37.5%) of the average level of bona fide services the Participant performed during the immediately preceding 36 months (or the entire period the Participant has provided services if the Participant has been providing services to UTC Companies for less than 36 months.) A Participant shall not be considered to have had a Separation from Service as a result of a transfer from one UTC Company to another UTC Company.

u) *Specific Deferral Date* means a specified date, not less than five (5) years following the date on which the Performance Cycle Account is established.

v) *Specified Employee* means each of the 50 highest-paid executives of the Corporation and its Subsidiaries, effective annually as of March 31st, based on annual salary and incentive compensation paid in the prior year. The term includes both U.S. and non-U.S. employees.

w) *Share* means a share of UTC Common Stock.

x) *UTC Common Stock* means the common stock of United Technologies Corporation.

y) *UTC Company* means United Technologies Corporation or any entity controlled by or under common control with United Technologies Corporation within the meaning of Section 414(b) or (c) of the Code (but substituting "at least 20 percent" for "at least 80 percent" as the control threshold used in applying Sections 414(b) and (c)).

z) *Valuation Date* means the date on which Deferred Share Units included in a Participant's Performance Cycle Account are valued prior to distribution. If the distribution is made because of the Participant's Separation from Service prior to attaining age 50, the Valuation Date for the lump sum distribution will be the date of Separation from Service. If the distribution is made because of the Participant's Retirement, or attainment of Separation from Service after attaining age 50, and the distribution is a lump sum, the Valuation Date will be the date of Separation from Service. If the distribution is made because of the Participant's Retirement, or attainment of Separation from Service after attaining age 50, and the distribution is installments, the Valuation Date will be the July 31 st following the Separation from Service Date and each subsequent July 31st thereafter for the remaining installments. If the distribution is made because the Deferral

Period has ended on a Specific Deferral Date, the Valuation Date for the lump sum or initial installment distribution will be the July 31st following the Specific Deferral Date and each subsequent July 31st thereafter. If the distribution is made as a result of the death of the Participant, the Valuation Date will be the date of death. In the event that the New York Stock Exchange is closed on any of the foregoing days, the Valuation Date will be the next business day.

ARTICLE III—ELIGIBILITY AND PARTICIPATION

Section 3.1—Eligibility

Each employee of a UTC Company who is classified as an eligible Participant at the time of the deferral election will be eligible to participate in the Plan in respect of that Performance Cycle in accordance with the terms of the Plan.

Section 3.2—Participation

Each eligible Participant may elect to participate in the Plan with respect to any Performance Cycle for which he/she receives an award of PSUs, and for which the opportunity to defer PSUs is offered, by timely filing an Election Form, properly completed in accordance with Section 4.1. Participation in the Plan is entirely voluntary.

ARTICLE IV—PARTICIPANT ELECTIONS AND DESIGNATIONS

Section 4.1—Election

An eligible Participant who has been awarded PSUs may, on or before the election deadline established by the Committee, make an electronic or written election on the Election Form provided by the Committee to defer the Participant's vested PSUs.

Section 4.2—Election Amount

An eligible Participant must designate in the Election Form the percentage of vested PSUs (rounded down to the nearest whole share) that will be deferred under the Plan for the Performance Cycle. The minimum percentage of vested PSUs that a Participant may defer under the Plan for any Performance Cycle is 10% and the maximum is 100%.

Section 4.3—Election Date

An electronic or written Election Form must be completed and submitted to the Committee no later than the election deadline for that Performance Cycle. If the PSUs qualify as "performance-based compensation" for purposes of Section 409A of the Code when they are awarded, the election deadline shall be no later than December 31st of the second year of the Performance Cycle, provided that the compensation provided under the PSUs has not become reasonably ascertainable by the election deadline, and provided further that the Participant has performed services continuously from the beginning of the Performance Cycle (or, if later, the date when the performance criteria were established if the award is made after the beginning of the Performance Cycle) until the election deadline. The Committee may specify an election deadline for any Performance Cycle that is earlier than the latest permissible deadline described in this paragraph, or may specify before the election deadline that particular PSUs are not eligible for deferral. Except as provided below in Section 4.6 (Change in Election) and Section 7.2 (Unforeseeable Emergency), the choices reflected in the Participant's Election Form shall become irrevocable on the election deadline (subject, however, to the provisions of the Plan that provide for non-elective payments in the event of death, change in control, small account balances, and other special circumstances). If an eligible executive fails to submit a properly completed Election Form by the election deadline, the executive will be ineligible to participate in the Plan for the applicable Performance Cycle.

Section 4.4—Deferral Period

Each Participant shall specify in the Election Form the Deferral Period for amounts to be deferred. Failure to specify a deferral period shall result in a deferral for the Default Deferral Period. A Participant may elect a Deferral Period that ends either (1) on a Specific Deferral Date that is at least five (5) years following the date on which the Performance Cycle Account is established (but not later than the Participant's 72nd birthday), or (2) on the Participant's Retirement Date. If the Participant's 72nd birthday falls less than five (5) years after the date on which the Performance Cycle Account is established, the Participant's Deferral Period will end on the Participant's Retirement Date.

Section 4.5—Distribution Election

At the time the Participant first elects to defer his or her vested PSUs under Section 4.1, the Participant must further make an election to have the Performance Cycle Account distributed in a lump sum or in two to fifteen annual installments. If no distribution election is made, the Participant's Performance Cycle Account will be distributed in a lump sum. If a Participant elects to receive the Performance Cycle Account in installments, the amount of each installment shall be determined by dividing the total Performance Cycle Account Balance on each Valuation Date by the number of installments remaining, rounded down to the nearest whole share.

Section 4.6—Change in Election

A Participant who has made an election to defer PSUs under the Plan may make a one time irrevocable election to extend the Deferral Period and/or change the form of distribution for a Performance Cycle Account. With respect to each Performance Cycle Account, the extended Deferral Period shall not be less than five (5) years following the date on which distribution would otherwise have occurred. A deferral extension election and/or change to the form of distribution must meet all of the following requirements:

i. The new election must be made at least twelve months prior to the date on which payments will commence under the current election (and the new election shall be ineffective if the payment commencement date under the current election occurs within twelve months after the date of the new election);

ii. The new election will not take effect until at least twelve months after the date when the new election is submitted in a manner acceptable to the Committee;

iii. The new payment commencement date must be at least five years later than the date on which payments would commence under the current election; and

iv. In no case, may a Participant extend the Deferral Period beyond the Participant's 72nd birthday. If the Participant's 72nd birthday falls less than five (5) years after the date on which payments would commence under the current election, the Participant is not eligible to extend his or her Deferral Period or to change the form of distribution.

Section 4.7—Designation of Beneficiary

Each Participant shall designate a Beneficiary for his or her Plan Account on an electronic or written form provided by the Committee. A Participant may change such designation on an electronic or written form acceptable to the Committee and received by the Committee at any time before the Participant's death. In the event that no Beneficiary designation is filed with the Committee, or if the Beneficiary (and any contingent Beneficiary) does not survive the Participant, all amounts deferred hereunder will be paid to the estate of the Participant. If a Participant designates the Participant's spouse as the Participant's Beneficiary, that designation shall not be revoked or otherwise altered or affected by any: (a) change in the marital status of the Participant; (b) agreement between the Participant and such spouse; or (c) judicial decree (such as a divorce decree) affecting any rights that the Participant and such spouse might have as a result of their marriage, separation, or divorce; it being the intent of the Plan that any change in the designation of a Beneficiary hereunder may be made by the Participant only in accordance with the procedures set forth in this Section 4.7. In the event of the death of a Participant, distributions shall be made in accordance with Section 5.5.

ARTICLE V—VALUATION & DISTRIBUTION OF ACCOUNTS

Section 5.1—Valuation of Performance Cycle Accounts

Deferred Share Units included in a Participant's Performance Cycle Account are valued prior to distribution on the applicable Valuation Date as defined in this Plan. Except in the case of distributions made after Deferred Share Units have been converted to cash as a result of a Committee action upon a Change of Control, one share of UTC Common Stock will be distributed for each Deferred Share Unit. If the distribution includes a fractional Unit, the number of Units will be rounded down to the next whole Unit for purposes of calculating the number of shares of Stock to be exchanged in the distribution, and the value of the fractional Unit will be paid in cash. See Section 7.3 of this Plan regarding satisfaction of Participant's withholding tax obligation. The Deferred Share Unit shall be valued based on the closing price of UTC Common Stock as reported on the composite tape of the New York Stock Exchange on the Valuation Date, or if the Stock is not traded on that day, on the next trading day.

Section 5.2—Timing of Plan Distributions

Except as provided in Section 4.6 (concerning the five-year delay following a Change in Election), Section 5.3 (concerning Separation from Service before Attaining Age Fifty), and Section 5.4 (concerning distributions to Specified Employees), the value of a Participant's

Performance Cycle Account will be distributed (or begin to be distributed) according to the distribution election on file to the Participant as of the first business day following the Valuation Date associated with (1) the Participant's Retirement (if the Participant's Deferral Period ends on the Retirement Date) or (2) the Specific Deferral Period (if the Participant's Deferral Period ends on a Specific Deferral Date).

Section 5.3—Separation from Service before Attaining Age 50.

If a Participant's Separation From Service occurs before the Participant attains age fifty (50), the full value of Participant's entire Plan Account will be distributed in a lump sum on the first business day following a Participant's Separation From Service (or, if the Participant is a Specified Employee at the time of his or her Separation from Service, on the date provided in Section 5.4, below) regardless of the distribution election on file.

Section 5.4—Separation from Service of Specified Employees

If the Participant is a Specified Employee on the date of the Participant's Separation from Service, any distribution of the Participant's Plan Account that is made on account of the Participant's Retirement or other Separation from Service will not be made or commence earlier than the first day of the seventh month following the date of Retirement or Separation from Service. The Plan Account shall be valued as if the Valuation Date were the last business day of the month preceding the distribution date.

Section 5.5—Death

In the event of the death of a Participant, the full value of the Participant's Plan Account will be distributed to the designated Beneficiary in a lump sum on the first business day of the month following the Participant's death.

Section 5.6—Disability

In the event of the Disability of a Participant, the Participant's Performance Cycle Accounts that are designated to be deferred to a Specific Deferral Date will be maintained and distributed in accordance with the Participant's elections on file. The Participant's Performance Cycle Accounts that are designated to be deferred to the Participant's Retirement Date will be distributed as if the Participant had retired on the date of the Participant's Disability, but without applying the six-month delay in Section 5.4, above.

Section 5.7—Distribution upon a Change in Control

In the event of a Change in Control or restructuring of the Corporation, the Participant's entire Plan Account will be converted to cash and distributed in a lump sum on the first business day following the Change in Control event. The cash amount per Unit will equal the closing price of UTC Common Stock on the New York Stock Exchange on the date the Change in Control occurs or, if the Stock is not traded on that day, on the trading day immediately preceding the Change in Control. For purposes of the Plan, a "Change in Control" means (i) the acquisition by one person, or more than one person acting as a group, of stock possessing 30 percent or more of the total voting power of the stock of the United Technologies Corporation during the 12-month period ending on the date of the most recent acquisition; (ii) the replacement of a majority of members of United Technologies Corporation's board of directors during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of United Technologies Corporation's board of directors as constituted immediately prior to the date of such appointment or election; (iii) the acquisition by one person, or more than one person acting as a group, of more than 50% of the total fair market value or total voting power of the stock of United Technologies Corporation; (iv) a change in the ownership of a substantial portion of the Corporation's assets such that one person, or more than one person acting as a group, acquires assets of the Corporation with a total gross fair market value equal to or more than 40 percent of the total gross fair market value of all of the assets of the Corporation determined immediately prior to such acquisition; (v) a dissolution or liquidation of the Corporation.

Section 5.8—Accelerated Distribution in the Case of an Unforeseeable Emergency

(a) Unforeseeable Emergency. The Committee may, upon a Participant's written application, agree to an accelerated distribution of some or all of the value of Participant's Plan Accounts upon the showing of an unforeseeable emergency. An "unforeseeable emergency" is a severe financial hardship to the Participant resulting from (1) an illness or accident of the Participant, the Participant's spouse, the Participant's Beneficiary, or the Participant's dependent (as defined in IRC Section 152, without regard to Section 152(b)(1), (b)(2), and (d)(1)(B)); (2) loss of the Participant's property due to casualty; or (3) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. Whether a Participant is faced with an unforeseeable emergency permitting a distribution is to be determined based on the relevant facts and circumstances of each case. Acceleration will not be granted if the emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets (to the extent the liquidation of such assets would not cause severe financial hardship), or by cessation of deferrals under the Plan.

(b) Amount of Distribution Permitted upon an Unforeseeable Emergency. Distributions on account of an unforeseeable emergency, as defined in Section 5.8(a), shall be limited to the amount reasonably necessary to satisfy the emergency need. Such amount may include amounts necessary to pay any Federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the distribution.

(c) The Committee will determine from which Performance Cycle Accounts hardship distributions will be made. Any Participant who is an officer or director of the Corporation within the meaning of Section 16 of the Securities Exchange Act of 1934 is not eligible for distributions on account of unforeseeable emergency.

Section 5.9—Administrative Adjustments in Payment

A payment under this Section 5.9 is treated as being made on the date when it is due under the Plan if the payment is made on the due date specified by the Plan, or on a later date that is either (a) in the same calendar year (for a payment whose specified due date is on or before September 30), or (b) by the 15th day of the third calendar month following the date specified by the Plan (for a payment whose specified due date is on or after October 1). A payment also is treated as being made on the date when it is due under the Plan if the payment is made not more than 30 days before the due date specified by the Plan. In no event will a payment to a Specified Employee be made or commence earlier than the first day of the seventh month following the date of Separation from Service. A Participant may not, directly or indirectly, designate the taxable year of a payment made in reliance on the administrative rules in this Section 5.9.

Section 5.10—Minimum Balance Payout Provision

If a Participant's Plan Account balance under this Plan (and under all other nonqualified deferred compensation plans of the Corporation that are required to be aggregated with this Plan under Section 409A of the Code), determined at the time of the Participant's Separation From Service, is less than the amount set as the limit on elective deferrals under Section 402(g)(1)(B) of the Code in effect for the year in which the Participant's Separation From Service occurs, the Committee retains discretion to distribute the Participant's entire Plan Account (and the Participant's entire interest in any other nonqualified deferred compensation plan that is required to be aggregated with this Plan) in a lump sum on the first business day following the Participant's Separation From Service, even if the Participant has elected to receive a different form of distribution.

ARTICLE VI—AMENDMENT AND TERMINATION OF PLAN

Section 6.1—Amendment

The Corporation may, at any time, amend the Plan in whole or in part, provided that no amendment may decrease the value of any Plan Accounts as of the date of such amendment. In the event of any change in law or regulation relating to the Plan and the tax treatment of Plan Accounts, the Plan shall, without further action by the Committee, be deemed to be amended to comply with any such change in law or regulation effective the first date necessary to prevent the taxation, constructive receipt or deemed distribution of Plan Accounts prior to the date Plan Accounts would be distributed under the provisions of Article V.

Section 6.2—Plan Suspension and Termination

(a) The Corporation's Pension Administration Committee, may, at any time, suspend or terminate the Plan with respect to new or existing Election Forms if, in its sole judgment, the continuance of the Plan, the tax, accounting, or other effects thereof, or potential payments thereunder would not be in the best interest of the Corporation or for any other reason.

(b) In the event of suspension of the Plan, no additional deferrals shall be made under the Plan, but all previous deferrals shall accumulate and be distributed in accordance with the otherwise applicable provisions of the Plan and the applicable elections on file.

(c) Upon the termination of the Plan with respect to all Participants, and the termination of all arrangements sponsored by the Corporation that would be aggregated with the Plan under Section 409A, , the Corporation shall have the right, in its sole discretion, and notwithstanding any elections made by the Participant, to pay the Participant's Plan Account in a lump sum, to the extent permitted under Section 409A of the Code. All payments that may be made pursuant to this Section 6.2 shall be made no earlier than the thirteenth month and no later than the twenty-fourth month after the termination of the Plan. The Corporation may not accelerate payments pursuant to this Section 6.2 if the termination of the Plan is proximate to a downturn in the Corporation's financial health within the meaning of Treas. Reg. section 1.409A-3(j)(4)(ix)(C)(1). If the Corporation exercises its discretion to accelerate payments under this Section 6.2, it shall not adopt any new arrangement that would have been aggregated with the Plan under Section 409A of the Code within three years following the date of the Plan's termination.

Section 6.3—No Consent Required

The consent of any Participant, Beneficiary, or other person shall not be required with respect to any amendment, suspension, or termination of the Plan.

ARTICLE VII—MISCELLANEOUS PROVISIONS

Section 7.1—Reinvestment of Dividend Equivalents

Deferred Share Units shall be credited with dividend equivalents at the same time and in the same amount that cash dividends would be paid with respect to an equal number of shares of UTC Common Stock. At the time the election under Section 4.1 is made, the Participant agrees to have dividend equivalents deferred and invested in additional Deferred Share Units based upon the number of whole and fractional Units which the dollar dividend amount would purchase, using the closing price of UTC Common Stock on the New York Stock Exchange on each dividend payment date. Dividend equivalents that are deferred and invested pursuant to this Section 7.1 shall be credited to the same Performance Cycle Account as the Deferred Share Units for which the dividend equivalents are paid, and shall be distributed at the time and in the form applicable to that Performance Cycle Account.

Section 7.2—Required Taxes

No later than the date Deferred Share Units are no longer subject to a substantial risk of forfeiture (as defined in the Internal Revenue Code, as time to time amended) or first become includible in gross income, Participant must pay to the Corporation, or make arrangements satisfactory to the Corporation regarding the payment of, any federal, state, local or foreign taxes of any kind required to be withheld with respect to such amount. Unless otherwise determined by the Corporation, withholding obligations may be settled with UTC Common Stock (including UTC Common Stock that is distributed under the terms of the Plan) or with Deferred Share Units that are deducted from the Participant's Plan Account under the Plan; provided, however, that not more than the legally required minimum withholding may be settled with Deferred Share Units or UTC Common Stock. The obligations of the Corporation under the Plan shall be conditional on such payment or arrangement, and the Corporation shall, to the extent permitted by law, have the right to make any appropriate arrangements to deduct any such taxes from all deferrals and distribution under the Plan that the Corporation reasonably determines to be required by law to be withheld from such deferrals and distributions.

Section 7.3—Adjustment of Deferred Share Units

In the event of any change in the outstanding shares of Common Stock, by reason of a stock dividend or split, recapitalization, merger, consolidation, combination, exchange of shares, or other similar corporate change, the number of Deferred Share Units may be adjusted appropriately by the Committee, whose determination shall be conclusive.

Section 7.4—Section 409A Compliance

To the extent that rights or payments under this Plan are subject to Section 409A of the Internal Revenue Code, the Plan shall be construed and administered in compliance with the conditions of Section 409A and regulations and other guidance issued pursuant to Section 409A for deferral of income taxation until the time the compensation is paid. Any distribution election that would not comply with Section 409A of the Code shall not be effective for purposes of this Plan. To the extent that a provision of this Plan does not comply with Section 409A of the Code, such provision shall be void and without effect. The Corporation does not warrant that the Plan will comply with Section 409A of the Code with respect to any Participant or with respect to any payment. In no event shall any UTC Company; any director, officer, or employee of a UTC Company (other than the Participant); or any member of the Committee be liable for any additional tax, interest, or penalty incurred by a Participant or Beneficiary as a result of the Plan's failure to satisfy the requirements of Section 409A of the Code, or as a result of the Plan's failure to satisfy any other requirements of applicable tax laws.

ARTICLE VIII—GENERAL PROVISIONS

Section 8.1—Unsecured General Creditor

The Corporation's obligations under the Plan constitute an unfunded and unsecured promise to distribute shares in the future. Participants' and Beneficiaries' rights under the Plan are solely those of a general unsecured creditor of the Corporation. No assets will be placed in trust, set aside or otherwise segregated to fund or offset liabilities in respect of the Plan or Participants' Plan Accounts.

Section 8.2—Nonassignability

No Participant or Beneficiary or any other person shall have right to sell, assign, transfer, pledge, or otherwise encumber any interest in the Plan. All Plan Accounts and the rights to all distributions are unassignable and non-transferable. Plan Accounts or distributions hereunder, prior to actual distribution, will not be subject to attachment or seizure for the payment of any debts, judgments or other obligations. Plan Accounts or other Plan benefit will not be transferred by operation of law in the event of a Participant's or any Beneficiary's bankruptcy or insolvency.

Section 8.3—No Contract of Employment

Participation in the Plan shall not be construed to constitute a direct or indirect contract of employment between any UTC Company and the Participant. Participants and Beneficiaries will have no rights against any UTC Company resulting from participation in the Plan other than as specifically provided herein. Nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of any UTC Company for any length of time or to interfere with the right of any UTC Company to terminate a Participant's employment prior to the end of any Deferral Period.

Section 8.4—Governing Law

The provisions of the Plan will be construed and interpreted according to the laws of the State of Connecticut, to the extent not preempted by federal law.

Section 8.5—Validity

If any provision of the Plan is held to be illegal or invalid for any reason, the remaining provisions of the Plan will be construed and enforced as if such illegal and invalid provision had never been inserted herein.

Section 8.6—Notice

Any notice or filing required or permitted to be given to the Committee under the Plan shall be sufficient if sent by first-class mail, to the United Technologies Corporation Deferred Compensation Committee, 1 Financial Plaza, Hartford, Connecticut 06101, Attn: Director, Compensation, MS-504. Any notice or filing required or permitted to be given to any Participant or Beneficiary under the Plan shall be sufficient if provided either electronically, hand-delivered, or mailed to the address (or email address, as the case may be) of the Participant or Beneficiary then listed on the records of the Corporation. Any such notice will be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or email system.

Section 8.7—Successors

The provisions of the Plan shall bind and inure to the benefit of the Corporation and its successors and assigns. The term successors as used herein shall include any corporate or other business entity, which by merger, consolidation, purchase or otherwise acquires all or substantially all of the business and assets of the Corporation, and successors of any such corporation or other business entity.

Section 8.8—Incompetence

If the Committee determines, upon evidence satisfactory to the Committee, that any Participant or Beneficiary to whom a benefit is payable under the Plan is unable to care for their affairs because of illness or accident, any payment due (unless prior claim therefore shall have been made by a duly authorized guardian or other legal representative) may be paid, upon appropriate indemnification of the Committee and the Corporation, to the spouse of the Participant or other person deemed by the Committee to have incurred expenses for the benefit of and on behalf of such Participant or Beneficiary. Any such payment from a Participant's Plan Accounts shall be a complete discharge of any liability under the Plan with respect to the amount so paid.

ARTICLE IX—ADMINISTRATION AND CLAIMS

Section 9.1—Plan Administration

The Committee shall be solely responsible for the administration and operation of the Plan. The Committee shall have full and exclusive authority and discretion to interpret the provisions of the Plan and to establish such administrative procedures as it deems necessary and appropriate to carry out the purposes of the Plan.

Any person claiming a benefit, requesting an interpretation or ruling under the Plan, or requesting information under the Plan shall present the request in writing to the Committee at United Technologies Corporation, 1 Financial Plaza, Hartford, Connecticut 06101, Attn: Deferred Compensation Committee. The Committee shall respond in writing as soon as practicable.

Section 9.2—Claim Procedures

A Participant or Beneficiary who believes that he or she has been denied a benefit to which he or she is entitled under the Plan (referred to in this Section 9.2 as a "Claimant") may file a written request with the Committee setting forth the claim. The Committee shall consider and resolve the claim as set forth below.

(a) Upon receipt of a claim, the Committee shall advise the Claimant that a response will be forthcoming within 90 days. The Committee may, however, extend the response period for up to an additional 90 days for reasonable cause, and shall notify the Claimant of the reason for the extension and the expected response date. The Committee shall respond to the claim within the specified period.

(b) If the claim is denied in whole or part, the Committee shall provide the Claimant with a written decision, using language calculated to be understood by the Claimant, setting forth (1) the specific reason or reasons for such denial; (2) the specific reference to relevant provisions of this Plan on which such denial is based; (3) a description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation why such material or such information is necessary; (4) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review; (5) the time limits for requesting a review of the claim; and (6) the Claimant's right to bring an action for benefits under Section 502(a) of ERISA.

(c) Within 60 days after the Claimant's receipt of the written decision denying the claim in whole or in part, the Claimant may request in writing that the Committee review the determination. The Claimant or his or her duly authorized representative may, but need not, review the relevant documents and submit issues and comment in writing for consideration by the Committee. If the Claimant does not request a review of the initial determination within such 60-day period, the Claimant shall be barred from challenging the determination.

(d) Within 60 days after the Committee receives a request for review, it will review the initial determination. If special circumstances require that the 60-day time period be extended, the Committee will so notify the Claimant and will render the decision as soon as possible, but no later than 120 days after receipt of the request for review.

(e) All decisions on review shall be final and binding with respect to all concerned parties. The decision on review shall set forth, in a manner calculated to be understood by the Claimant, (1) the specific reasons for the decision, including references to the relevant Plan provisions upon which the decision is based; (2) the Claimant's right to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information, relevant to his or her benefits; and (3) the Claimant's right to bring an action for benefits under Section 502(a) of ERISA.

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

	Full year				
(in millions of dollars, except per share amounts)	**2008**	**2007**	**2006**	**2005**	**2004**
Net income	$ 4,689	$ 4,224	$ 3,732	$ 3,069	$ 2,673
Basic earnings for period	$ 4,689	$ 4,224	$ 3,732	$ 3,069	$ 2,673
Diluted earnings for period	$ 4,689	$ 4,224	$ 3,732	$ 3,069	$ 2,673
Basic average number of shares outstanding during the period (thousands)	937,800	963,900	980,000	991,200	992,800
Stock awards (thousands)	18,600	24,900	25,700	23,300	18,000
Diluted average number of shares outstanding during the period (thousands)	956,400	988,800	1,005,700	1,014,500	1,010,800
Basic earnings per common share	$ 5.00	$ 4.38	$ 3.81	$ 3.10	$ 2.69
Diluted earnings per common share	$ 4.90	$ 4.27	$ 3.71	$ 3.03	$ 2.64

Exhibit 12

UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES

STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(in millions of dollars)	Full year 2008	2007	2006	2005	2004
Fixed Charges:					
Interest expense[1]	$ 689	$ 666	$ 606	$ 498	$ 363
Interest capitalized	19	16	19	16	11
One-third of rents[2]	168	146	96	100	107
Total fixed charges	$ 876	$ 828	$ 721	$ 614	$ 481
Earnings:					
Income before income taxes and minority interests	$6,936	$6,384	$5,492	$4,684	$3,938
Fixed charges per above	876	828	721	614	481
Less: capitalized interest	(19)	(16)	(19)	(16)	(11)
	857	812	702	598	470
Amortization of interest capitalized	9	8	8	10	3
Total earnings	$7,802	$7,204	$6,202	$5,292	$4,411
Ratio of earnings to fixed charges	8.91	8.70	8.60	8.62	9.17

1 Effective January 1, 2007, we adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes." As disclosed in Note 9 to our Consolidated Financial Statements, interest related to unrecognized tax benefits was $39 million, $56 million, $38 million, and $25 million for the years 2008, 2007, 2006 and 2005, respectively. The ratio of earnings to fixed charges would have been 9.32, 9.33, 9.08, and 8.98 for the years 2008, 2007, 2006 and 2005, respectively, if such interest is excluded from the calculation.

2 Reasonable approximation of the interest factor.

Exhibit 13

Five-Year Summary

(in millions, except per share amounts)	**2008**	2007	2006	2005	2004
For the year					
Revenues	**$ 58,681**	$ 54,759	$ 47,829	$ 42,725	$ 37,445
Research and development	**1,771**	1,678	1,529	1,367	1,267
Income before cumulative effect of a change in accounting principle [1]	**4,689**	4,224	3,732	3,164	2,673
Net income	**4,689**	4,224	3,732	3,069	2,673
Earnings per share:					
Basic:					
Income before cumulative effect of a change in accounting principle [1]	**5.00**	4.38	3.81	3.19	2.69
Cumulative effect of a change in accounting principle [1]	**—**	—	—	(.09)	—
Net income	**5.00**	4.38	3.81	3.10	2.69
Diluted:					
Income before cumulative effect of a change in accounting principle [1]	**4.90**	4.27	3.71	3.12	2.64
Cumulative effect of a change in accounting principle [1]	**—**	—	—	(.09)	—
Net income	**4.90**	4.27	3.71	3.03	2.64
Cash dividends per common share	**1.35**	1.17	1.02	.88	.70
Average number of shares of Common Stock outstanding:					
Basic	**938**	964	980	991	993
Diluted	**956**	989	1,006	1,014	1,011
Cash flow from operations	**6,161**	5,330	4,803	4,334	3,596
Capital expenditures	**1,216**	1,153	954	929	795
Acquisitions, including debt assumed	**1,448**	2,336	1,049	4,583	1,295
Share repurchase	**3,160**	2,001	2,068	1,181	992
Dividends on Common Stock [2]	**1,210**	1,080	951	832	660
At year end					
Working capital	**$ 4,665**	$ 4,602	$ 3,636	$ 1,861	$ 2,575
Total assets [3]	**56,469**	54,575	47,141	45,925	40,441
Long-term debt, including current portion [4]	**10,453**	8,063	7,074	6,628	4,271
Total debt [4]	**11,476**	9,148	7,931	8,240	5,591
Debt to total capitalization [3,4]	**42%**	30%	31%	33%	28%
Shareowners' equity [3,4]	**15,917**	21,355	17,297	16,991	14,266
Number of employees	**223,100**	225,600	214,500	218,200	209,700

¡ During 2005, we acquired Kidde, which in conjunction with Chubb (acquired during 2003) forms the UTC Fire & Security segment.

¡ During 2005, a 2-for-1 split of our common stock was effected in the form of a share dividend. All common share and per share amounts for periods prior to the split have been adjusted to reflect the split.

Note 1 During 2005, we adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations (an interpretation of FASB Statement No. 143)" (FIN 47) and Statement of Financial Accounting Standards (SFAS) 123R, "Share-Based Payment."

Note 2 Excludes dividends paid on Employee Stock Ownership Plan common stock.

Note 3 During 2006, we adopted the provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of SFAS Nos. 87, 88, 106 and 132(R)," (SFAS 158) which resulted in an approximately $1.8 billion non-cash charge to equity and a $2.4 billion non-cash reduction to total assets. In addition, we early-adopted the measurement date provisions of SFAS 158 effective January 1, 2007, which increased shareowners' equity by approximately $425 million and decreased long-term liabilities by approximately $620 million.

Note 4 The increase in the 2008 debt to total capitalization ratio reflects unrealized losses of approximately $4.2 billion, net of taxes, associated with the effect of market conditions on our pension plans, and the 2008 debt issuances totaling $2.25 billion.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

We are a global provider of high technology products and services to the building systems and aerospace industries. Our operations are classified into six principal business segments: Otis, Carrier, UTC Fire & Security, Pratt & Whitney, Hamilton Sundstrand and Sikorsky. Otis, Carrier and UTC Fire & Security are collectively referred to as the "commercial businesses," while Pratt & Whitney, Hamilton Sundstrand and Sikorsky are collectively referred to as the "aerospace businesses." The commercial businesses generally serve customers in the worldwide commercial and residential property industries, although Carrier also serves customers in the commercial and transport refrigeration industries. The aerospace businesses serve commercial and government aerospace customers in both the original equipment and aftermarket parts and services markets. In addition, a portion of these businesses serve customers in certain industrial markets. Our consolidated revenues were derived from the commercial and aerospace businesses as follows (revenues from Hamilton Sundstrand's and Pratt & Whitney's industrial markets are included in "commercial and industrial"):

	2008	2007	2006
Commercial and industrial	**62%**	63%	63%
Military aerospace and space	**17%**	16%	16%
Commercial aerospace	**21%**	21%	21%
	100%	100%	100%

In both 2008 and 2007, approximately 60% of our consolidated sales were original equipment and 40% were aftermarket parts and services, while in 2006 the amounts were 59% and 41%, respectively.

Our strategy has been, and continues to be, the maintenance of balance across our businesses in order to limit the impact of any one industry or the economy of any single country on our consolidated operating results. This balance is managed, in part, through the commercial and aerospace revenue, and original equipment and aftermarket parts and services splits noted above, and the combination of shorter cycles in our commercial businesses, particularly Carrier, and longer cycles in our aerospace businesses, as well as through the geographic diversity that has evolved with the continued globalization of world economies. The composition of total revenues from outside the United States, including U.S. export sales, in dollars and as a percentage of total segment revenues, has been as follows:

(in millions of dollars)	**2008**	2007	2006	**2008**	2007	2006
Europe	**$15,819**	$14,341	$12,069	**27%**	26%	25%
Asia Pacific	**8,212**	7,991	7,056	**14%**	15%	15%
Other Non-U.S.	**6,416**	5,605	4,809	**11%**	10%	10%
U.S. Exports	**7,035**	6,228	4,848	**12%**	11%	10%
International segment revenues	**$37,482**	$34,165	$28,782	**64%**	62%	60%

As part of our growth strategy, we invest in businesses in certain countries that carry high levels of currency, political and/or economic risk, such as Argentina, Brazil, China, India, Russia and South Africa. At December 31, 2008, our investment in any one of these countries did not exceed 4% of consolidated shareowners' equity.

Despite an increasingly difficult economic environment in 2008, total revenues increased 7% year-over-year, as compared with 2007. Extreme volatility and financial market disruption in the United States, Europe and Asia, continuing airline financial distress, moderating commercial construction activity and depressed conditions in the domestic and certain international housing markets all contributed to weakening worldwide economic conditions. As discussed further below, some of these factors have adversely impacted aspects of our underlying businesses and are continuing to present operational challenges. Conversely, other market factors remained generally strong throughout 2008, and our businesses have continued to improve upon their operational performance.

Weakness in the U.S. residential market, as well as a second half slowdown in both global non-residential construction activity and the commercial aerospace market, created challenging business conditions in 2008 that are expected to continue through 2009. As a result of the current economic conditions, organic revenue growth was 5% in 2008 compared with the 9% realized in both 2007 and 2006. Although lower than in 2007, the growth rate in 2008 was still well in excess of general economic growth levels reflecting the global infrastructure investments that have benefited our commercial businesses, and the strong opening order backlogs entering 2008. However, as the second half of 2008 progressed, we experienced a decline in order rates in the commercial businesses, predominately at the end of the year.

On a global basis, Otis' new equipment orders were up 8% and Carrier's commercial heating, ventilating, and air conditioning (HVAC) new equipment orders grew approximately 9% in 2008, as compared with 2007. These growth rates reflect increases for most of the year partially offset by declines in the fourth quarter. Although commercial HVAC revenue grew in 2008, commercial refrigeration revenues declined as a result of the current economic conditions. As with the prior year, the weakness in the U.S. residential market continued to affect Carrier's North American residential business where unit shipments declined 7%, however the broader market declined further. UTC Fire & Security experienced 3% organic revenue growth in 2008 with strength in the fire safety businesses being partially offset by the adverse impact of the U.S. and international banking industry downturn on its electronic security businesses. The growth in the fire safety businesses resulted largely from increased activity in the oil & gas and marine industries as well as growth in Asia.

Although the price of oil has retreated significantly from record prices experienced early in 2008, the commercial aerospace industry continues to engage in capacity reductions and airline carrier consolidations to help offset the significant decline in passenger and cargo traffic levels experienced across the industry in 2008. Worldwide revenue passenger miles (RPMs) were essentially flat in 2008 as compared to 2007, and lower than initially expected as a result of the worldwide economic slowdown. Consistent with expectations, we saw a leveling off of Pratt & Whitney's commercial aerospace aftermarket business in 2008 compared to 2007, which reflected sales growth in the first half of the year offset by declines in the second half of 2008. However, also consistent with expectations, we experienced growth in the commercial aerospace original equipment manufacturer (OEM) markets at both Pratt & Whitney and Hamilton Sundstrand, as well as continued strong demand for military helicopters at Sikorsky.

With the increasingly tough economic environment, we expect revenues to decline in 2009 to approximately $57 billion reflecting lower organic growth levels and a significant unfavorable impact from foreign currency translation due to the recent strengthening of the U.S. dollar as compared with currencies such as the Euro. Although the disruption in the financial markets did not have a significant impact on our results in 2008, it continues to present a risk as we enter 2009. In addition to managing any potential impact to our financial results, we continue to monitor and address the potential impact to our customers and suppliers, which to date has been limited.

The increase in revenue in 2008 was accompanied by improvements in operational efficiencies, including savings from previously initiated restructuring actions, the benefit of cost containment efforts and the favorable impact of foreign currency translation. These operating profit improvements were partially offset by the adverse impact of higher restructuring charges, research and development spending and commodity costs, to generate a net 8% increase in operating profit in 2008, as compared with 2007. Although commodity prices declined in the second half of 2008, we still experienced overall cost increases for the year, in part due to certain existing long-term supplier agreements. After partial recovery through pricing, the net adverse impact to earnings of higher commodity costs in 2008 was approximately $115 million. As a result of the recent declines in commodity pricing, we are now expecting the lower costs to provide a benefit to operating results in 2009 of about $150 million.

To help generate future margin growth, and in anticipation of a difficult economic environment in 2009, we invested $357 million in restructuring actions across our businesses in 2008. While restructuring efforts have been undertaken across the company, the majority of the charges were incurred at Carrier and Pratt & Whitney as we focus on lowering our overall cost structure.

In 2008, operating profit benefited from various gains related to business divestiture activity during the year ($129 million), the sale of marketable securities ($38 million) and a favorable pre-tax interest adjustment ($12 million) as discussed below in "Results of Operations." Operating profit for 2007 was adversely impacted by a civil fine, net of existing reserves, of $216 million levied against Otis. The European Commission's Competition Directorate assessed a civil fine of approximately $300 million (EU Fine) against Otis, its relevant local entities and UTC, as a result of certain Otis subsidiaries in Europe violating European Union competition rules. Gains from the sale of marketable securities and certain non-core assets and lower restructuring charges in 2007 helped to offset the adverse impact of this fine, as discussed further in "Results of Operations."

In addition to the earnings generated from organic revenue growth, including the growth from new product development and product improvements, our earnings growth strategy also contemplates investments in acquisitions. We invested $1.4 billion and $2.3 billion, including debt assumed of $196 million and $300 million, in the acquisition of businesses across all of our operations in 2008 and 2007, respectively. Acquisitions in 2008 consisted principally of a number of small acquisitions in our commercial businesses. Acquisitions in 2007 consisted principally of investments in the UTC Fire & Security segment including the acquisitions of Initial Electronic Security Group (IESG) for approximately $1.2 billion and Marioff Corporation, Oy (Marioff) for approximately $348 million. The remaining investments in 2007 included a number of smaller acquisitions across our businesses.

For additional discussion of acquisitions and restructuring, see "Liquidity and Financing Commitments," "Restructuring and Other Costs" and Notes 2 and 11 to the Consolidated Financial Statements.

Results of Operations

Revenues

(in millions of dollars)	**2008**	2007	2006
Sales	**$58,043**	$53,919	$47,118
Other income, net	**638**	840	711
Total revenues	**$58,681**	$54,759	$47,829

All segments, except for Carrier, experienced organic revenue growth in 2008. Organic growth was led by the aerospace businesses which benefited from the general strength of the commercial aerospace OEM, regional and business jet markets, and demand for military helicopters. Commercial aerospace aftermarket growth rates have moderated due to declines in large commercial spares orders resulting from the airlines' consolidation and continued reductions of capacity in response to market conditions. Commercial OEM growth reflected strong production levels at the airframe manufacturers, while military OEM revenue growth was driven largely by government demand for military helicopters. In the commercial businesses, revenue growth at Otis reflected increases in Europe and North America, led by new equipment sales generated from the strong backlog entering the year. At Carrier, significantly lower unit shipments of U.S. residential product due to the continued weakness in the North American residential market, and lower customer demand for commercial refrigeration products as a result of weak economic conditions contributed to a decline in organic revenues. UTC Fire & Security revenues increased largely on the strength of fire safety sales in the oil & gas and marine industries as well as growth in Asia. The consolidated revenue increase of $3.9 billion or 7% in 2008 also included growth from net acquisitions of 1% and the favorable impact of foreign currency translation of 1% resulting from the weakness of the U.S. dollar relative to other currencies, particularly the Euro, experienced for most of 2008.

The consolidated revenue increase of 14% in 2007 reflected organic growth of 9%, acquisition growth of 2% and the favorable impact of foreign currency translation of 3% resulting from the weakness of the U.S. dollar relative to other currencies including the Euro and the Pound Sterling. All segments experienced organic sales growth in 2007, led by the aerospace businesses, which benefited from the general strength of the commercial aerospace markets, overall helicopter demand, and the absence of the impact of the 2006 Sikorsky strike. Commercial aerospace aftermarket growth rates were significantly in excess of general industry growth levels while military OEM revenue growth was driven by government demand for military helicopters. The commercial businesses benefited from generally favorable worldwide economic conditions throughout most of 2007. Otis' growth included increases in all geographic regions, led by new equipment sales as a result of the strong backlog entering the year and continued order strength throughout 2007. Carrier's revenues increased as a result of generally strong international residential and commercial HVAC markets, partially offset by significantly lower unit shipments of U.S. residential product due to the weakness in the North American residential market.

The decrease in other income in 2008, as compared with 2007, is largely related to the absence of certain gains reflected in 2007 as further described below. Other income in 2008 includes gains generated during the year from business divestiture activity, including a $67 million gain at Carrier from the contribution of a business into a new venture operating in the Middle East and the Commonwealth of Independent States, an approximately $37 million non-cash gain recognized on the sale of a partial investment at Pratt & Whitney and a gain of approximately $25 million related to a disposal of a business at Hamilton Sundstrand. Also, other income in 2008 reflects a $38 million gain from the sale of marketable securities and an approximately $12 million favorable pre-tax interest adjustment related to the settlement of disputed adjustments from the 2000 through 2003 examination with the Appeals Division of the Internal Revenue Service (IRS). These gains were partially offset by the adverse impact of increased hedging costs on our cash management activities of approximately $80 million. The balance of other income is comprised of interest and joint venture income, royalties, and other miscellaneous operating activities.

Other income for 2007 included approximately $150 million in gains resulting from the sale of marketable securities, an approximately $80 million gain recognized on the sale of land by Otis, gains of approximately $83 million on the disposal of certain non-core businesses, and approximately $28 million in pre-tax interest income relating to a re-evaluation of our tax liabilities and contingencies based on global tax examination activity during 2007, including completion of our review of the 2000 through 2003 IRS audit report and our related protest filing. Remaining activity includes interest and joint venture income, royalties and other miscellaneous operating activities.

Gross Margin

(in millions of dollars)	**2008**	2007	2006
Gross margin	**$15,482**	$13,997	$12,378
Percentage of sales	**26.7%**	26.0%	26.3%

The improvement in gross margin (product and service sales less the cost of product and services sold) of 70 basis points in 2008, as a percentage of sales, is due largely to the benefit from higher volumes, savings from previously initiated restructuring actions and net operational efficiencies (approximately 60 basis points combined). The absence of the 2007 EU Fine, net of reserves (approximately 40 basis points) was partially offset by the adverse impact of higher commodity costs, net of pricing (approximately 20 basis points) and increased restructuring costs (approximately 10 basis points) contributing to the remainder of the year-over-year change.

In 2007, the gross margin decline as a percentage of sales compared with 2006, was primarily the result of the adverse impact of the EU Fine, net of existing reserves, of approximately $216 million (approximately 40 basis points), the absence of an approximately $80 million benefit (approximately 20 basis points) from a reserve reversal associated with the 2006 settlement of a Department of Defense collaboration accounting claim against Pratt & Whitney, and higher commodity costs in 2007. After partial recovery through pricing, the net adverse impact to earnings of higher commodity costs in 2007 was approximately $290 million (approximately 50 basis points). All of these adverse impacts were partially offset by lower restructuring charges in 2007 (approximately 20 basis points), higher volumes, the impact of acquisitions, savings from previously initiated restructuring actions, net operational efficiencies and the favorability of foreign exchange translation.

Research and Development

(in millions of dollars)	**2008**	2007	2006
Company-funded	**$1,771**	$1,678	$1,529
Percentage of sales	**3.1%**	3.1%	3.2%
Customer-funded	**$2,008**	$1,872	$1,621
Percentage of sales	**3.5%**	3.5%	3.4%

The increase in company-funded research and development in 2008, compared with 2007, was led by continued investments in Pratt & Whitney's next generation product family including the PurePower™PW1000G (PurePower) engine, which features Geared Turbofan (GTF) technology. General increases across the businesses comprised the remainder of the year-over-year increase. The approximately 10% increase in company-funded research and development in 2007, as compared with 2006, was driven largely by continued efforts on the Boeing 787 program at Hamilton Sundstrand (4%) and Pratt & Whitney's next generation product family (3%). Increases in company-funded research and development costs at Hamilton Sundstrand on the Boeing 787 program in 2007 were primarily the result of 787 aircraft program delays. Company-funded research and development spending is subject to the variable nature of program development schedules.

The increase in customer-funded research and development spending in 2008, as compared with 2007, relates largely to increased engineering effort in the J-2X propulsion program at Pratt & Whitney Rocketdyne as well as various space programs at Hamilton Sundstrand, while development spending on the Joint Strike Fighter program across the company decreased. The 2007 increase in customer-funded research and development, as compared with 2006, is primarily attributable to increased spending at Sikorsky on the CH-53K program.

Company-funded research and development spending for 2009 is expected to be consistent with 2008 spending levels.

Selling, General and Administrative

(in millions of dollars)	**2008**	2007	2006
Selling, general and administrative	**$ 6,724**	$ 6,109	$ 5,462
Percentage of sales	**11.6%**	11.3%	11.6%

Increases in selling, general and administrative expenses in both 2008 and 2007 were due primarily to general increases across the businesses in support of higher volumes and the adverse impact of foreign currency translation. The increase in 2008 was further impacted by the effect of increased restructuring charges undertaken in anticipation of a tougher economic climate in 2009, resulting in a 30 basis point increase in selling, general and administrative expenses as a percentage of sales from 2007 to 2008. Strong control of spending in 2007, coupled with the significant growth in revenues, led to a 30 basis point reduction in selling, general and administrative expenses as a percentage of sales from 2006 to 2007.

Interest Expense

(in millions of dollars)	**2008**	2007	2006
Interest expense	**$ 689**	$ 666	$ 606
Average interest rate during the year			
Short-term borrowings	**5.6%**	6.2%	6.2%
Total debt	**5.9%**	6.2%	6.4%

Interest expense increased in 2008, as compared with 2007, primarily as a result of the issuances of $1.0 billion of long-term debt in December 2007, bearing interest at 5.375%, and $1.0 billion of long-term debt in May 2008, bearing interest at 6.125%. This increase was partially offset by lower interest charges related to our deferred compensation plan and lower interest accrued on unrecognized tax benefits. The issuance of $1.25 billion of long-term debt in December 2008 bearing interest at 6.125% did not have a significant impact to interest expense in 2008. Interest expense increased in 2007 primarily as a result of the full year impact of the issuance of $1.1 billion of long-term debt in May 2006, an increase in short-term borrowings to fund acquisition activity, and interest accrued on unrecognized tax benefits.

The issuance of $1.0 billion of long-term debt in December 2007 did not have a significant impact to interest expense in 2007.

The average interest rate for commercial paper decreased in 2008 as compared to 2007 generating the decrease in the average short-term borrowing rate. The overall average interest rate declined as the long-term debt issuances noted above were at interest rates lower than existing outstanding obligations. The weighted-average interest rate applicable to debt outstanding at December 31, 2008 was 5.3% for short-term borrowings and 5.9% for total debt as compared to 7.2% and 6.2%, respectively, at December 31, 2007. The decrease in the average interest rate on total debt in 2007, as compared to 2006, corresponded to the full year impact of the May 2006 long-term debt issuances which bear interest at 6.05% and LIBOR + .07%. The three month LIBOR rate as of December 31, 2008, 2007 and 2006 was 1.4%, 4.7% and 5.4%, respectively.

Income Taxes

	2008	2007	2006
Effective income tax rate	**27.1%**	28.8%	27.2%

The effective tax rates for 2008, 2007 and 2006 reflect tax benefits associated with lower tax rates on international earnings, which we intend to permanently reinvest outside the United States. The 2008 effective tax rate decreased as compared to 2007 due to the absence of certain discrete items which had a net adverse impact in 2007. The 2008 effective tax rate reflects approximately $62 million of tax expense reductions, principally relating to re-evaluation of our liabilities and contingencies based upon resolution of disputed tax matters with the Appeals Division of the IRS for tax years 2000 through 2003.

The 2007 effective tax rate reflects approximately $80 million of tax expense reductions, principally relating to re-evaluation of our liabilities and contingencies based upon global examination activity, including the IRS's completion of 2000 through 2003 examination fieldwork and our related protest filing, and development of claims for research and development tax credits. Principal adverse tax impacts to the 2007 effective tax rate related to the previously disclosed EU Fine and enacted tax law changes outside the United States.

In 2006, a residual disputed issue related to the 1999 disposition of a business segment was settled with the Appeals Division of the IRS and was reviewed by the U.S. Congress Joint Committee on Taxation. The settlement resulted in an approximately $35 million reduction in tax expense in 2006.

We expect our effective income tax rate in 2009 to be approximately 28%, before the impacts of any discrete events.

For additional discussion of income taxes, see "Critical Accounting Estimates—Income Taxes" and Note 9 to the Consolidated Financial Statements.

Net Income and Earnings Per Share

(in millions of dollars, except per share amounts)	**2008**	2007	2006
Net income	**$4,689**	$4,224	$3,732
Diluted earnings per share	**$ 4.90**	$ 4.27	$ 3.71

The general weakness of the U.S. dollar against certain currencies, such as the Euro, for the majority of the year, generated a beneficial year-over-year foreign currency impact of $.06 per share in 2008. This year-over-year impact is net of the adverse impacts of both foreign currency translation and hedging at Pratt & Whitney Canada (P&WC) of a combined $.05 per share. At P&WC, the strength of the U.S. dollar in the fourth quarter of 2008 partially offset the adverse foreign currency translation impact experienced earlier in the year from a weaker U.S. dollar as the majority of P&WC's revenues are denominated in U.S. dollars, while a significant portion of its costs are incurred in local currencies. To help mitigate the volatility of foreign currency exchange rates on our operating results, we maintain foreign currency hedging programs, the majority of which are entered into by P&WC. Due to the significant revenue growth at P&WC, as well as the dramatic increase in the strength of the Canadian dollar to the U.S. dollar in 2007 and early 2008, the hedges previously entered into generated an adverse foreign exchange impact as the U.S. dollar strengthened. As a result of hedging programs currently in place, P&WC's 2009 operating results will include the adverse impact of foreign currency translation, net of hedging, of approximately $100 million. In 2007 and 2006, foreign currency translation had a favorable impact of $.09 and $.01 per share, respectively. For additional discussion of foreign currency exposure, see "Market Risk and Risk Management—Foreign Currency Exposures." Diluted earnings per share for 2008 were also favorably impacted by approximately $.11 per share as a result of the shares repurchased since January 1, 2008 under our share repurchase program.

Restructuring and Other Costs

We recorded net pre-tax restructuring and related charges/(credits) totaling $357 million in 2008 and $166 million in 2007 for new and ongoing restructuring actions. We recorded these charges in the segments as follows:

(in millions of dollars)	**2008**	2007
Otis	**$ 21**	$ 21
Carrier	**140**	33
UTC Fire & Security	**63**	39
Pratt & Whitney	**116**	53
Hamilton Sundstrand	**16**	23
Sikorsky	**—**	(3)
Eliminations & Other	**1**	—

The 2008 charges include $148 million in cost of sales, $205 million in selling, general and administrative expenses and $4 million in other income. The 2007 charges include $110 million in cost of sales, $55 million in selling, general and administrative expenses and $1 million in other income. These charges relate principally to actions initiated during 2008 and, to a lesser extent, residual trailing costs related to certain 2007 and 2006 actions.

Restructuring actions are an essential component of our operating margin improvement efforts and relate to both existing operations and those recently acquired. We have acquired certain businesses at beneficial values, such as Linde, Chubb, Kidde and IESG, with the expectation of restructuring the underlying cost structure in order to bring operating margins up to expected levels. Restructuring actions focus on streamlining costs through workforce reductions, the consolidation of manufacturing, sales and service facilities, and the transfer of work to more cost-effective locations. For acquisitions prior to January 1, 2009, the costs of restructuring actions at the acquired company contemplated at the date of acquisition are recorded under purchase accounting and actions initiated subsequently are recorded through operating results. However, upon the January 1, 2009 adoption of SFAS No. 141 (revised 2007), “Business Combinations” (SFAS 141(R)), restructuring costs associated with a business combination will be expensed as incurred. We expect to initiate restructuring actions during 2009 across the businesses due to our continuing cost reduction efforts. Excluding the impact of SFAS 141(R), we expect to incur approximately $150 million of restructuring costs in the first quarter of 2009. Although no specific plans for other significant actions have been finalized at this time, we continue to closely monitor the economic environment and may undertake further restructuring actions to keep our cost structure aligned with the demands of the prevailing market conditions.

2008 Actions. During 2008, we initiated restructuring actions relating to ongoing cost reduction efforts, including selling, general and administrative reductions and the consolidation of manufacturing facilities. We recorded net pre-tax restructuring and related charges in the business segments totaling $327 million as follows: Otis $21 million, Carrier $141 million, UTC Fire & Security $58 million, Pratt & Whitney $93 million, Hamilton Sundstrand $13 million and Eliminations & Other $1 million. The charges included $119 million in cost of sales, $204 million in selling, general and administrative expenses and $4 million in other income. Those costs included $277 million for severance and related employee termination costs, $24 million for asset write-downs and $26 million for facility exit and lease termination costs.

We expect the 2008 actions to result in net workforce reductions of approximately 6,300 hourly and salaried employees, the exiting of approximately 1.2 million net square feet of facilities and the disposal of assets associated with the exited facilities. As of December 31, 2008, we have completed net workforce reductions of approximately 3,900 employees. We are targeting the majority of the remaining workforce and all facility related cost reduction actions for completion during 2009 and 2010. Approximately 80% of the total pre-tax charge will require cash payments, which we will fund with cash generated from operations. During 2008, we had cash outflows of approximately $130 million related to the 2008 actions. We expect to incur additional restructuring and related charges of $60 million to complete these actions. We expect recurring pre-tax savings to increase over the two-year period subsequent to initiating the actions to approximately $370 million annually, of which $108 million was realized in 2008.

2007 Actions. During 2008, we recorded net pre-tax restructuring and related charges in the business segments totaling $10 million for restructuring actions initiated in 2007. The 2007 actions relate to ongoing cost reduction efforts, including workforce reductions and the consolidation of manufacturing facilities. We recorded the charges in 2008 in our segments as follows: UTC Fire & Security $5 million, Pratt & Whitney $2 million and Hamilton Sundstrand $3 million. The charges included $9 million in cost of sales and $1 million in selling, general and administrative expenses. Those costs included $7 million for facility exit and lease termination costs, $2 million for asset write-downs and $1 million for severance.

We expect the 2007 actions to result in net workforce reductions of approximately 1,800 hourly and salaried employees, the exiting of approximately 500,000 net square feet of facilities and the disposal of assets associated with the exited facilities. As of December 31, 2008, we have completed net workforce reductions of approximately 1,700 employees and exited 200,000 net square feet of facilities. We are targeting the majority of the remaining workforce and facility related cost reduction actions for completion during 2009. Approximately 70% of the total pre-tax charge will require cash payments, which we will fund with cash generated from operations. During 2008, we had cash outflows of approximately $40 million related to the 2007 actions. We expect to incur additional restructuring and related charges of $5 million to complete these actions. We expect recurring pre-tax savings to increase over the two-year period subsequent to initiating the actions to approximately $110 million annually.

2006 Actions. During 2008, we recorded net pre-tax restructuring and related charges of $20 million for actions initiated in 2006. The 2006 actions relate to ongoing cost reduction efforts, selling, general and administrative reductions, workforce reductions and the consolidation of manufacturing facilities. The charges recorded in 2008 pertain to facility exit and lease termination costs, which include $20 million of charges recorded to cost of sales and $1 million recorded to selling, general and administrative expenses at Pratt & Whitney, and $1 million of reversals recorded to selling, general and administrative expenses at Carrier.

The 2006 actions resulted in the exiting of approximately 800,000 net square feet of facilities and the disposal of assets associated with the exited facilities. As of December 31, 2008, we have completed all net workforce reductions of approximately 3,700 hourly and salaried employees and completed all facility related actions.

For additional discussion of restructuring, see Note 11 to the Consolidated Financial Statements.

Segment Review

	Revenues			*Operating Profits*			*Operating Profit Margin*		
(in millions of dollars)	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Otis	**$12,949**	$11,885	$10,290	**$2,477**	$2,321	$1,888	**19.1%**	19.5%	18.3%
Carrier	**14,944**	14,644	13,481	**1,316**	1,381	1,237	**8.8%**	9.4%	9.2%
UTC Fire & Security	**6,462**	5,754	4,747	**542**	443	301	**8.4%**	7.7%	6.3%
Pratt & Whitney	**12,965**	12,129	11,112	**2,122**	2,011	1,817	**16.4%**	16.6%	16.4%
Hamilton Sundstrand	**6,207**	5,636	4,995	**1,099**	967	832	**17.7%**	17.2%	16.7%
Sikorsky	**5,368**	4,789	3,230	**478**	373	173	**8.9%**	7.8%	5.4%

Commercial Businesses

The financial performance of our commercial businesses can be influenced by a number of external factors including fluctuations in residential and commercial construction activity, regulatory changes, interest rates, labor costs, foreign currency exchange rates, customer attrition, raw material and energy costs, tightening of credit markets and other global and political factors. Carrier's financial performance can also be influenced by production and utilization of transport equipment, and for its residential business, weather conditions. Geographic and industry diversity across the commercial businesses help to balance the impact of such factors on our consolidated operating results. The decline in orders late in the year across our commercial businesses is a result of continued weakness in the U.S. residential market, the strengthening of the U.S. dollar and a second half slowdown in global non-residential construction activity. Although we have not seen a significant increase in cancellations of orders in the commercial businesses to date, we have experienced an increase in delays as the underlying projects contend with financing issues as a result of the tight credit markets.

In 2008, 72% of total commercial business revenues were generated outside the United States, as compared to 71% in 2007. The following table shows revenues generated outside the United States for each of the commercial business segments:

	2008	2007
Otis	**80%**	81%
Carrier	**60%**	59%
UTC Fire & Security	**83%**	82%

Otis is the world's largest elevator and escalator manufacturing, installation and service company. Otis designs, manufactures, sells and installs a wide range of passenger and freight elevators for low-, medium- and high-speed applications, as well as a broad line of escalators and moving walkways. In addition to new equipment, Otis provides modernization products to upgrade elevators and escalators as well as maintenance services for both its products and those of other manufacturers. Otis serves customers in the commercial and residential property industries around the world. Otis sells directly to the end customer and, to a limited extent, through sales representatives and distributors.

Organic revenue growth of 7% in 2008 was generated by a strong opening new equipment backlog with revenue increases in Europe and North America. Revenues in Asia were flat as growth in China was offset by a decline in Korea. New equipment orders rose 8% and new equipment backlog at the end of the year was up 9%, led by China. Deteriorating economic conditions have begun to adversely impact many commercial construction markets around the world, resulting in declining new equipment order rates in the fourth quarter of 2008 and delays in some previously awarded projects. Global economic conditions are expected to adversely impact new equipment sales, orders, and pricing in 2009.

In 2008, Otis revenues increased $1,064 million (9%) compared with 2007, reflecting organic growth (7%) and the favorable impact of foreign currency translation (3%), partially offset by the absence of gains on the sale of land and a non-core business (combined 1%) recorded in 2007. Revenue growth reflected increased new equipment and service volume, aided by the strong new equipment backlog entering the year, as well as higher modernization and repair sales in North America and Europe, the latter benefiting from changes to elevator safety laws in France and Spain. The 2007 increase of $1,595 million (16%) reflected organic growth (8%), the favorable impact of foreign currency translation (6%) and gains on the sale of land and a non-core business (combined 1%). Organic growth reflected increases in all geographic regions, led by new equipment sales.

Otis operating profits increased $156 million (7%) in 2008 compared with 2007. Profit improvement resulted from higher volumes, product cost reductions and improved field installation efficiencies as partially offset by higher commodity and labor costs (net combined 9%), and the favorable impact of foreign currency translation (5%). These improvements were reduced by the absence in 2008 of gains realized on the sale of land and a non-core business in 2007 (combined 5%) and by provisions for inventory shortages and other accounting irregularities (2%) discovered at a subsidiary in Brazil in late 2008. Otis expects to conclude its investigation into the Brazilian matter in 2009.

Operating profits increased $433 million (23%) in 2007 compared with 2006 as a result of higher revenues and cost containment actions partially offset by escalating commodity and labor costs (net 9%), the favorable impact of foreign currency translation (7%), gains realized on the sale of land and a non-core business (combined 6%), and lower restructuring charges (1%). Operating margins expanded despite the continued shift in sales mix towards new equipment, which has lower contribution margins than services.

Carrier is the world’s largest manufacturer and distributor of HVAC and refrigeration systems. It also produces food service equipment and HVAC and refrigeration-related controls for residential, commercial, industrial and transportation applications. Carrier also provides installation, retrofit and aftermarket services and components for the products it sells and those of other manufacturers in the HVAC and refrigeration industries. Sales are made both directly to the end customer and through manufacturers’ representatives, distributors, wholesalers, dealers and retail outlets. Certain of Carrier’s HVAC businesses are seasonal and can be impacted by weather. Carrier customarily offers its customers incentives to purchase products to ensure adequate supply of our products in the distribution channel.

The slowing global economy has had an immediate impact on Carrier’s short cycle businesses, leading to a decline in organic revenue of 1% in 2008. Weak end markets have adversely impacted the Refrigeration business and continued weakness in the U.S. housing market unfavorably impacted the North American residential businesses. Higher costs on cross border transactions, as a result of significant currency shifts worldwide, have also negatively impacted 2008 operating margin. Our current expectation is that the U.S. housing market deterioration will continue throughout 2009. Moderating commercial HVAC order rates and significant declines in transport refrigeration orders late in the year are expected to create challenging business conditions in 2009. These challenges as well as weak global economic conditions are expected to contribute to a further overall decline in organic revenue in 2009. In response to the current economic environment and expected slower worldwide growth, Carrier continues to focus on implementing restructuring and other cost reduction initiatives.

Although commodity prices declined in the second half of 2008, Carrier still experienced overall cost increases for the year, in part due to certain existing long-term supplier agreements. As a result of commodity cost increases in 2008 and 2007, Carrier implemented price increases on many of its products. Although this helped to partially mitigate the impact, commodity cost increases still had a net adverse impact to operating profit in 2008 and 2007 of $71 million and $79 million, respectively.

Carrier’s revenues increased $300 million (2%) in 2008 compared with 2007, reflecting the favorable impact of both foreign currency translation (2%) and the net impact of recent acquisitions (1%). Organic revenue declined (1%) for the year due to weak end markets in the Refrigeration business and a decline in the Residential and Light Commercial Systems business in North America attributable to the continued weakness in the U.S. housing market. These decreases more than offset growth in the Building Systems and Services business while the Residential and Light Commercial International business was essentially flat. The year-over-year impact from a gain generated on the contribution of a business into a new venture operating in the Middle East and the Commonwealth of Independent States was essentially offset by the absence of a gain in 2007 on the disposition of Carrier’s Fincoil-teollisuus Oy (Fincoil) heat exchanger business.

Carrier's revenues increased $1,163 million (9%) in 2007 compared with 2006. Revenue growth was led by Building Systems and Services (3%), Refrigeration (2%), and Residential and Light Commercial International HVAC (2%), partially offset by a decline in the Residential and Light Commercial Systems business in North America (2%) as a result of the weakness in the U.S. housing market. The year-over-year impact from a gain on the disposition of Fincoil in 2007 was offset by the impact of a gain in 2006 on Carrier's sale of its interest in a compressor manufacturing joint venture. The favorable impact of foreign currency translation (4%) comprised the majority of the remaining revenue increase in 2007.

Carrier's operating profits decreased $65 million (5%) in 2008 compared with 2007. Higher restructuring costs (8%) and the adverse impact of higher commodity costs, net of pricing (5%), were partially offset by the favorable impact of foreign currency translation (4%), the absence of the adverse impact of a 2007 settlement of a gas furnace litigation matter (3%) and the net benefit from recent acquisitions (1%). A gain generated in 2008 from the contribution of a business to a new venture (5%) was mostly offset by the absence of a gain (4%) recorded in 2007 on the disposition of Fincoil. Profit growth in Building Systems and Services, product cost reductions, and benefits from prior restructuring actions, were more than offset by lower earnings in the Refrigeration and Residential and Light Commercial Systems International businesses and the adverse impact of higher costs on cross border transactions (4%), as a result of significant currency shifts experienced during the year, to contribute to the remainder of the year-over-year decrease in operating profit.

Carrier's operating profits increased $144 million (12%) in 2007 compared with 2006. Earnings growth in Building Systems and Services, Residential and Light Commercial International HVAC, and Refrigeration more than offset declining earnings in Residential and Light Commercial Systems North America to generate a combined increase in operating profits (14%). Lower restructuring charges (3%), the absence of manufacturing inefficiencies associated with the ramp up of the 13 SEER production in 2006, and the favorable impact of foreign currency translation (4%) were partially offset by the adverse impact of higher commodity costs, net of price realization (6%). The adverse impact of the settlement of a furnace litigation matter ($36 million) was more than offset by a gain generated on the disposition of Fincoil, to generate the majority of the remaining year-over-year change.

UTC Fire & Security is a global provider of security and fire safety products and services. The UTC Fire & Security segment was created in the second quarter of 2005 upon acquiring Kidde and adding the Kidde industrial, retail and commercial fire safety businesses to the former Chubb segment. In the electronic security industry, UTC Fire & Security provides system integration, installation and service of intruder alarms, access control systems and video surveillance systems under several brand names including Chubb. In the fire safety industry, UTC Fire & Security designs, manufactures, integrates, installs, sells and services a wide range of specialty hazard detection and fixed suppression products and systems and manufactures, sells and services portable fire extinguishers and other fire fighting equipment under several brand names including Kidde. UTC Fire & Security also provides monitoring, response and security personnel services, including cash-in-transit security, to complement its electronic security and fire safety businesses. UTC Fire & Security sells directly to the customer as well as through manufacturers' representatives, distributors, dealers and U.S. retail distribution.

UTC Fire & Security's revenues increased $708 million (12%) in 2008, as compared with 2007, due principally to net acquisitions (9%). Organic revenue growth of 3% was primarily contributed by the North American and European Fire Safety businesses (2%) due to strength in the oil & gas and marine industries and in Asia. UTC Fire & Security's revenues increased $1,007 million (21%) in 2007, as compared with 2006, due to acquisitions (12%), the favorable impact of foreign currency translation (7%) and organic growth (2%).

UTC Fire & Security's operating profits increased $99 million (22%) in 2008, as compared with 2007, due principally to increased sales volume, the benefits of net cost reductions from previous restructuring and integration and continuing productivity initiatives (combined 18%) and net acquisitions (11%). These improvements were partially offset by the adverse impact of higher restructuring costs (5%) and the unfavorable impact of foreign currency translation (1%) to reflect the majority of the remaining year-over-year operating profit change. Operating profits increased $142 million (47%) in 2007 as compared with 2006. The majority of the increase in operating profits was generated from increased volume, net cost reductions from previous restructuring actions (combined 19%), net acquisitions (19%), lower restructuring costs (2%) and the favorable impact of foreign currency translation (9%). These improvements were partially offset by the net adverse impact of higher commodity costs (3%).

Aerospace Businesses

The financial performance of Pratt & Whitney, Hamilton Sundstrand and Sikorsky is directly tied to the economic conditions of the commercial aerospace and defense industries. In particular, Pratt & Whitney experiences intense competition for new commercial airframe/engine combinations. Engine suppliers may offer substantial discounts and other financial incentives, performance and operating cost guarantees, participation in financing arrangements and maintenance agreements. At times, the aerospace businesses also enter into firm fixed-price development contracts, which may require the company to bear cost overruns related to unforeseen technical and design challenges that arise during the development stage of the program. Customer selections of engines and components can also have a significant impact on later sales of parts and service. Predicted traffic levels, load factors, worldwide airline profits, general economic activity and global defense spending have been reliable indicators for new aircraft and aftermarket orders within the aerospace industry. Spare part sales and aftermarket service trends are affected by many factors, including usage, technological improvements, pricing, regulatory changes and the retirement of older aircraft. Performance in the general aviation sector is closely tied to the overall health of the economy and is positively correlated to corporate profits.

The volatility of fuel prices throughout much of 2008 adversely impacted the commercial aerospace industry leading many airline carriers to consolidate or reduce capacity by idling some aircraft and retiring other older and less fuel efficient aircraft. Several smaller carriers have either declared bankruptcy or shut down altogether. Although fuel prices had declined substantially by the end of 2008, the deterioration in the worldwide economic environment has led to a significant decline in passenger and cargo traffic. RPM growth was essentially flat in 2008 compared to the 5% growth reflected in 2007. We expect worldwide RPMs to be down approximately 3% in 2009 as a result of expected further air traffic declines. While the service and capacity reductions did not have a significant impact on our 2008 full year results, we did begin to see a decline in Pratt & Whitney's year-over-year large commercial spares orders and we expect a further decline in 2009 based upon the current economic conditions. As a result of lower business jet utilization, P&WC experienced a decline in spares volume in the second half of 2008, and expect further declines in 2009. Total commercial aerospace aftermarket revenues increased 2% in 2008 compared with 2007, reflecting increases at both Hamilton Sundstrand and Sikorsky, while Pratt & Whitney was essentially flat year-over-year. Pratt & Whitney's commercial aerospace aftermarket revenue performance reflects the growth experienced in the first half of 2008 offset by declines in the second half of the year. Hamilton Sundstrand's aftermarket revenues increased in the year due to provisioning by the airlines and as it supplies product content on a broad spectrum of aircraft.

Despite the airline industry adversity, the strong production levels at the airframe manufacturers generated commercial aerospace OEM growth in 2008, as compared with 2007, as airframe manufacturers continued delivering on their strong backlogs. Given the current tight credit markets facing both the airlines and the business jet market, there is a possibility that some commercial aircraft delivery dates scheduled for 2009 are at risk of being deferred. Projected global traffic declines, a weakening business jet market, and the possible deferral of commercial aircraft deliveries by airlines to counter the weakening travel demand are all expected to result in a moderation of growth rates in the commercial aerospace markets. The machinist strike at Boeing during the year did not have a significant adverse impact to our 2008 full year results.

Continued government military spending is driving helicopter demand and, as a result, Sikorsky's military backlog remains very strong. While the U.S. Defense Department budgets are largely in place for 2009, spending beyond 2009 will reflect policies of a new administration and Congress. Across all segments, military OEM volume increased 13% in 2008 compared with 2007, led by Sikorsky. As a result of the strong military helicopter demand and our existing backlogs, we expect further growth in helicopter deliveries in 2009. Total sales to the U.S. government of $7.7 billion, $7.3 billion, and $6.4 billion in 2008, 2007, and 2006, respectively, were 13% of total UTC sales in 2008 and 14% in both 2007 and 2006. The defense portion of our aerospace business is affected by changes in market demand and the global political environment. Our participation in long-term production and development programs for the U.S. government has contributed positively to our results in 2008 and is expected to continue to benefit results in 2009.

Pratt & Whitney is among the world's leading suppliers of aircraft engines for the commercial, military, business jet and general aviation markets. Pratt & Whitney's Global Services organization provides maintenance, repair and overhaul services, including the sale of spare parts, as well as fleet management services for large commercial engines. Pratt & Whitney produces families of engines for wide and narrow body aircraft in the commercial and military markets. Pratt & Whitney also sells engines for industrial applications and space propulsion systems. P&WC is a world leader in the production of engines powering business, regional, light jet, utility and military aircraft and helicopters. Pratt & Whitney Rocketdyne (PWR) is a leader in the design, development and manufacture of sophisticated aerospace propulsion systems for military and commercial applications, including the U.S. space shuttle. Pratt & Whitney's products are sold principally to aircraft manufacturers, airlines and other aircraft operators, aircraft leasing companies, space launch vehicle providers and U.S. and foreign governments. Pratt & Whitney's products and services must adhere to strict regulatory and market driven safety and performance standards. The frequently changing nature of these standards, along with the long duration of aircraft engine programs, create uncertainty regarding engine program profitability. The vast majority of sales are made directly to the end customer and, to a limited extent, through independent distributors and foreign sales representatives.

During 2007, both Mitsubishi Heavy Industries Ltd. (MHI) and Bombardier selected Pratt & Whitney's PurePower engine to power their planned new aircraft. Both aircraft are scheduled to enter service in 2013. The PurePower engine, featuring GTF technology, is the exclusive power plant for the new Mitsubishi Regional Jet and the proposed Bombardier C Series family of passenger aircraft. This engine targets a significant reduction in fuel burn and noise levels with lower environmental emissions and operating costs than current production engines. In

2008, the PurePower demonstrator engine successfully completed flight testing. The success of these aircraft and the PurePower engine is dependent upon many factors including technological challenges, aircraft demand, and regulatory approval. Based on these factors, additional investment in the PurePower and the GTF program will be required, with potential additional investment in the underlying aircraft programs being dependent on successful launch by the air-framers and other conditions.

In view of the risks and costs associated with developing new engines, Pratt & Whitney has entered into collaboration agreements in which revenues, costs and risks are shared. At December 31, 2008, the interests of participants in new and existing Pratt & Whitney-directed jet engine production programs ranged from 14% to 29%. In addition, Pratt & Whitney has interests in other engine programs, including a 33% interest in the International Aero Engines (IAE) collaboration that sells and supports V2500® engines for the Airbus A320 family of aircraft. At December 31, 2008, a portion of Pratt & Whitney's interest in IAE (equivalent to 4% of the overall IAE collaboration) was held by Pratt & Whitney sub-partners. Pratt & Whitney also has a 50% interest in the Engine Alliance (EA), a joint venture with GE Aviation, undertaken to develop, market and manufacture the GP7000® engine for the Airbus A380 aircraft. At December 31, 2008, 40% of Pratt & Whitney's 50% interest in the EA was held by other participants. During 2008, we also entered into collaboration arrangements for the above mentioned PurePower engine programs. Effective January 1, 2009, we have adopted EITF Issue No. 07-1, "Accounting for Collaborative Arrangements," which requires that revenues and costs from collaborative arrangements be reported on a gross basis in the appropriate line item in our financial statement. For additional discussion of this EITF Issue, see "New Accounting Pronouncements."

Pratt & Whitney's revenues increased $836 million (7%) in 2008 as compared with 2007. This increase is primarily attributable to higher engine deliveries at P&WC (4%), increased commercial engine revenue and aftermarket services volume, partially offset by commercial spares (net combined 1%), and increased volume at Pratt & Whitney Power Systems (1%). Increased volume at PWR (1%) was offset by lower military engine volumes. Revenues increased $1,017 million (9%) in 2007 as compared with 2006. This increase was primarily attributable to higher engine deliveries at P&WC (4%), higher commercial aftermarket volume (3%), and higher volumes at Pratt & Whitney Power Systems (3%).

Pratt & Whitney's operating profits increased $111 million (6%) in 2008 as compared with 2007. This increase is primarily attributable to the profit contributions from higher engine deliveries and favorable engine mix at P&WC (7%) and increased volume at PWR (2%). Operating profit growth also reflects a gain from the sale of a partial investment (2%) and the favorable impact of commercial engine mix, a commercial engine program adjustment, and lower net commodity costs (combined 3%). These profit contributions were partially offset by the absence of the favorable impact of a contract termination in 2007 (3%), higher year-over-year restructuring costs (3%) and the adverse impact of foreign currency movement (3%) on both foreign currency translation and hedging activity.

Pratt & Whitney's operating profits increased $194 million (11%) in 2007 as compared with 2006. This increase was primarily attributable to the profit contribution from higher volumes in commercial markets and aftermarket services (12%), higher volumes and aftermarket performance at P&WC (6%), and an improved engine mix in military markets (5%). These increases to operating profit were partially offset by the impact of higher year-over-year commodity costs (7%), and the absence of the favorable impact of a 2006 settlement of a government litigation matter (5%).

Hamilton Sundstrand is among the world's leading suppliers of technologically advanced aerospace and industrial products and aftermarket services for diversified industries worldwide. Hamilton Sundstrand's aerospace products, such as power generation, management and distribution systems, flight systems, engine control systems, environmental control systems, fire protection and detection systems, auxiliary power units and propeller systems, serve commercial, military, regional, business and general aviation, as well as space and undersea applications. Aftermarket services include spare parts, overhaul and repair, engineering and technical support and fleet maintenance programs. Hamilton Sundstrand sells aerospace products to airframe manufacturers, the U.S. and foreign governments, aircraft operators and independent distributors. Hamilton Sundstrand's principal industrial products, such as air compressors, metering pumps and fluid handling equipment, serve industries involved with raw material processing, bulk material handling, construction, hydrocarbon and chemical processing, and water and wastewater treatment. These products are sold under the Sullair, Sundyne, Milton Roy and other brand names directly to end-users and through manufacturers' representatives and distributors.

Hamilton Sundstrand's revenues increased $571 million (10%) in 2008 as compared with 2007, due principally to organic volume growth in both the aerospace (7%) and industrial (2%) businesses, and the favorable impact of foreign currency translation (1%). The increase within aerospace was primarily attributable to OEM volume growth. Revenues increased $641 million (13%) in 2007 as compared with 2006 due principally to organic volume growth in both the aerospace (7%) and industrial (2%) businesses, and the favorable impact of foreign currency translation (2%). Within aerospace, both commercial aftermarket (5%) and commercial OEM (2%) contributed to the volume increase.

Hamilton Sundstrand's operating profits increased $132 million (14%) in 2008 as compared with 2007, primarily due to growth in the aerospace (6%) and industrial businesses (2%). The favorable impact of gains related to divestiture activity (3%), the favorable impact of foreign currency translation (1%), and lower year-over-year restructuring costs (1%) contributed the majority of the remaining year-over-year operating profit growth. Operating profits increased $135 million (16%) in 2007 as compared with 2006 due principally to volume growth in both the commercial aftermarket (13%) and industrial businesses (2%) and the favorable impact of foreign currency translation (2%). Operating profits from commercial OEM revenue growth (8%) and the impact of lower restructuring costs (2%) were mostly offset by increased company funded research and development costs (9%), principally related to the Boeing 787 program.

Sikorsky is one of the world's largest manufacturers of military and commercial helicopters and also provides aftermarket helicopter and aircraft parts and services. Current major production programs at Sikorsky include the UH-60M Black Hawk medium-transport helicopters and HH-60M Medevac helicopters for the U.S. and foreign governments, the S-70 Black Hawk for foreign governments, the MH-60S and MH-60R helicopters for the U.S. Navy, the International Naval Hawk for multiple naval missions, and the S-76 and the S-92 helicopters for commercial operations. The UH-60M helicopter is the latest and most modern in a series of Black Hawk variants that Sikorsky has been delivering to the U.S. Army since 1978 and requires significant additional assembly hours relative to the previous variants. In December 2007, the U.S. government and Sikorsky signed a five-year, multi-service contract for 537 H-60 helicopters to be delivered to the U.S. Army and U.S. Navy, which include the UH-60M, HH-60M, MH-60S and MH-60R aircraft. The contract value for expected deliveries over the five year term is approximately $7.4 billion and includes options for an additional 263 aircraft, spares, and kits, with the total contract value potentially reaching $11.6 billion making it the largest contract in UTC and Sikorsky history. Actual production quantities will be determined year by year over the life of the program based on funding allocations set by Congress and Pentagon acquisition priorities. The deliveries of the aircraft are scheduled to be made through 2012. Sikorsky also is developing the CH-53K next generation heavy lift helicopter for the U.S. Marine Corps and the CH-148, a derivative of the H-92, a military variant of the S-92, for the Canadian government. The latter is being developed under an approximately $3 billion firm, fixed-price contract that provides for the development, production, and 20-year logistical support of 28 helicopters. This is the largest and most expansive fixed-price development contract in Sikorsky's history. In December 2008, Sikorsky and the Canadian government executed amendments to the contract that revised the delivery schedule and contract specifications. The first test flight was successfully conducted in November 2008 and delivery of the first helicopter is scheduled for the fourth quarter of 2010.

Sikorsky's aftermarket business includes spare parts sales, overhaul and repair services, maintenance contracts, and logistics support programs for helicopters and other aircraft. Sales are made directly by Sikorsky and by its subsidiaries and joint ventures. Sikorsky is increasingly engaging in logistics support programs and partnering with its government and commercial customers to manage and provide maintenance and repair services.

Sikorsky's revenues increased $579 million (12%) in 2008, as compared with 2007, due to the higher volume of military aircraft deliveries and a favorable aircraft mix between military and commercial programs. Revenues increased $1,559 million (48%) in 2007, as compared with 2006, due to higher business volume and full production in 2007 as compared to 2006, which was adversely impacted by the six week strike of Sikorsky's union workforce. Increases in military aircraft deliveries and program support (22%), commercial aircraft revenues (13%) and aftermarket operations (13%) comprised the majority of the year-over-year revenue increase.

Sikorsky's operating profits increased $105 million (28%) in 2008 as compared with 2007. This improvement was primarily attributable to increased military aircraft deliveries and favorable aircraft mix for both military and commercial programs (combined 42%). These improvements were partially offset by increased selling, general, and administrative expenses (7%) and research and development (6%). Sikorsky's operating profits increased $200 million (116%) in 2007 as compared with 2006. A 58% increase in the number of large aircraft deliveries as a result of strong commercial and military demand and the absence of the strike related impact in 2006 generated the majority of the increase in operating profit in 2007. Lower year-over-year restructuring charges (14%), partially offset by the absence of recoveries from the Comanche program termination (7%), contributed to the remaining operating profit increase.

Liquidity and Financing Commitments

(in millions of dollars)	**2008**	2007
Cash and cash equivalents	**$ 4,327**	$ 2,904
Total debt	**11,476**	9,148
Net debt (total debt less cash and cash equivalents)	**7,149**	6,244
Shareowners' equity	**15,917**	21,355
Total capitalization (debt plus equity)	**27,393**	30,503
Net capitalization (debt plus equity less cash and cash equivalents)	**23,066**	27,599
Debt to total capitalization	**42%**	30%
Net debt to net capitalization	**31%**	23%

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. Our principal source of liquidity is operating cash flows, which, after netting out capital expenditures, we target to equal or exceed net income. In addition to operating cash flows, other significant factors that affect our overall management of liquidity include: capital expenditures, customer financing requirements, investments in businesses, dividends, common stock repurchases, pension funding, access to the commercial paper markets, adequacy of available bank lines of credit, and the ability to attract long-term capital at satisfactory terms.

Recent distress in the financial markets has had an adverse impact on financial market activities including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. We have assessed the implications of these factors on our current business, are closely monitoring the impact on our customers and suppliers, and have determined that there has not been a significant impact on our financial position, results of operations or liquidity during 2008. Our pension plans have not experienced any significant impact on liquidity or counterparty exposure due to the volatility in the credit markets. However, as a result of losses experienced in the global equity markets, our domestic pension funds experienced a negative return on assets of approximately 27% in 2008. This negative return on our domestic plan in 2008, combined with a change in discount rate will increase pension costs by approximately $225 million in 2009 as compared to 2008. The negative return on assets also had a significant adverse impact on shareowners' equity in 2008. Combined with the changes attributable to foreign currency translation, the unrealized pension losses contributed a combined increase of seven percentage points to the debt to equity ratio.

Approximately 85% of our domestic pension plans are invested in readily-liquid investments, including equity, fixed income, asset backed receivables and structured products. Less than 1% of these investments are senior tranches of several structured investment vehicles that have been absorbed onto the balance sheets of the sponsoring banks. The balance of our domestic pension plans (14%) is invested in less-liquid but market-valued investments, including real estate and private equity.

As discussed further below, our strong debt ratings and financial position enabled us to issue $1.0 billion of long-term debt in May 2008 and $1.25 billion of long-term debt in December 2008 at favorable market rates. While market volatility cannot be predicted, we do not currently expect a significant impact to our liquidity, financial position or results of operations in 2009.

Our ability to obtain debt financing at comparable risk-based interest rates is partly a function of our existing debt to capitalization levels as well as our current credit standing. In December 2008, we used the net proceeds from our December 2008 issuance of $1.25 billion in long-term debt to repay a portion of our outstanding commercial paper borrowings at that time, as well as a portion of our outstanding borrowings from our multicurrency revolving credit facility. Our credit ratings are reviewed regularly by major debt rating agencies such as Standard and Poor's and Moody's Investors Service. In November 2008, Standard and Poor's affirmed our short-term debt rating as A-1, and in December 2008, affirmed our long-term debt rating as A. Similarly, in November 2008, Moody's Investors Service also affirmed its corporate rating on our long-term and short-term debt as A2 and P-1, respectively. We continue to have access to the commercial paper markets and our existing credit facilities, and expect to continue to generate strong operating cash flows. While the impact of continued market volatility cannot be predicted, we believe we have sufficient operating flexibility, cash reserves and funding sources to maintain adequate amounts of liquidity and to meet our future operating cash needs.

Most of our cash is denominated in foreign currencies. We manage our worldwide cash requirements by considering available funds among the many subsidiaries through which we conduct our business and the cost effectiveness with which those funds can be accessed. The repatriation of cash balances from certain of our subsidiaries could have adverse tax consequences; however, those balances are generally available without legal restrictions to fund ordinary business operations. We will continue to transfer cash from those subsidiaries to UTC and to other international subsidiaries when it is cost effective to do so.

We believe our future operating cash flows will be sufficient to meet our future operating cash needs. Further, our ability to obtain debt or equity financing, as well as the availability under committed credit lines, provides additional potential sources of liquidity should they be required.

Cash Flow from Operating Activities

	Year Ended December 31,	
(in millions of dollars)	**2008**	2007
Net cash flows provided by operating activities	**$ 6,161**	$ 5,330

In both 2008 and 2007, the majority of cash flows provided by operating activities were generated by the income from the strong operational performance in both years. For 2008, the net income contribution was partially offset by a growth in working capital of $230 million and an increase in other net operating assets of approximately $240 million. The approximately $560 million growth in inventory was significantly lower than the $1.1 billion growth in 2007 and largely reflected the increased production levels at Sikorsky. However, the overall growth in inventories was more than offset by accounts payable and customer advances reflected in the approximately $790 million increase in accounts payable and accrued liabilities. The increase in accounts receivable is reflective of the overall growth in revenues.

For 2007, revenue and production growth generated a combined increase in inventory and accounts receivable of approximately $1.6 billion. However, this amount was completely funded by accounts payable and customer advances as reflected in the approximately $1.6 billion increase in accounts payable and accrued liabilities. Changes in other net operating assets consumed approximately $680 million due largely to the payment of the previously noted EU Fine and to the payment of Canadian taxes in connection with ongoing tax planning activities.

The funded status of our pension plans is dependent upon many factors, including returns on invested assets and the level of market interest rates. We can contribute cash or company stock to our plans at our discretion, subject to applicable regulations. Total cash contributions to pension plans during 2008 and 2007 were $242 million and $181 million, respectively. We also contributed $250 million and $150 million in UTC common stock to these plans during 2008 and 2007, respectively. As of December 31, 2008, the total investment by the defined benefit pension plans in our securities is approximately 4% of total plan assets. We expect to make contributions of approximately $600 million to our pension plans in 2009, including approximately $400 million to our domestic plans. Expected contributions to our defined pension plans in 2009 will meet or exceed the current funding requirements.

Cash Flow from Investing Activities

	Year Ended December 31,	
(in millions of dollars)	**2008**	2007
Net cash flows used in investing activities	**$ (2,336)**	$ (3,182)

The 2008 activity primarily reflects a net investment in businesses of $915 million and capital expenditures of $1,216 million. This compares with a net investment in businesses in 2007 of $1,739 million and capital expenditures of $1,153 million. Cash investment in businesses across all of our operations in 2008 was $1,252 million and primarily consisted of a number of small acquisitions in our commercial businesses. Acquisitions in 2007 consisted principally of the UTC Fire & Security acquisition of IESG for $952 million and Marioff for $348 million, as well as a number of smaller acquisitions across the businesses. Dispositions in both 2008 and 2007 consisted primarily of the sale of certain non-core businesses including Carrier’s Fincoil in 2007. We expect total investments in businesses in 2009 to approximate $2 billion; however, actual acquisition spending may vary depending upon the timing, availability and appropriate value of acquisition opportunities.

The $63 million increase in capital expenditures in 2008 as compared with 2007 is related largely to restructuring and facility changes across the businesses. In preparation for the challenging economic climate expected in 2009, we have tightened capital expenditure spending substantially across the company and as a result expect a reduction of spending in 2009.

Customer financing activities were a net cash use of $147 million in 2008, compared to a net cash use of $139 million in 2007. While we expect that customer financing will be a net use of cash in 2009, actual funding is subject to usage under existing customer financing arrangements. At December 31, 2008, we had financing and rental commitments of $1,142 million related to commercial aircraft, of which as much as $407 million may be required to be disbursed in 2009. We may also arrange for third-party investors to assume a portion of our commitments. Refer to Note 4 to the Consolidated Financial Statements for additional discussion of our commercial aerospace industry assets and commitments.

Cash Flow from Financing Activities

	Year Ended December 31,	
(in millions of dollars)	**2008**	2007
Net cash flows used in financing activities	**$ (2,238)**	$ (1,955)

In both 2008 and 2007, cash was primarily used to return value to shareowners through dividends and share repurchases. In December 2008, May 2008 and December 2007, we issued $1.25 billion, $1.0 billion and $1.0 billion, respectively, of long-term debt. The proceeds of the May 2008 issuance were primarily used for general corporate purposes, including financing acquisitions and repurchases of our stock. The proceeds of the December 2008 and 2007 issuances were primarily used to repay commercial paper borrowings and to repay outstanding borrowings under our multicurrency revolving credit facility described below.

The timing and levels of certain cash flow activities, such as acquisitions and repurchases of our stock, have resulted in the issuance of both long-term and short-term debt. Commercial paper borrowings and revolving credit facilities provide short-term liquidity to supplement operating cash flows and are used for general corporate purposes, including the funding of potential acquisitions and repurchases of our stock. At December 31, 2008, we had two committed credit agreements from banks permitting aggregate borrowings of up to $2.5 billion. One credit commitment is a $1.5 billion revolving credit agreement. As of December 31, 2008 there were no borrowings under this revolving credit agreement, which expires in October 2011. We also have a $1.0 billion multicurrency revolving credit agreement that is available for general funding purposes, including acquisitions. As of December 31, 2008, approximately $460 million had been borrowed under this revolving credit agreement. This agreement expires in November 2011. As of December 31, 2008, the undrawn portions of both the $1.5 billion revolving credit agreement and $1.0 billion multicurrency revolving credit agreement were available to serve as backup facilities for the issuance of commercial paper. In December 2008, we increased our maximum commercial paper borrowing authority from $1.5 billion to $2.5 billion. In addition, at December 31, 2008, approximately $2.0 billion was available under short-term lines of credit with local banks at our various domestic and international subsidiaries. We had approximately $150 million of commercial paper outstanding at December 31, 2008, all of which was scheduled to mature within one month. In February 2009, we redeemed the entire $500 million outstanding principal amount of Floating Rate Notes that were due in June 2009.

In July 2007, we filed a universal shelf registration statement with the SEC for an indeterminate amount of securities for future issuance, subject to our internal limitations on the amount of debt to be issued under this shelf registration statement.

Financing cash outflows for 2008 and 2007 included the repurchase of 50.4 million and 28.3 million shares of our common stock for $3,160 million and $2,001 million, respectively, under a share repurchase program. On June 11, 2008, the Board of Directors authorized a new 60 million common share repurchase program that replaced the previous program, approved in December 2006, which was nearing completion. Of the approximately 50 million shares which were repurchased in 2008, 19 million shares were repurchased under the previous program and 31 million shares were repurchased under the new program. In addition to management's view that the repurchase of our common stock is a beneficial investment, we also repurchase to offset the dilutive effect of the issuance of stock and options under the stock-based employee benefit programs. At December 31, 2008, we had remaining authority to repurchase approximately 29 million shares under the current program. We expect total share repurchases in 2009 to approximate $2.0 billion; however, total repurchases may vary depending upon various factors including the level of other investing activities.

We paid dividends of $.32 per share in the first quarter of 2008 for a total of $293 million, $.32 per share in the second quarter for a total of $290 million, $.32 per share in the third quarter for a total of $286 million, and $.385 per share in the fourth quarter for a total of $341 million. During 2007, $1,080 million of cash dividends were paid to shareowners.

Critical Accounting Estimates

Preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Note 1 to the Consolidated Financial Statements describes the significant accounting policies used in preparation of the Consolidated Financial Statements. Management believes the most complex and sensitive judgments, because of their significance to the Consolidated Financial Statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. The most significant areas involving management judgments and estimates are described below. Actual results in these areas could differ from management's estimates.

Long-Term Contract Accounting. We utilize percentage of completion accounting on certain of our long-term contracts. The percentage of completion method requires estimates of future revenues and costs over the full term of product delivery. We also utilize the completed-contract method of accounting on certain lesser value commercial contracts. Under the completed-contract method, sales and cost of sales are recognized when a contract is completed.

Losses, if any, on long-term contracts are provided for when anticipated. We recognize loss provisions on original equipment contracts to the extent that estimated inventoriable manufacturing, engineering, product warranty and product performance guarantee costs exceed the projected revenue from the products contemplated under the contractual arrangement. For new commitments, we generally record loss provisions at the earlier of contract announcement or contract signing. For existing commitments, anticipated losses on contracts are recognized in the period in which losses become evident. Products contemplated under the contractual arrangement include products purchased under the contract and, in the large commercial engine business, future highly probable sales of replacement parts required by regulation that are expected to be purchased subsequently for incorporation into the original equipment. Revenue projections used in determining contract loss provisions are based upon estimates of the quantity, pricing and timing of future product deliveries. We recognize losses on shipment to the extent that inventoriable manufacturing costs, estimated warranty costs and product performance guarantee costs exceed revenue realized. We measure the extent of progress toward completion on our long-term commercial aerospace equipment and helicopter contracts using units of delivery. In addition, we use the cost-to-cost method for development contracts in the aerospace businesses and for elevator and escalator sales, installation and modernization contracts in the commercial businesses. For long-term aftermarket contracts, we recognize revenue over the contract period in proportion to the costs expected to be incurred in performing services under the contract. Contract accounting also requires estimates of future costs over the performance period of the contract as well as an estimate of award fees and other sources of revenue.

Contract costs are incurred over a period of time, which can be several years, and the estimation of these costs requires management's judgment. The long-term nature of these contracts, the complexity of the products, and the strict safety and performance standards under which they are regulated can affect our ability to estimate costs precisely. As a result, we review and update our cost estimates on significant contracts on a quarterly basis, and no less frequently than annually for all others, or when circumstances change and warrant a modification to a previous estimate. We record adjustments to contract loss provisions in earnings when identified.

Income Taxes. The future tax benefit arising from net deductible temporary differences and tax carryforwards is $5.2 billion at December 31, 2008 and $2.4 billion at December 31, 2007. Management believes that our earnings during the periods when the temporary differences become deductible will be sufficient to realize the related future income tax benefits. For those jurisdictions where the expiration date of tax carryforwards or the projected operating results indicate that realization is not likely, a valuation allowance is provided.

In assessing the need for a valuation allowance, we estimate future taxable income, considering the feasibility of ongoing tax planning strategies and the realizability of tax loss carryforwards. Valuation allowances related to deferred tax assets can be affected by changes to tax laws, changes to statutory tax rates and future taxable income levels. In the event we were to determine that we would not be able to realize all or a portion of our deferred tax assets in the future, we would reduce such amounts through a charge to income in the period in which that determination is made or when tax law changes are enacted. Conversely, if we were to determine that we would be able to realize our deferred tax assets in the future in excess of the net carrying amounts, we would decrease the recorded valuation allowance through an increase to income in the period in which that determination is made. Subsequently recognized tax benefits associated with valuation allowances recorded in a business combination have been recorded as an adjustment to goodwill. However, upon the January 1, 2009 adoption of SFAS 141(R), changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense as further described in "New Accounting Pronouncements."

In the ordinary course of business there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. See Notes 1 and 9 to the Consolidated Financial Statements for further discussion.

Goodwill and Intangible Assets. Our net investments in businesses in 2008 totaled $1.4 billion, including approximately $196 million of debt assumed. The assets and liabilities of acquired businesses are recorded under the purchase method of accounting at their estimated fair values at the dates of acquisition. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses.

Goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to annual impairment testing. The identification and measurement of goodwill impairment involves the estimation of the fair value of reporting units. The estimates of fair value of reporting units are based on the best information available as of the date of the assessment, which primarily incorporates management assumptions about expected future cash flows and contemplates other valuation techniques. Future cash flows can be affected by changes in industry or market conditions or the rate and extent to which anticipated synergies or cost savings are realized with newly acquired entities. We completed our assessment of goodwill as of July 1, 2008 and determined that no impairment existed at that date. Although no significant goodwill impairment has been recorded to date, there can be no assurances that future goodwill impairments will not occur. However, a 10% decrease in the estimated fair value of any of our reporting units at the date of our 2008 assessment would not have resulted in a goodwill impairment charge. See Note 2 to the Consolidated Financial Statements for further discussion.

Product Performance. We extend performance and operating cost guarantees beyond our normal service and warranty policies for extended periods on some of our products, particularly commercial aircraft engines. Liability under such guarantees is based upon future product performance and durability. In addition, we incur discretionary costs to service our products in connection with product performance issues. We accrue for such costs that are probable and can be reasonably estimated. The costs associated with these product performance and operating cost guarantees require estimates over the full terms of the agreements, and require management to consider factors such as the extent of future maintenance requirements and the future cost of material and labor to perform the services. These cost estimates are largely based upon historical experience. See Note 13 to the Consolidated Financial Statements for further discussion.

Contracting with the U.S. Government. Our contracts with the U.S. government are subject to government oversight and audit. Like many defense contractors, we have received audit reports, which recommend that certain contract prices should be reduced to comply with various government regulations. Some of these audit reports have involved substantial amounts. We have made voluntary refunds in those cases we believe appropriate. In addition, we accrue for liabilities associated with those government contracting matters that are probable and can be reasonably estimated. The inherent uncertainty related to the outcome of these matters can result in amounts materially different from any provisions made with respect to their resolution. See Note 15 to the Consolidated Financial Statements for further discussion. We recorded sales to the U.S. government of $7.7 billion, $7.3 billion, and $6.4 billion in 2008, 2007, and 2006, respectively.

Employee Benefit Plans. We sponsor domestic and foreign defined benefit pension and other postretirement plans. Major assumptions used in the accounting for these employee benefit plans include the discount rate, expected return on plan assets, rate of increase in employee compensation levels, and health care cost increase projections. Assumptions are determined based on company data and appropriate market indicators, and are evaluated each year at December 31. A change in any of these assumptions would have an effect on net periodic pension and postretirement benefit costs reported in the Consolidated Financial Statements.

In the following table, we show the sensitivity of our pension and other postretirement benefit plan liabilities and net periodic cost to a 25 basis point change in the discount rate as of December 31, 2008.

(in millions of dollars)	Change in Discount Rate Increase in 25 bps	Change in Discount Rate Decrease in 25 bps
Pension plans		
Projected benefit obligation	$ (625)	$ 647
Net periodic pension cost	(67)	66
Other postretirement benefit plans		
Accumulated postretirement benefit obligation	(14)	14
Net periodic postretirement benefit cost	—	—

Pension expense is also sensitive to changes in the expected long-term rate of asset return. An increase or decrease of 25 basis points in the expected long-term rate of asset return would have decreased or increased 2008 pension expense by approximately $48 million.

The weighted-average discount rate used to measure pension liabilities and costs is set by reference to UTC specific analysis using each plan's specific cash flows and compared to high-quality bond indices for reasonableness. Global market interest rates have increased in 2008 as compared with 2007 and, as a result, the weighted-average discount rate used to measure pension liabilities increased from 6.0% in 2007 to 6.1% in 2008. Pension expense in 2009 is expected to increase approximately $225 million primarily as a result of negative asset return incurred in 2008 that resulted from the deterioration in the global equity markets. See Note 10 to the Consolidated Financial Statements for further discussion.

Inventory Valuation Reserves. Inventory valuation reserves are established in order to report inventories at the lower of cost or market value on our Consolidated Balance Sheet. The determination of inventory valuation reserves requires management to make estimates and judgments on the future salability of inventories. Valuation reserves for excess, obsolete, and slow-moving inventory are estimated by comparing the inventory levels of individual parts to both future sales forecasts or production requirements and historical usage rates in order to identify inventory where the resale value or replacement value is less than inventoriable cost. Other factors that management considers in determining these reserves include whether individual inventory parts meet current specifications and cannot be substituted for a part currently being sold or used as a service part, overall market conditions, and other inventory management initiatives.

As of December 31, 2008, and 2007 we had $497 million and $471 million, respectively, of inventory valuation reserves recorded. Although management believes these reserves are adequate, any abrupt changes in market conditions may require us to record additional inventory valuation reserves.

Off-Balance Sheet Arrangements and Contractual Obligations

We extend a variety of financial guarantees to third parties in support of unconsolidated affiliates and for potential financing requirements of commercial aerospace customers. We also have obligations arising from sales of certain businesses and assets, including representations and warranties and related indemnities for environmental, health and safety, tax and employment matters. Circumstances that could cause the contingent obligations and liabilities arising from these arrangements to come to fruition are changes in an underlying transaction (e.g., hazardous waste discoveries, etc.), nonperformance under a contract, customer requests for financing, or deterioration in the financial condition of the guaranteed party.

A summary of our consolidated contractual obligations and commitments as of December 31, 2008 is as follows:

		Payments Due by Period			
(in millions of dollars)	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt *	$10,453	$ 1,116	$1,672	$ 506	$ 7,159
Operating leases	1,650	453	636	302	259
Purchase obligations	14,102	8,340	4,284	1,081	397
Other long-term liabilities	16,548	1,906	3,326	3,136	8,180
Total contractual obligations	$42,753	$11,815	$9,918	$5,025	$15,995

*Principal only; excludes associated interest payments

Purchase obligations include amounts committed under legally enforceable contracts or purchase orders for goods and services with defined terms as to price, quantity, delivery and termination liability. Approximately 35% of the purchase obligations disclosed above represent purchase orders for products to be delivered under firm contracts with the U.S. government for which we have full recourse under normal contract termination clauses.

Other long-term liabilities primarily include those amounts on our December 31, 2008 balance sheet representing obligations under product service and warranty policies, performance and operating cost guarantees, estimated environmental remediation costs and payments under employee benefit programs. Due to the impact of current market conditions on our overall pension plans, our pension plans shifted from a net asset position in 2007 to a net liability position in 2008, requiring a gross obligation of approximately $14 billion to be reflected in the above table. The timing of expected cash flows associated with these obligations is based upon management's estimates over the terms of these agreements and is largely based upon historical experience.

The above table does not reflect unrecognized tax benefits of $773 million, the timing of which is uncertain, except for approximately $50 million that may become payable during 2009. Refer to Note 9 to the Consolidated Financial Statements for additional discussion on unrecognized tax benefits. In addition, the above table does not include approximately $600 million of expected contributions to our global pension plans in 2009, including approximately $400 million to our domestic plans.

Commercial Commitments

		Amount of Commitment Expiration per Period			
(in millions of dollars)	Committed	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Commercial aerospace financing and rental commitments	$ 1,142	$ 407	$ 146	$ 12	$ 577
IAE financing arrangements	1,420	396	603	259	162
Unconsolidated subsidiary debt guarantees	208	133	12	—	63
Commercial aerospace financing arrangements	137	4	5	9	119
Commercial customer financing arrangements	209	209	—	—	—
Performance guarantees	40	33	7	—	—
Total commercial commitments	$ 3,156	$ 1,182	$ 773	$ 280	$ 921

Refer to Notes 4, 13 and 15 to the Consolidated Financial Statements for additional discussion on contractual and commercial commitments.

Market Risk and Risk Management

We are exposed to fluctuations in foreign currency exchange rates, interest rates and commodity prices. To manage certain of those exposures, we use derivative instruments, including swaps, forward contracts and options. Derivative instruments utilized by us in our hedging activities are viewed as risk management tools, involve little complexity and are not used for trading or speculative purposes. We diversify the counterparties used and monitor the concentration of risk to limit our counterparty exposure.

We have evaluated our exposure to changes in foreign currency exchange rates, interest rates and commodity prices in our market risk sensitive instruments, which are primarily cash, debt and derivative instruments, using a value at risk analysis. Based on a 95% confidence level and a one-day holding period, at December 31, 2008, the potential loss in fair value on our market risk sensitive instruments was not material in relation to our financial position, results of operations or cash flows. Our calculated value at risk exposure represents an estimate of reasonably possible net losses based on volatilities and correlations and is not necessarily indicative of actual results. Refer to Notes 1, 8 and 12 to the Consolidated Financial Statements for additional discussion of foreign currency exchange, interest rates and financial instruments.

Foreign Currency Exposures. We have a large volume of foreign currency exposures that result from our international sales, purchases, investments, borrowings and other international transactions. International segment revenues, including U.S. export sales, averaged approximately $33 billion over the last three years. We actively manage foreign currency exposures that are associated with committed foreign currency purchases and sales and other assets and liabilities created in the normal course of business at the operating unit level. More than insignificant exposures that cannot be naturally offset within an operating unit are hedged with foreign currency derivatives. We also have a significant amount of foreign currency net asset exposures. Currently, we do not hold any derivative contracts that hedge our foreign currency net asset exposures but may consider such strategies in the future.

Within aerospace, our revenues are typically denominated in U.S. dollars under accepted industry convention. However, for our non-U.S. based entities, such as P&WC, a substantial portion of their costs are incurred in local currencies. Consequently, there is a foreign currency exchange impact and risk to operational results as U.S. dollars must be converted to local currencies such as the Canadian dollar in order to meet local currency cost obligations. In order to minimize the exposure that exists from changes in the exchange rate of the U.S. dollar against these other currencies, we hedge a certain portion of revenues to secure the rates at which U.S. dollars will be converted. The majority of this hedging activity occurs at P&WC. At P&WC, firm and forecasted sales for both engines and spare parts are hedged at varying amounts up to 24 months on the U.S. dollar revenue exposure as represented by the excess of U.S. dollar revenues over U.S. dollar denominated purchases. Hedging gains and losses resulting from movements in foreign currency exchange rates are partially offset by the foreign currency translation impacts that are generated on the translation of local currency operating results into U.S. dollars for reporting purposes. While the objective of the hedging program is to minimize the foreign currency exchange impact on operating results, there are typically variances between the hedging gains or losses and the translational impact due to the length of hedging contracts, changes in the revenue profile, volatility in the exchange rates and other such operational considerations.

Interest Rate Exposures. Our long-term debt portfolio consists mostly of fixed-rate instruments. From time to time, we may hedge to floating rates using interest rate swaps. The hedges are designated as fair value hedges and the gains and losses on the swaps are reported in interest expense, reflecting that portion of interest expense at a variable rate. We issue commercial paper, which exposes us to changes in interest rates. Currently, we do not hold any derivative contracts that hedge our interest exposures, but may consider such strategies in the future.

Commodity Price Exposures. We are exposed to volatility in the prices of raw materials used in some of our products and from time to time we may use forward contracts in limited circumstances to manage some of those exposures. In the future, if hedges are used, gains and losses may affect earnings. There were no significant outstanding commodity hedges as of December 31, 2008.

Environmental Matters

Our operations are subject to environmental regulation by federal, state and local authorities in the United States and regulatory authorities with jurisdiction over our foreign operations. As a result, we have established, and continually update, policies relating to environmental standards of performance for our operations worldwide. We believe that expenditures necessary to comply with the present regulations governing environmental protection will not have a material effect upon our competitive position, results of operations, cash flows or financial condition.

We have identified 579 locations, mostly in the United States, at which we may have some liability for remediating contamination. We have resolved our liability at 228 of these locations. We do not believe that any individual location’s exposure will have a material effect on our results of operations. Sites in the investigation, remediation or operation and maintenance stage represent approximately 92% of our accrued environmental liability.

We have been identified as a potentially responsible party under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA or Superfund) at 107 sites. The number of Superfund sites, in and of itself, does not represent a relevant measure of liability because the nature and extent of environmental concerns vary from site to site and our share of responsibility varies from sole responsibility to very little responsibility. In estimating our liability for remediation, we consider our likely proportionate share of the anticipated remediation expense and the ability of other potentially responsible parties to fulfill their obligations. Accrued environmental liabilities are not reduced by potential insurance reimbursements.

At December 31, 2008, we had $553 million reserved for environmental remediation. Cash outflows for environmental remediation were $46 million in both 2008 and 2007, and $79 million in 2006. We estimate that ongoing environmental remediation expenditures in each of the next two years will not exceed $70 million.

Government Matters

As described in the “Critical Accounting Estimates – Contracting with the U.S. government,” our contracts with the U.S. government are subject to audits. Such audits may recommend that certain contract prices should be reduced to comply with various government regulations. We are also the subject of one or more investigations and legal proceedings initiated by the U.S. government with respect to government contract matters.

As previously disclosed, the Department of Justice (DOJ) sued us in 1999 in the U.S. District Court for the Southern District of Ohio, claiming that Pratt & Whitney violated the civil False Claims Act and common law. This lawsuit relates to the "Fighter Engine Competition" between Pratt & Whitney's F100 engine and General Electric's F110 engine. The DOJ alleges that the government overpaid for F100 engines under contracts awarded by the U.S. Air Force in fiscal years 1985 through 1990 because Pratt & Whitney inflated its estimated costs for some purchased parts and withheld data that would have revealed the overstatements. At trial of this matter, completed in December 2004, the government claimed Pratt & Whitney's liability to be $624 million. On August 1, 2008, the trial court judge held that the Air Force had not suffered any actual damages because Pratt & Whitney had made significant price concessions. However, the trial court judge found that Pratt & Whitney violated the False Claims Act due to inaccurate statements contained in the 1983 offer. In the absence of actual damages, the trial court judge awarded the DOJ the maximum civil penalty of $7.09 million, or $10,000 for each of the 709 invoices Pratt & Whitney submitted in 1989 and later under the contracts. Both the DOJ and UTC have appealed the decision. Should the government ultimately prevail, the outcome of this matter could result in a material effect on our results of operations in the period in which a liability would be recognized or cash flows for the period in which damages would be paid.

In December 2008, the Department of Defense (DOD) issued a contract claim against Sikorsky to recover overpayments the DOD alleges it has incurred since January 2003 in connection with cost accounting changes approved by the DOD and implemented by Sikorsky in 1999 and 2006. These changes relate to the calculation of material overhead rates in government contracts. The DOD claimed that Sikorsky's liability is approximately $80 million (including interest). We believe this claim is without merit and intend to appeal.

Except as otherwise noted above, we do not believe that resolution of any of these matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

Other Matters

Additional discussion of our environmental, U.S. government contract matters, product performance and other contingent liabilities is included in "Critical Accounting Estimates" and Notes 1, 13 and 15 to the Consolidated Financial Statements. For additional discussion of our legal proceedings, see Item 3, "Legal Proceedings," in our Annual Report on Form 10-K for 2008 (2008 Form 10-K).

New Accounting Pronouncements

In December 2007, the FASB issued SFAS 141(R), which replaces SFAS No. 141, "Business Combinations" (SFAS 141). SFAS 141(R) retains the underlying concepts of SFAS 141 in that all business combinations are still required to be accounted for at fair value under the acquisition method of accounting but SFAS 141(R) changed the method of applying the acquisition method in a number of significant aspects. Acquisition costs will generally be expensed as incurred; noncontrolling interests will be valued at fair value at the acquisition date; in-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date, until either abandoned or completed, at which point the useful lives will be determined; restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. SFAS 141(R) is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. SFAS 141(R) amends SFAS No. 109, "Accounting for Income Taxes" (SFAS 109) such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of SFAS 141(R) would also apply the provisions of SFAS 141(R). Early adoption was not permitted. Upon adoption, SFAS 141(R) will not have a significant impact on our financial position and results of operations; however, any business combination entered into after the adoption may significantly impact our financial position and results of operations when compared to acquisitions accounted for under existing U.S. Generally Accepted Accounting Principles (GAAP) and result in more earnings volatility and generally lower earnings due to the expensing of deal costs and restructuring costs of acquired companies. Also, since we have significant acquired deferred tax assets for which full valuation allowances were recorded at the acquisition date, SFAS 141(R) could significantly affect the results of operations if changes in the valuation allowances occur subsequent to adoption. As of December 31, 2008, such deferred tax valuation allowances amounted to $278 million. For additional discussion on deferred tax valuation allowances, refer to Note 9 to the Consolidated Financial Statements in the 2008 Form 10-K.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51" (SFAS 160). This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008, with earlier adoption prohibited. This statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. It also amends certain of ARB No. 51's consolidation procedures for consistency with the requirements of SFAS 141(R). This statement also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. We have evaluated this new statement and have determined that the statement will not have a significant impact on the reporting of our financial position and results of operations.

In December 2007, the EITF issued Issue No. 07-1, "Accounting for Collaborative Arrangements." This Issue is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, and shall be applied retrospectively to all prior periods presented for all collaborative arrangements existing as of the effective date. This Issue requires that transactions with third parties (i.e., revenue generated and costs incurred by the partners) should be reported in the appropriate line item in each company's financial statement pursuant to the guidance in EITF Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent." This Issue also includes enhanced disclosure requirements regarding the nature and purpose of the arrangement, rights and obligations under the arrangement, accounting policy, amount and income statement classification of collaboration transactions between the parties. The collaborator share of revenue was approximately $1.1 billion, $.9 billion and $.8 billion for 2008, 2007 and 2006, respectively. Costs associated with engine programs under collaboration agreements are expensed as incurred. Under this Issue, revenues would be increased by these amounts with an offsetting increase to cost of sales in order to reflect the impact of the collaboration arrangements on a gross basis.

In February 2008, the FASB issued FSP FAS 157-2, "Effective Date of FASB Statement No. 157," which delays the effective date of SFAS No. 157, "Fair Value Measurements," (SFAS 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, with the exception of the application of the statement to non-recurring nonfinancial assets and nonfinancial liabilities. This FSP defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 and interim periods within those fiscal years for items within the scope of this FSP. Refer to Note 14 to the Consolidated Financial Statements for additional discussion on fair value measurements. We have evaluated this new FSP and have determined that it will not have a significant impact on the determination or reporting of our financial results.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" (SFAS 161). This statement is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity's derivative instruments and hedging activities and their effects on the entity's financial position, financial performance, and cash flows. SFAS 161 applies to all derivative instruments within the scope of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) as well as related hedged items, bifurcated derivatives, and nonderivative instruments that are designated and qualify as hedging instruments. Entities with instruments subject to SFAS 161 must provide more robust qualitative disclosures and expanded quantitative disclosures. SFAS 161 is effective prospectively for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application permitted. We are currently evaluating the disclosure implications of this statement; however, the new statement will not have an impact on the determination of our financial results.

In April 2008, the FASB issued FSP No. FAS 142-3, "Determination of the Useful Life of Intangible Assets." This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). The objective of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(R), and other principles of GAAP. This FSP applies to all intangible assets, whether acquired in a business combination or otherwise, and shall be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years and applied prospectively to intangible assets acquired after the effective date. Early adoption is prohibited. We have evaluated this new FSP and have determined that it will not have a significant impact on the determination or reporting of our financial results.

In November 2008, the EITF issued Issue No. 08-6, "Equity Method Investment Accounting Considerations." This Issue is effective on a prospective basis in fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years, consistent with the effective dates of SFAS 141(R) and SFAS 160. Earlier application by an entity that has previously adopted an alternative accounting policy is not permitted. This Issue addresses the impact that SFAS 141(R) and SFAS 160 might have on the accounting for equity method investments, including how the initial carrying value of an equity method investment should be determined, how it should be tested for impairment, and how changes in classification from equity method to cost method should be treated. We are currently evaluating this new Issue and anticipate that it will not have a significant impact on the reporting of our results of operations.

In December 2008, the FASB issued FSP FAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets." This FSP amends SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits," to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan on investment policies and strategies, major categories of plan assets, inputs and valuation techniques used to measure the fair value of plan assets and significant concentrations of risk within plan assets. This FSP shall be effective for fiscal years ending after December 15, 2009, with earlier application permitted. Upon initial application, the provisions of this FSP are not required for earlier periods that are presented for comparative purposes. We are currently evaluating the disclosure requirements of this new FSP.

Cautionary Note Concerning Factors That May Affect Future Results

This annual report contains statements which, to the extent they are not statements of historical or present fact, constitute "forward-looking statements" under the securities laws. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These forward-looking statements are intended to provide management's current expectations or plans for our future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as "believe," "expect," "plans," "strategy," "prospects," "estimate," "project," "target," "anticipate," "guidance" and other words of similar meaning in connection with a discussion of future operating or financial performance. These include, among others, statements relating to:

- future revenues, earnings, cash flow, uses of cash and other measures of financial performance;
- the effect of economic conditions in the United States and globally, including the financial condition of our customers and suppliers;
- new business opportunities;
- restructuring costs and savings;
- the scope, nature or impact of acquisition activity and integration into our businesses;
- the development, production and support of advanced technologies and new products and services;
- the anticipated benefits of diversification and balance of operations across product lines, regions and industries;
- the impact of the negotiation of collective bargaining agreements;
- the outcome of contingencies;
- future repurchases of common stock;
- future levels of indebtedness and capital spending; and
- pension plan assumptions and future contributions.

All forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. Our Annual Report on Form 10-K for 2008 includes important information as to these factors that may cause actual results to vary materially from those stated in the forward-looking statements in the "Business" section under the headings "General," "Description of Business by Segment" and "Other Matters Relating to our Business as a Whole" and in the "Risk Factors" and "Legal Proceedings" sections. For additional information identifying factors that may cause actual results to vary materially from those stated in the forward-looking statements, see our reports on Forms 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission from time to time.

Management's Report on Internal Control over Financial Reporting

The management of UTC is responsible for establishing and maintaining adequate internal control over financial reporting. 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 reporting purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of UTC's internal control over financial reporting as of December 31, 2008. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework.* Management concluded that based on its assessment, UTC's internal control over financial reporting was effective as of December 31, 2008. The effectiveness of UTC's internal control over financial reporting, as of December 31, 2008, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

/s/ Louis R. Chênevert

Louis R. Chênevert
President and Chief Executive Officer

/s/ Gregory J. Hayes

Gregory J. Hayes
Senior Vice President and Chief Financial Officer

/s/ Margaret M. Smyth

Margaret M. Smyth
Vice President, Controller

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareowners of United Technologies Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of cash flows and of changes in shareowners' equity present fairly, in all material respects, the financial position of United Technologies Corporation and its subsidiaries at December 31, 2008 and December 31, 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Corporation's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Corporation'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 Corporation changed the manner in which it accounts for defined benefit pension and other postretirement plans in 2006 and 2007 and the manner in which it accounts for uncertain tax positions in 2007. As discussed in Note 14 to the consolidated financial statements, the Corporation adopted FASB Statement No. 157, *Fair Value Measurements*, as of January 1, 2008.

A corporation'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 corporation'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 corporation; (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 corporation are being made only in accordance with authorizations of management and directors of the corporation; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the corporation'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

Hartford, Connecticut
February 11, 2009

CONSOLIDATED STATEMENT OF OPERATIONS

(in millions of dollars, except per share amounts)	**2008**	2007	2006
Revenues			
Product sales	**$42,175**	$39,240	$34,271
Service sales	**15,868**	14,679	12,847
Other income, net	**638**	840	711
	58,681	54,759	47,829
Costs and Expenses			
Cost of products sold	**31,774**	29,927	26,089
Cost of services sold	**10,787**	9,995	8,651
Research and development	**1,771**	1,678	1,529
Selling, general and administrative	**6,724**	6,109	5,462
Operating profit	**7,625**	7,050	6,098
Interest	**689**	666	606
Income before income taxes and minority interests	**6,936**	6,384	5,492
Income taxes	**1,883**	1,836	1,494
Minority interests in subsidiaries' earnings	**364**	324	266
Net Income	**$ 4,689**	$ 4,224	$ 3,732
Earnings per Share of Common Stock			
Basic	**$ 5.00**	$ 4.38	$ 3.81
Diluted	**$ 4.90**	$ 4.27	$ 3.71

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

(in millions of dollars, except per share amounts—shares in thousands)	**2008**	2007
Assets		
Cash and cash equivalents	**$ 4,327**	$ 2,904
Accounts receivable (net of allowance for doubtful accounts of $332 and $298)	**9,112**	8,844
Inventories and contracts in progress	**8,340**	8,101
Future income tax benefits	**1,551**	1,267
Other current assets	**769**	955
Total Current Assets	**24,099**	22,071
Customer financing assets	**1,002**	963
Future income tax benefits	**3,633**	1,126
Fixed assets	**6,348**	6,296
Goodwill	**15,363**	16,120
Intangible assets	**3,443**	3,757
Other assets	**2,581**	4,242
Total Assets	**$ 56,469**	$ 54,575
Liabilities and Shareowners' Equity		
Short-term borrowings	**$ 1,023**	$ 1,085
Accounts payable	**5,226**	5,059
Accrued liabilities	**12,069**	11,277
Long-term debt currently due	**1,116**	48
Total Current Liabilities	**19,434**	17,469
Long-term debt	**9,337**	8,015
Future pension and postretirement benefit obligations	**6,574**	2,562
Other long-term liabilities	**4,198**	4,262
Total Liabilities	**39,543**	32,308
Commitments and Contingent Liabilities (Notes 4 and 15)		
Minority interests in subsidiary companies	**1,009**	912
Shareowners' Equity:		
Capital Stock:		
Preferred Stock, $1 par value; Authorized—250,000 shares; None issued or outstanding	**—**	—
Common Stock, $1 par value; Authorized—4,000,000 shares; Issued 1,370,054 and 1,364,791 shares	**11,179**	10,572
Treasury Stock—426,113 and 381,244 common shares at cost	**(14,316)**	(11,338)
Retained earnings	**25,159**	21,751
Unearned ESOP shares	**(200)**	(214)
Accumulated other non-shareowners' changes in equity:		
Foreign currency translation	**(612)**	1,355
Other	**(5,293)**	(771)
Total Accumulated Other Non-Shareowners' Changes in Equity	**(5,905)**	584
Total Shareowners' Equity	**15,917**	21,355
Total Liabilities and Shareowners' Equity	**$ 56,469**	$ 54,575

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of dollars)	**2008**	2007	2006
Operating Activities			
Net income	**$ 4,689**	$ 4,224	$ 3,732
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation and amortization	**1,321**	1,173	1,033
Deferred income tax provision (benefit)	**45**	58	(214)
Minority interests in subsidiaries' earnings	**364**	324	266
Stock compensation cost	**211**	198	180
Change in:			
Accounts receivable	**(491)**	(462)	(35)
Inventories and contracts in progress	**(562)**	(1,111)	(789)
Other current assets	**35**	44	25
Accounts payable and accrued liabilities	**788**	1,561	990
Other, net	**(239)**	(679)	(385)
Net Cash Provided by Operating Activities	**6,161**	5,330	4,803
Investing Activities			
Capital expenditures	**(1,216)**	(1,153)	(954)
Increase in customer financing assets	**(285)**	(411)	(314)
Decrease in customer financing assets	**138**	272	382
Investments in businesses	**(1,252)**	(2,037)	(911)
Dispositions of businesses	**337**	298	451
Other, net	**(58)**	(151)	85
Net Cash Used in Investing Activities	**(2,336)**	(3,182)	(1,261)
Financing Activities			
Issuance of long-term debt	**2,248**	1,032	1,109
Repayment of long-term debt	**(48)**	(330)	(825)
Increase (decrease) in short-term borrowings	**91**	191	(817)
Common Stock issued under employee stock plans	**163**	415	346
Dividends paid on Common Stock	**(1,210)**	(1,080)	(951)
Repurchase of Common Stock	**(3,160)**	(2,001)	(2,068)
Dividends to minority interests and other	**(322)**	(182)	(136)
Net Cash Used in Financing Activities	**(2,238)**	(1,955)	(3,342)
Effect of foreign exchange rate changes on Cash and cash equivalents	**(164)**	165	99
Net increase in Cash and cash equivalents	**1,423**	358	299
Cash and cash equivalents, beginning of year	**2,904**	2,546	2,247
Cash and cash equivalents, end of year	**$ 4,327**	$ 2,904	$ 2,546
Supplemental Disclosure of Cash Flow Information:			
Interest paid, net of amounts capitalized	**$ 659**	$ 629	$ 575
Income taxes paid, net of refunds	**$ 1,912**	$ 1,818	$ 1,347
Non-cash investing and financing activities include:			
Contributions of UTC common stock of $250 during 2008 and $150 each in 2007 and 2006 to domestic defined benefit pension plans			

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREOWNERS' EQUITY

(in millions of dollars, except per share amounts)	Common Stock	Treasury Stock	Retained Earnings	Unearned ESOP Shares	Accumulated Other Non-Shareowners' Changes in Equity	Non-Shareowners' Changes in Equity for the Period
December 31, 2005	$ 8,793	$ (7,418)	$16,051	$ (241)	$ (194)	$ 4,027
Common Stock issued under employee plans (12.6 million shares), including tax benefit of $101	738	14	(34)	14		
Common Stock contributed to defined benefit pension plans (2.5 million shares)	91	59				
Common Stock repurchased (33.3 million shares)		(2,068)				
Dividends on Common Stock ($1.02 per share)			(951)			
Dividends on ESOP Common Stock ($1.02 per share)			(44)			
Adjustments to initially apply SFAS No. 158, including tax benefit of $1,145					(1,831)	
Non-Shareowners' Changes in Equity:						
Net income			3,732			3,732
Foreign currency translation adjustments					613	613
Minimum pension liability adjustments, net of income taxes of $8					20	20
Unrealized holding gain on marketable equity securities, net of income taxes of $4					6	6
Unrealized cash flow hedging loss, including tax benefit of $28					(53)	(53)
December 31, 2006	$ 9,622	$ (9,413)	$18,754	$ (227)	$ (1,439)	$ 4,318
Effect of changing pension plan measurement date pursuant to SFAS No. 158, net of taxes of $193			(45)		470	
Adoption of FASB Interpretation No. 48			(19)			
Opening balance at January 1, 2007, as adjusted	$ 9,622	$ (9,413)	$18,690	$ (227)	$ (969)	$ 4,318
Common Stock issued under employee plans (13.8 million shares), including tax benefit of $130	863	13	(36)	13		
Common Stock contributed to defined benefit pension plans (2.3 million shares)	87	63				
Common Stock repurchased (28.3 million shares)		(2,001)				
Dividends on Common Stock ($1.17 per share)			(1,080)			
Dividends on ESOP Common Stock ($1.17 per share)			(47)			
Non-Shareowners' Changes in Equity:						
Net income			4,224			4,224
Foreign currency translation adjustments					722	722
Change in pension and post-retirement benefit plans, net of income taxes of $419					776	776
Adjustment for sale of securities, including tax benefit of $50					(84)	(84)
Unrealized cash flow hedging gain, net of income taxes of $58					139	139
December 31, 2007	$10,572	$ (11,338)	$21,751	$ (214)	$ 584	$ 5,777
Common Stock issued under employee plans (5.7 million shares), including tax benefit of $32	**525**	**14**	**(19)**	**14**		
Common Stock contributed to defined benefit pension plans (5.0 million shares)	**82**	**168**				
Common Stock repurchased (50.4 million shares)		**(3,160)**				
Dividends on Common Stock ($1.35 per share)			**(1,210)**			
Dividends on ESOP Common Stock ($1.35 per share)			**(52)**			
Non-Shareowners' Changes in Equity:						
Net income			**4,689**			**4,689**
Foreign currency translation adjustments					**(1,967)**	**(1,967)**
Change in pension and post-retirement benefit plans, including tax benefit of $2,512					**(4,153)**	**(4,153)**
Adjustment for sale of securities, including tax benefit of $41					**(59)**	**(59)**
Unrealized cash flow hedging loss, including tax benefit of $127					**(310)**	**(310)**
December 31, 2008	**$11,179**	**$ (14,316)**	**$25,159**	**$ (200)**	**$ (5,905)**	**$ (1,800)**

See accompanying Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

Note 1. Summary of Accounting Principles

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Consolidation. The Consolidated Financial Statements include the accounts of UTC and our controlled subsidiaries. Intercompany transactions have been eliminated.

Cash and Cash Equivalents. Cash and cash equivalents includes cash on hand, demand deposits and short-term cash investments that are highly liquid in nature and have original maturities of three months or less.

On occasion, we are required to maintain cash deposits with certain banks in respect to contractual obligations related to acquisitions or divestitures or other legal obligations. As of December 31, 2008, the amount of restricted cash was approximately $310 million, of which approximately $35 million is included in current assets and $275 million is included in long-term assets. Restricted cash as of December 31, 2007 was not significant.

Accounts Receivable. Current and long-term accounts receivable include retainage of $154 million and $121 million in 2008 and 2007, respectively, and unbilled receivables of $852 million and $643 million in 2008 and 2007, respectively.

Retainage represents amounts that, pursuant to the applicable contract, are not due until project completion and acceptance by the customer. Unbilled receivables represent revenues that are not currently billable to the customer under the terms of the contract. These items are expected to be collected in the normal course of business. Long-term accounts receivable are included in other assets in the Consolidated Balance Sheet.

Marketable Equity Securities. Equity securities that have a readily determinable fair value and that we do not intend to trade are classified as available for sale and carried at fair value. Unrealized holding gains and losses are recorded as a separate component of shareowners' equity, net of deferred income taxes.

Inventories and Contracts In Progress. Inventories and contracts in progress are stated at the lower of cost or estimated realizable value and are primarily based on first-in, first-out (FIFO) or average cost methods; however, certain subsidiaries use the last-in, first-out (LIFO) method. If inventories that were valued using the LIFO method had been valued under the FIFO method, they would have been higher by $176 million and $173 million at December 31, 2008 and 2007, respectively.

Costs accumulated against specific contracts or orders are at actual cost. Inventory in excess of requirements for contracts and current or anticipated orders have been reserved as appropriate. Manufacturing costs are allocated to current production and firm contracts.

Fixed Assets. Fixed assets are stated at cost. Depreciation is computed over the assets' useful lives using the straight-line method, except for aerospace assets acquired prior to January 1, 1999, which are depreciated using accelerated methods.

Goodwill and Other Intangible Assets. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill and intangible assets deemed to have indefinite lives are not amortized. Goodwill and indefinite-lived intangible assets are subject to annual impairment testing using the guidance and criteria described in Statement of Financial Accounting Standard (SFAS) 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. During 2008, we were not required to record any impairment on goodwill or indefinite-lived intangibles.

Intangible assets other than goodwill consist of service portfolios, patents and trademarks, customer relationships and other intangible assets. Useful lives of finite lived intangible assets are estimated based upon the nature of the intangible asset and the industry in which the intangible asset is used. Estimated useful lives of service portfolios generally range from 5 to 30 years. Estimated useful lives of patents and finite-lived trademarks range from 3 to 40 years. Estimated useful lives of customer relationships and other assets range from 2 to 32 years. These intangible assets are amortized based on the pattern in which the economic benefits of the intangible assets are consumed. If a pattern of economic benefit cannot be reliably determined, a straight-line amortization method is used.

Other Long-Lived Assets. We evaluate the potential impairment of other long-lived assets when appropriate. If the carrying value of assets exceeds the sum of the undiscounted expected future cash flows, the carrying value of the asset is written down to fair value.

Income Taxes. In the ordinary course of business there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting date. For those tax positions where it is more-likely-than-not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more-likely-than-not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. Where applicable, associated interest has also been recognized.

We adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," (FIN 48) on January 1, 2007. As a result of this adoption, we recognized a charge of approximately $19 million to the January 1, 2007 retained earnings balance. We recognize interest accrued related to unrecognized tax benefits in interest expense. Penalties, if incurred, would be recognized as a component of income tax expense.

Revenue Recognition. Sales under government and commercial fixed-price contracts and government fixed-price-incentive contracts are recorded at the time deliveries are made or, in some cases, on a percentage-of-completion basis. Sales under cost-reimbursement contracts are recorded as work is performed.

Sales under elevator and escalator sales, installation and modernization contracts are accounted for under the percentage-of-completion method.

Losses, if any, on contracts are provided for when anticipated. Loss provisions on original equipment contracts are recognized to the extent that estimated inventoriable manufacturing, engineering, product warranty and product performance guarantee costs exceed the projected revenue from the products contemplated under the contractual arrangement. For new commitments, we generally record loss provisions at the earlier of contract announcement or contract signing. For existing commitments, anticipated losses on contracts are recognized in the period in which losses become evident. Products contemplated under contractual arrangement include products purchased under contract and, in the large commercial engine business, future highly probable sales of replacement parts required by regulation that are expected to be purchased subsequently for incorporation into the original equipment. Revenue projections used in determining contract loss provisions are based upon estimates of the quantity, pricing and timing of future product deliveries. Losses are recognized on shipment to the extent that inventoriable manufacturing costs, estimated warranty costs and product performance guarantee costs exceed revenue realized. Contract accounting requires estimates of future costs over the performance period of the contract as well as estimates of award fees and other sources of revenue. These estimates are subject to change and result in adjustments to margins on contracts in progress. The extent of progress toward completion on our long-term commercial aerospace equipment and helicopter contracts is measured using units of delivery. In addition, we use the cost-to-cost method for development contracts in the aerospace businesses and for elevator and escalator sales, installation and modernization contracts in the commercial businesses. For long-term aftermarket contracts, revenue is recognized over the contract period in proportion to the costs expected to be incurred in performing services under the contract. We review our cost estimates on significant contracts on a quarterly basis, and for others, no less frequently than annually or when circumstances change and warrant a modification to a previous estimate. Adjustments to contract loss provisions are recorded in earnings upon identification.

Service sales, representing aftermarket repair and maintenance activities, are recognized over the contractual period or as services are performed. In the commercial businesses, revenue is generally recognized on a straight line basis. In the aerospace businesses, revenue is generally recognized in proportion to cost.

Revenues from engine programs under collaboration agreements are recorded as earned and the collaborator share of revenue is recorded as a reduction of revenue at that time. The collaborator share of revenues under Pratt & Whitney's engine programs was approximately $1.1 billion, $.9 billion and $.8 billion for 2008, 2007 and 2006, respectively. Costs associated with engine programs under collaboration agreements are expensed as incurred. The collaborator share of program costs is recorded as a reduction of the related expense item at that time.

Research and Development. Research and development costs not specifically covered by contracts and those related to the company sponsored share of research and development activity in connection with cost-sharing arrangements are charged to expense as incurred. Government research and development support, not associated with specific contracts, is recorded as a reduction to research and development expense in the period earned. Repayment, if any, is in the form of future royalties and is conditioned upon the achievement of certain financial targets.

Research and development costs incurred under contracts with customers are expensed as incurred and are reported as a component of cost of products sold. Revenue from such contracts is recognized as product sales when earned.

Foreign Exchange and Hedging Activity. We conduct business in many different currencies and, accordingly, are subject to the inherent risks associated with foreign exchange rate movements. The financial position and results of operations of substantially all of our foreign subsidiaries are measured using the local currency as the functional currency. Foreign currency denominated assets and liabilities are translated into U.S. dollars at the exchange rates existing at the respective balance sheet dates, and income and expense items are translated at the average exchange rates during the respective periods. The aggregate effects of translating the balance sheets of these subsidiaries are deferred as a separate component of Shareowners' Equity.

We have used derivative instruments, including swaps, forward contracts and options, to manage certain foreign currency, interest rate and commodity price exposures. Derivative instruments are viewed as risk management tools by us and are not used for trading or speculative purposes. Derivatives used for hedging purposes may be designated and effective as a hedge of the identified risk exposure at the inception of the contract.

All derivative instruments are recorded on the balance sheet at fair value. Derivatives used to hedge foreign-currency-denominated balance sheet items are reported directly in earnings along with offsetting transaction gains and losses on the items being hedged. Derivatives used to hedge forecasted cash flows associated with foreign currency commitments or forecasted commodity purchases may be accounted for as cash flow hedges, as deemed appropriate. Gains and losses on derivatives designated as cash flow hedges are recorded in other comprehensive income and reclassified to earnings in a manner that matches the timing of the earnings impact of the hedged transactions. The ineffective portion of all hedges, if any, is recognized currently in earnings.

Environmental. Environmental investigatory, remediation, operating and maintenance costs are accrued when it is probable that a liability has been incurred and the amount can be reasonably estimated. The most likely cost to be incurred is accrued based on an evaluation of currently available facts with respect to each individual site, including existing technology, current laws and regulations and prior remediation experience. Where no amount within a range of estimates is more likely, the minimum is accrued. For sites with multiple responsible parties, we consider our likely proportionate share of the anticipated remediation costs and the ability of the other parties to fulfill their obligations in establishing a provision for those costs. Liabilities with fixed or reliably determinable future cash payments are discounted. Accrued environmental liabilities are not reduced by potential insurance reimbursements.

Asset Retirement Obligations. We record the fair value of legal obligations associated with the retirement of tangible long-lived assets in the period in which it is determined to exist, if a reasonable estimate of fair value can be made. Upon initial recognition of a liability, we capitalize the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is increased for changes in its present value and the capitalized cost is depreciated over the useful life of the related asset. We have determined that conditional legal obligations exist for certain of our worldwide owned and leased facilities related primarily to building materials. As of December 31, 2008 and 2007, the outstanding liability for asset retirement obligations was $163 million and $171 million, respectively.

Pension and Postretirement Obligations. In September 2006, the FASB issued SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statement Nos. 87, 88, 106 and 132(R)” (SFAS 158). This statement requires balance sheet recognition of the overfunded or underfunded status of pension and postretirement benefit plans. Under SFAS 158, actuarial gains and losses, prior service costs or credits, and any remaining transition assets or obligations that have not been recognized under previous accounting standards must be recognized in Accumulated Other Non-Shareowners’ Changes in Equity, net of tax effects, until they are amortized as a component of net periodic benefit cost. SFAS 158 was effective for publicly-held companies for fiscal years ending after December 15, 2006, except for the measurement date provisions, which were effective for fiscal years ending after December 15, 2008. Based on the funded status of our plans as of December 31, 2006, the adoption of SFAS 158 decreased total assets by approximately $2.4 billion, decreased total liabilities by approximately $549 million and reduced total shareowners’ equity by approximately $1.8 billion, net of taxes. SFAS 158 also requires the measurement date (the date at which plan assets and the benefit obligation are measured) to be the company’s fiscal year end. We early-adopted the measurement date provisions of SFAS 158 effective January 1, 2007. The majority of our pension and postretirement plans previously used a November 30 measurement date. All plans are now measured as of December 31, consistent with our company’s fiscal year end. The non-cash effect of the adoption of the measurement date provisions of SFAS 158 increased shareowners’ equity by approximately $425 million and decreased long-term liabilities by approximately $620 million in 2007. The adoption of SFAS 158 did not affect our results of operations.

Note 2. Business Acquisitions, Goodwill and Intangible Assets

Business Acquisitions. Our investments in businesses in 2008, 2007 and 2006 totaled $1.4 billion, $2.3 billion and $1.0 billion, including debt assumed of $196 million, $300 million and $138 million, respectively.

The 2008 investments consisted primarily of a number of small acquisitions in our commercial businesses. The 2007 investments consisted principally of the acquisition of Initial Electronic Security Group (IESG), a division of Rentokil Initial, plc, and Marioff Corporation, Oy (Marioff) both now part of the UTC Fire & Security segment, and a number of small acquisitions in both the commercial and aerospace businesses.

On July 2, 2007, we completed the acquisition of IESG with the exception of the French operations, the acquisition of which was completed on December 27, 2007 after receiving regulatory approval. The total purchase price was approximately $1.2 billion including approximately $250 million of debt assumed. We recorded approximately $1.0 billion of goodwill and approximately $300 million of identified intangible assets in connection with this acquisition. The acquisition of IESG enhances UTC Fire & Security’s scale and capability in the electronic security business in key markets where we have a significant presence. IESG sells integrated security systems, intrusion detection, closed circuit television, access control and security software. It is headquartered in the United Kingdom, with operations in the United Kingdom, the Netherlands, the United States and France.

On August 30, 2007, we completed the acquisition of Marioff, a global provider of water mist fire suppression systems for land and marine applications, for approximately $348 million. We recorded approximately $250 million of goodwill and approximately $70 million of identified intangibles in connection with this acquisition. The acquisition increases UTC Fire & Security's presence in environmentally friendly water-based suppression systems and will expand the company's product and service offerings.

The 2006 investments in businesses consisted principally of a number of smaller acquisitions including Red Hawk Industries by UTC Fire & Security, Page Group Ltd. by Hamilton Sundstrand and Longville Group Ltd. and Sensitech, Inc. by Carrier.

The assets and liabilities of the acquired businesses are accounted for under the purchase method of accounting and recorded at their fair values at the dates of acquisition. The excess of the purchase price over the estimated fair values of the net assets acquired was recorded as an increase in goodwill of $825 million in 2008, $1.8 billion in 2007, and $646 million in 2006. The results of operations of acquired businesses have been included in the Consolidated Statement of Operations beginning as of the effective date of acquisition. The final purchase price allocation for acquisitions is subject to the finalization of the valuation of certain assets and liabilities, plans for consolidation of facilities and relocation of employees and other integration activities. As a result, preliminary amounts assigned to assets and liabilities will be subject to revision in future periods.

Goodwill. The changes in the carrying amount of goodwill, by segment, are as follows:

(in millions of dollars)	Balance as of January 1, 2008	Goodwill resulting from business combinations	Foreign currency translation and other	**Balance as of December 31, 2008**
Otis	$ 1,341	$ 36	$ (184)	**$ 1,193**
Carrier	2,916	454	(100)	**3,270**
UTC Fire & Security	5,922	277	(1,125)	**5,074**
Pratt & Whitney	1,027	10	—	**1,037**
Hamilton Sundstrand	4,579	16	(172)	**4,423**
Sikorsky	235	19	(5)	**249**
Total Segments	16,020	812	(1,586)	**15,246**
Eliminations & Other	100	13	4	**117**
Total	$16,120	$ 825	$ (1,582)	**$ 15,363**

Intangible Assets. Identifiable intangible assets are comprised of the following:

	2008		2007	
(in millions of dollars)	**Gross Amount**	**Accumulated Amortization**	Gross Amount	Accumulated Amortization
Amortized:				
Service portfolios	**$ 1,625**	**$ (700)**	$1,559	$ (633)
Patents and trademarks	**333**	**(103)**	378	(97)
Other, principally customer relationships	**2,460**	**(825)**	2,445	(654)
	$ 4,418	**$ (1,628)**	$4,382	$ (1,384)
Unamortized:				
Trademarks and other	**$ 653**	**$ —**	$ 759	$ —

Amortization of intangible assets for the years ended December 31, 2008 and 2007 was $363 million and $325 million, respectively. Amortization of these intangible assets for 2009 through 2013 is expected to approximate $280 million per year.

Note 3. Earnings Per Share

(in millions, except per share amounts)	**2008**	2007	2006
Net income	**$4,689**	$4,224	$ 3,732
Basic weighted average shares outstanding	**937.8**	963.9	980.0
Stock awards	**18.6**	24.9	25.7
Diluted weighted average shares outstanding	**956.4**	988.8	1,005.7
Earnings per share			
Basic	**$ 5.00**	$ 4.38	$ 3.81
Diluted	**4.90**	4.27	3.71

The computation of diluted earnings per share excludes the effect of the potential exercise of stock awards, including stock appreciation rights (SARs) and stock options when the average market price of the common stock is lower than the exercise price of the related SARs and options during the period. These outstanding stock awards are not included in the computation of diluted earnings per share because the effect would have been antidilutive. For the year ended December 31, 2008, the number of stock awards excluded from the computation was 8.9 million. There were no antidilutive stock awards outstanding for the years ended December 31, 2007 and 2006.

Note 4. Commercial Aerospace Industry Assets and Commitments

We have receivables and other financing assets with commercial aerospace industry customers totaling $2,636 million and $2,586 million at December 31, 2008 and 2007, respectively.

Customer financing assets related to commercial aerospace industry customers consist of products under lease of $642 million and notes and leases receivable of $346 million. The notes and leases receivable are scheduled to mature as follows: $34 million in 2009, $34 million in 2010, $12 million in 2011, $10 million in 2012, $13 million in 2013, and $243 million thereafter.

Financing commitments, in the form of secured debt, guarantees or lease financing, are provided to commercial aerospace customers. The extent to which the financing commitments will be utilized is not currently known, since customers may be able to obtain more favorable terms from other financing sources. We may also arrange for third-party investors to assume a portion of these commitments. If financing commitments are exercised, debt financing is generally secured by assets with fair market values equal to or exceeding the financed amounts with interest rates established at the time of funding. We also may lease aircraft and subsequently sublease the aircraft to customers under long-term noncancelable operating leases. In some instances, customers may have minimum lease terms that result in sublease periods shorter than our lease obligation. Lastly, we have made residual value and other guarantees related to various commercial aerospace customer-financing arrangements. The estimated fair market values of the guaranteed assets equal or exceed the value of the related guarantees, net of existing reserves.

Our commercial aerospace financing and rental commitments as of December 31, 2008 were $1,142 million and are exercisable as follows: $407 million in 2009, $114 million in 2010, $32 million in 2011, $6 million in 2012, $6 million in 2013, and $577 million thereafter. Our financing obligations with customers are contingent upon maintenance of certain levels of financial condition by the customers.

In addition, we have residual value and other guarantees of $137 million as of December 31, 2008.

We have a 33% interest in International Aero Engines AG (IAE), an international consortium of four shareholders organized to support the V2500 commercial aircraft engine program. Our interest in IAE is accounted for under the equity method of accounting. IAE may offer customer financing in the form of guarantees, secured debt or lease financing in connection with V2500 engine sales. At December 31, 2008, IAE had financing commitments of $1,069 million and asset value guarantees of $55 million. Our share of IAE's financing commitments and asset value guarantees was approximately $365 million at December 31, 2008. In addition, IAE had lease obligations under long-term noncancelable leases of approximately $296 million, on an undiscounted basis, through 2020 related to aircraft, which are subleased to customers under long-term leases. These aircraft have fair market values, which approximate the financed amounts, net of reserves. The shareholders of IAE have guaranteed IAE's financing arrangements to the extent of their respective ownership interests. In the event of default by a shareholder on certain of these financing arrangements, the other shareholders would be proportionately responsible.

Reserves related to receivables and financing assets were $149 million and $172 million at December 31, 2008 and 2007, respectively. Reserves related to financing commitments and guarantees were $30 million and $71 million at December 31, 2008 and 2007, respectively.

Note 5. Inventories and Contracts in Progress

(in millions of dollars)	**2008**	2007
Inventories consist of the following:		
Raw materials	**$ 1,271**	$ 1,281
Work-in-process	**3,295**	2,783
Finished goods	**3,634**	3,694
Contracts in progress	**5,174**	4,753
	13,374	12,511
Less:		
Progress payments, secured by lien, on U.S. government contracts	**(476)**	(279)
Billings on contracts in progress	**(4,558)**	(4,131)
	$ 8,340	$ 8,101

Raw materials, work-in-process and finished goods are net of valuation reserves of $497 million and $471 million as of December 31, 2008 and 2007, respectively. As of December 31, 2008 and 2007, inventory also includes capitalized research and development costs of $833 million and $740 million, respectively, related to certain aerospace programs. These capitalized costs will be liquidated as production units are delivered to the customer. The capitalized contract research and development costs within inventory principally relate to capitalized costs on Sikorsky's CH-148 contract with the Canadian government. The CH-148 is a derivative of the H-92, a military variant of the S-92.

Contracts in progress principally relate to elevator and escalator contracts and include costs of manufactured components, accumulated installation costs and estimated earnings on incomplete contracts.

Our sales contracts in many cases are long-term contracts expected to be performed over periods exceeding twelve months. At December 31, 2008 and 2007, approximately 66% and 63%, respectively, of total inventories and contracts in progress have been acquired or manufactured under such long-term contracts, a portion of which is not scheduled for delivery within the next twelve months.

Note 6. Fixed Assets

(in millions of dollars)	Estimated Useful Lives	**2008**	2007
Land		**$ 334**	$ 351
Buildings and improvements	20-40 years	**4,681**	4,561
Machinery, tools and equipment	3-20 years	**9,486**	9,394
Other, including under construction		**605**	571
		15,106	14,877
Accumulated depreciation		**(8,758)**	(8,581)
		$ 6,348	$ 6,296

Depreciation expense was $865 million in 2008, $770 million in 2007 and $724 million in 2006.

Note 7. Accrued Liabilities

(in millions of dollars)	**2008**	2007
Advances on sales contracts and service billings	**$ 5,248**	$ 4,934
Accrued salaries, wages and employee benefits	**1,877**	1,858
Litigation and contract matters	**436**	538
Service and warranty	**526**	573
Income taxes payable	**307**	450
Interest payable	**296**	265
Accrued property, sales and use taxes	**207**	209
Accrued restructuring costs	**213**	88
Accrued workers compensation	**177**	168
Other	**2,782**	2,194
	$12,069	$11,277

Note 8. Borrowings and Lines of Credit

Short-term borrowings consist of the following:

(in millions of dollars)	**2008**	2007
Domestic borrowings	**$ 1**	$ 1
Foreign bank borrowings	**872**	1,084
Commercial paper	**150**	—
	$1,023	$1,085

The weighted-average interest rates applicable to short-term borrowings outstanding at December 31, 2008 and 2007 were 5.3% and 7.2%, respectively. At December 31, 2008, approximately $2.0 billion was available under short-term lines of credit with local banks at our various domestic and international subsidiaries.

At December 31, 2008, we had two committed credit agreements from banks permitting aggregate borrowings of up to $2.5 billion. One credit commitment is a $1.5 billion revolving credit agreement. As of December 31, 2008, there were no borrowings under this revolving credit agreement, which expires in October 2011. We also have a $1.0 billion multicurrency revolving credit agreement that is available for general funding purposes, including acquisitions. As of December 31, 2008, approximately $460 million had been borrowed under this revolving credit agreement. This agreement expires in November 2011. As of December 31, 2008, the undrawn portions of both the $1.5 billion revolving credit agreement and $1.0 billion multicurrency revolving credit agreement were available to serve as backup facilities for the issuance of commercial paper. In December 2008, we increased our maximum commercial paper borrowing authority from $1.5 billion to $2.5 billion. We generally use our commercial paper borrowings for general corporate purposes, including the funding of potential acquisitions and repurchases of our stock.

In December 2008, we issued $1.25 billion of long-term debt, the proceeds of which were used primarily to repay commercial paper borrowings maturing between December 15, 2008 and January 21, 2009. A portion of the net proceeds from the offering was also used to repay approximately $180 million of the outstanding borrowings under our multicurrency revolving credit facility. The remainder of the net proceeds will be used for general corporate purposes. Pending use, we have invested the remaining available net proceeds in short-term interest bearing obligations. The terms of the long-term debt issued in December 2008 were as follows:

Principal (in millions of dollars)	Rate	Maturity
$1,250	6.125%	February 1, 2019

We may redeem the notes, in whole or in part, at our option at any time at a redemption price in U.S. dollars equal to the greater of 100% of the principal amount of the notes to be redeemed or the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed, discounted to the redemption date on a semiannual basis at the adjusted treasury rate plus 50 basis points. The redemption price will also include interest accrued to the date of redemption on the principal balance of the notes being redeemed.

In May 2008, we issued $1.0 billion of long-term debt, the proceeds of which were primarily used for general corporate purposes, including financing acquisitions and repurchases of our stock. The terms of the long-term debt issued in May 2008 were as follows:

Principal (in millions of dollars)	Rate	Maturity
$1,000	6.125%	July 15, 2038

We may redeem the notes, in whole or in part, at our option at any time at a redemption price in U.S. dollars equal to the greater of 100% of the principal amount of the notes to be redeemed or the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed, discounted to the redemption date on a semiannual basis at the adjusted treasury rate plus 25 basis points. The redemption price will also include interest accrued to the date of redemption on the principal balance of the notes being redeemed.

In December 2007, we issued $1.0 billion of long-term debt, the proceeds of which were primarily used to repay commercial paper borrowings. The terms of the long-term debt issued in December 2007 were as follows:

Principal (in millions of dollars)	Rate	Maturity
$1,000	5.375%	December 15, 2017

We may redeem the notes, in whole or in part, at our option at any time at a redemption price in U.S. dollars equal to the greater of 100% of the principal amount of the notes to be redeemed or the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed, discounted to the redemption date on a semiannual basis at the adjusted treasury rate plus 25 basis points. The redemption price will also include interest accrued to the date of redemption on the principal balance of the notes being redeemed.

In May 2006, we issued $1.1 billion of long-term debt, the proceeds of which were used to repay commercial paper borrowings. The long-term debt issued in May 2006 is comprised of two series of notes as follows:

Principal (in millions of dollars)	Rate	Maturity
$600	6.05%	June 1, 2036
$500	LIBOR + .07%	June 1, 2009

In February 2009, we redeemed all of the outstanding $500 million in notes due in 2009 at a redemption price in U.S. dollars equal to 100% of the principal amount, plus interest accrued. We may redeem the notes due in 2036, in whole or in part, at our option at any time, at a redemption price in U.S. dollars equal to the greater of 100% of the principal amount of the notes to be redeemed or the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed, discounted to the redemption date on a semiannual basis at the adjusted treasury rate plus 15 basis points. The redemption price will also include interest accrued to the date of redemption on the principal balance of the notes being redeemed. The three month LIBOR rate as of December 31, 2008 and 2007 was approximately 1.4%, and 4.7%, respectively.

In April 2005, we issued $2.4 billion of long-term debt, the proceeds of which were used primarily to support the funding of the Kidde acquisition. The long-term debt is comprised of three series of notes as follows:

Principal (in millions of dollars)	Rate	Maturity
$600	4.375%	May 1, 2010
$1,200	4.875%	May 1, 2015
$600	5.400%	May 1, 2035

We may redeem the notes of any series, in whole or in part, at our option at any time, at a redemption price in U.S. dollars equal to the greater of 100% of the principal amount of the notes of the series to be redeemed or the sum of the present values of the remaining scheduled payments of principal and interest on the notes of the series to be redeemed as described below, discounted to the redemption date on a semiannual basis, at the adjusted treasury rate described below plus 10 basis points for the 4.375% notes, 15 basis points for the 4.875% notes and 15 basis points for the 5.400% notes. In each case, the redemption price will also include interest accrued to the date of redemption on the principal balance of the notes being redeemed.

Total long-term debt consists of the following:

(in millions of dollars)	Weighted-Average Interest Rate	Maturity	**2008**	2007
Notes and other debt denominated in:				
U.S. dollars	6.0%	2009-2038	**$10,377**	$7,942
Foreign currency	5.6%	2009-2027	**43**	56
ESOP debt	7.7%	2009	**33**	65
			10,453	8,063
Less: Long-term debt currently due			**1,116**	48
			$ 9,337	$8,015

Included within the U.S. dollar denominated debt reflected above are project financing obligations in the amount of $193 million associated with the sale of rights to unbilled revenues related to the ongoing activity of an entity recently acquired by Carrier. Principal payments required on long-term debt for the next five years are: $1,116 million in 2009, $1,133 million in 2010, $539 million in 2011, $503 million in 2012, and $3 million in 2013. The percentage of total debt at floating interest rates was 15% and 18% at December 31, 2008 and 2007, respectively.

In July 2007, we filed a universal shelf registration statement with the SEC for an indeterminate amount of securities for future issuance, subject to our internal limitations on the amount of debt to be issued under this shelf registration statement.

Note 9. Taxes on Income

(in millions of dollars)	**2008**	2007	2006
Current:			
United States:			
Federal	**$ 576**	$ 490	$ 667
State	**51**	82	11
Foreign	**1,211**	1,206	1,030
	1,838	1,778	1,708
Future:			
United States:			
Federal	**$ 142**	$ 220	$ (82)
State	**(52)**	(60)	38
Foreign	**(45)**	(102)	(170)
	45	58	(214)
Income tax expense	**$1,883**	$1,836	$1,494
Attributable to items credited (charged) to equity and goodwill	**$2,818**	$ (493)	$1,287

Future income taxes represent the tax effects of transactions, which are reported in different periods for tax and financial reporting purposes. These amounts consist of the tax effects of temporary differences between the tax and financial reporting balance sheets and tax carryforwards. Pursuant to SFAS 109, “Accounting for Income Taxes,” current and non-current future income tax benefits and payables within the same tax jurisdiction are generally offset for presentation in the Consolidated Balance Sheet.

The tax effects of net temporary differences and tax carryforwards which gave rise to future income tax benefits and payables at December 31, 2008 and 2007 are as follows:

(in millions of dollars)	**2008**	2007
Future income tax benefits:		
Insurance and employee benefits	**$3,200**	$ 755
Other asset basis differences	**(397)**	(332)
Other liability basis differences	**1,271**	1,266
Tax loss carryforwards	**683**	549
Tax credit carryforwards	**1,125**	700
Valuation allowance	**(698)**	(545)
	$5,184	$2,393
Future income taxes payable:		
Fixed assets	**$ 523**	$ 630
Other items, net	**290**	192
	$ 813	$ 822

Valuation allowances have been established primarily for tax credit, tax loss carryforwards, and certain foreign temporary differences to reduce the future income tax benefits to expected realizable amounts. Of the total valuation allowance amount of $698 million, $278 million was established in purchase accounting, relating primarily to the purchase of Chubb. Upon the January 1, 2009 adoption of SFAS 141(R), changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense including those associated with acquisitions that closed prior to the effective date of SFAS 141(R).

The sources of income from continuing operations before income taxes and minority interests are:

(in millions of dollars)	**2008**	2007	2006
United States	**$2,899**	$2,786	$2,410
Foreign	**4,037**	3,598	3,082
	$6,936	$6,384	$5,492

U.S. income taxes have not been provided on undistributed earnings of international subsidiaries. It is not practicable to estimate the amount of tax that might be payable. Our intention is to reinvest these earnings permanently or to repatriate the earnings only when it is tax effective to do so. Accordingly, we believe that U.S. tax on any earnings that might be repatriated would be substantially offset by U.S. foreign tax credits.

Differences between effective income tax rates and the statutory U.S. federal income tax rates are as follows:

	2008	2007	2006
Statutory U.S. federal income tax rate	**35.0%**	35.0%	35.0%
Tax on international activities	**(6.9)%**	(5.2)%	(7.8)%
Tax audit settlements	**(0.8)%**	(0.6)%	(0.6)%
Other	**(0.2)%**	(0.4)%	0.6%
Effective income tax rate	**27.1%**	28.8%	27.2%

The effective tax rates for 2008, 2007 and 2006 reflect the tax benefits associated with lower tax rates on international earnings, which we intend to permanently reinvest outside the United States. The 2008 effective tax rate reflects $62 million of tax expense reductions, principally related to the resolution of disputes with the Appeals Division of the IRS for tax years 2000 through 2003.

The 2007 effective tax rate reflects approximately $80 million of tax expense reductions, principally relating to re-evaluation of our liabilities and contingencies based upon global examination activity including IRS completion of 2000 through 2003 examination fieldwork and related protest filing, and development of claims for research and development tax credits. Principal adverse tax impacts to the 2007 effective tax rate related to the EU Fine and enacted tax law changes outside the United States.

In 2006, a residual disputed issue related to the 1999 disposition of a business segment was settled with the Appeals Division of the IRS and was reviewed by the U.S. Congress Joint Committee on Taxation. The settlement resulted in an approximately $35 million reduction in tax expense.

In the normal course of business, various tax authorities examine us, including the IRS. The IRS examination of tax years 2004 and 2005 is ongoing. Although the outcome of these matters cannot be currently determined, we believe adequate provision has been made for any potential unfavorable financial statement impact.

At December 31, 2008, tax credit carryforwards, principally state and federal, were $1,125 million, of which $541 million expire as follows: $23 million expire from 2009–2013, $403 million from 2014–2018, and $115 million from 2019–2028.

At December 31, 2008, tax loss carryforwards, principally state and foreign, were $2,726 million, of which $843 million expire as follows: $452 million from 2009-2013, $151 million from 2014-2018, and $240 million from 2019-2028.

As disclosed in Note 1, we adopted the provisions of FIN 48 as of January 1, 2007. At December 31, 2008, we had gross tax-effected unrecognized tax benefits of $773 million of which $710 million, if recognized, would impact the effective tax rate. During the years ended December 31, 2008, 2007, and 2006, we recorded interest expense related to unrecognized tax benefits of approximately $39 million, $56 million, and $38 million, respectively. Total accrued interest at December 31, 2008 and 2007 was approximately $161 million and $174 million, respectively. A reconciliation of the beginning and ending amounts of unrecognized tax benefits for the years ended December 31, 2008 and 2007 are as follows:

(in millions of dollars)	**2008**	2007
Balance at January 1	**$ 798**	$ 815
Additions for tax positions related to the current year	**112**	78
Additions for tax positions of prior years	**66**	93
Reductions for tax positions of prior years	**(85)**	(48)
Settlements	**(118)**	(140)
Balance at December 31	**$ 773**	$ 798

Included in the balances at December 31, 2008 and 2007, are $63 million of tax positions whose tax characterization is highly certain but for which there is uncertainty about the timing of tax return inclusion. Because of the impact of deferred tax accounting, other than interest and penalties, the timing would not impact the annual effective tax rate but could accelerate the payment of cash to the taxing authority to an earlier period.

We conduct business globally and, as a result, UTC or one or more of our subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world, including such major jurisdictions as Australia, Canada, China, France, Germany, Hong Kong, Italy, Japan, South Korea, Singapore, Spain, the United Kingdom and the United States. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations for years before 1998.

It is reasonably possible that over the next twelve months the amount of unrecognized tax benefits may change within a range of a net decrease of $175 million to a net increase of $50 million resulting from additional worldwide uncertain tax positions, from the re-evaluation of current uncertain tax positions arising from developments in examinations, in appeals, or in the courts, or from the closure of tax statutes. Not included in the range is $266 million of tax benefits that we have claimed related to a 1998 German reorganization. These tax benefits are currently being reviewed by the German Tax Office in the course of an audit of tax years 1999 to 2000. In 2008 the German Federal Tax Court denied benefits to another taxpayer in a case involving a German tax law relevant to our reorganization. The determination of the German Federal Tax Court on this other matter has been appealed to the European Court of Justice (ECJ) to determine if the underlying German tax law is violative of European Union (EU) principles. It is our position that it is more likely than not that the relevant German tax law is violative of EU principles and we have not accrued tax expense for this matter. As developments in the pending ECJ case warrant, it may become necessary for us to accrue for this matter, and related interest.

Note 10. Employee Benefit Plans

We sponsor numerous domestic and foreign employee benefit plans, which are discussed below.

As disclosed in Note 1, we adopted the recognition provisions of SFAS 158 in 2006. In addition, we early-adopted the measurement date provisions of SFAS 158 effective January 1, 2007. Accordingly, we use a December 31 measurement date for our pension and postretirement plans. Prior to 2007, we used a November 30 measurement date for a majority of our pension and postretirement plans.

Employee Savings Plans. We sponsor various employee savings plans. Our contributions to employer sponsored defined contribution plans were $212 million, $200 million and $205 million for 2008, 2007 and 2006, respectively.

Our non-union domestic employee savings plan uses an Employee Stock Ownership Plan (ESOP) for employer contributions. External borrowings, guaranteed by us and reported as debt in the Consolidated Balance Sheet, were used by the ESOP to fund a portion of its purchase of ESOP Convertible Preferred Stock (ESOP Preferred Stock) from us. On November 6, 2003, the Trustee and we effected the conversion of all 10.6 million outstanding shares of ESOP Preferred Stock into 85 million shares of common stock. At the time of the conversion, each share of ESOP Preferred Stock was convertible into four shares of common stock, had a guaranteed minimum value of $65, a $4.80 annual dividend and was redeemable by us at any time for $65 per share. Because of its guaranteed value, the ESOP Preferred Stock was classified outside of Shareowners' Equity. Beginning with the December 31, 2003 balance sheet, common stock held by the ESOP and committed to employees is classified as permanent equity because it no longer has a guaranteed value. Common stock held by the ESOP is included in the average number of common shares outstanding for both basic and diluted earnings per share.

Shares of common stock are allocated to employees' ESOP accounts at fair value on the date earned. Cash dividends on common stock held by the ESOP are used for debt service payments. Participants receive additional shares in lieu of cash dividends. As ESOP debt service payments are made, common stock is released from an unreleased shares account. ESOP debt may be prepaid or re-amortized to either increase or decrease the number of shares released so that the value of released shares equals the value of plan benefit. We may also, at our option, contribute additional common stock or cash to the ESOP. At December 31, 2008, 38.4 million common shares had been allocated to employees, leaving 24.6 million unallocated common shares in the ESOP Trust, with an approximate fair value of $1.3 billion.

Pension Plans. We sponsor both funded and unfunded domestic and foreign defined benefit pension plans that cover the majority of our employees.

(in millions of dollars)	**2008**	2007
Change in Benefit Obligation:		
Beginning balance	**$ 21,914**	$ 21,948
Service cost	**446**	438
Interest cost	**1,263**	1,182
Actuarial loss (gain)	**111**	(565)
Total benefits paid	**(1,121)**	(1,107)
Net settlement and curtailment gain	**(21)**	(63)
Acquisitions	**—**	38
Other	**(1,081)**	43
Ending balance	**$ 21,511**	$ 21,914
Change in Plan Assets:		
Beginning balance	**$ 22,650**	$ 20,593
Actual return on plan assets	**(5,095)**	2,074
Employer contributions	**492**	380
Benefits paid from plan assets	**(1,095)**	(1,073)
Other	**(1,012)**	676
Ending balance	**$ 15,940**	$ 22,650
Funded status:		
Fair value of plan assets	**$ 15,940**	$ 22,650
Benefit obligations	**(21,511)**	(21,914)
Funded status of plan	**$ (5,571)**	$ 736
Amounts Recognized in the Consolidated Balance Sheet Consist of:		
Noncurrent assets	**$ 59**	$ 2,187
Current liability	**(47)**	(57)
Noncurrent liability	**(5,583)**	(1,394)
Net amount recognized	**$ (5,571)**	$ 736
Amounts Recognized in Accumulated Other Comprehensive Income Consist of:		
Net actuarial loss	**$ 7,903**	$ 1,247
Prior service cost	**298**	348
Transition obligation	**9**	13
Net amount recognized	**$ 8,210**	$ 1,608

The amounts included in Other in the preceding table reflect the impact of the change in measurement date in 2007, foreign exchange translation, primarily for plans in the United Kingdom and Canada, and amendments to certain domestic plans.

Qualified domestic pension plan benefits comprise approximately 77% of the projected benefit obligation. Benefits for union employees are generally based on a stated amount for each year of service. For non-union employees, benefits are generally based on an employee's years of service and compensation near retirement. A cash balance formula was adopted in 2003 for newly hired non-union employees and for other non-union employees who made a one-time voluntary election to have future benefit accruals determined under this formula. Certain foreign plans, which comprise approximately 21% of the projected benefit obligation, are considered defined benefit plans for accounting purposes. Nonqualified domestic pension plans provide supplementary retirement benefits to certain employees and are not a material component of the projected benefit obligation.

We contributed $250 million and $150 million of common stock to our domestic defined benefit pension plans during 2008 and 2007, respectively.

Information for pension plans with accumulated benefit obligation in excess of plan assets:

(in millions of dollars)	**2008**	2007
Projected benefit obligation	**$18,910**	$2,412
Accumulated benefit obligation	**17,224**	1,958
Fair value of plan assets	**13,391**	1,458

The accumulated benefit obligation for all defined benefit pension plans was $19.6 billion at both December 31, 2008 and 2007.

The components of the net periodic pension cost are as follows:

(in millions of dollars)	**2008**	2007	2006
Pension Benefits:			
Service cost	**$ 446**	$ 438	$ 432
Interest cost	**1,263**	1,182	1,128
Expected return on plan assets	**(1,663)**	(1,546)	(1,413)
Amortization of prior service costs	**49**	37	36
Amortization of unrecognized net transition obligation	**1**	1	1
Recognized actuarial net loss	**119**	253	325
Net settlement and curtailment loss (gain)	**1**	(1)	10
Net periodic pension cost—employer	**$ 216**	$ 364	$ 519

Other changes in plan assets and benefit obligations recognized in other comprehensive income in 2008 are as follows:

(in millions of dollars)	
Current year actuarial loss	**$6,869**
Amortization of actuarial loss	**(119)**
Current year prior service cost	**13**
Amortization of prior service costs	**(49)**
Amortization of transition obligation	**(1)**
Other	**(111)**
Total recognized in other comprehensive income	**6,602**
Net recognized in net periodic pension cost and other comprehensive income	**$6,818**

The estimated amount that will be amortized from accumulated other comprehensive income into net periodic pension cost in 2009 is as follows:

(in millions of dollars)	
Net actuarial loss	**$220**
Prior service cost	**53**
Transition obligation	**1**
	$274

Contributions to multiemployer plans were $163 million, $145 million and $132 million for 2008, 2007 and 2006, respectively.

Major assumptions used in determining the benefit obligation and net cost for pension plans are presented in the following table as weighted-averages:

	Benefit Obligation		*Net Cost*		
	2008	2007	**2008**	2007	2006
Discount rate	**6.1%**	6.0%	**6.0%**	5.4%	5.5%
Salary scale	**4.4%**	4.3%	**4.4%**	4.0%	4.0%
Expected return on plan assets	**—**	—	**8.3%**	8.3%	8.3%

In determining the expected return on plan assets, we consider the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes and economic and other indicators of future performance. In addition, we may consult with and consider the opinions of financial and other professionals in developing appropriate return benchmarks. The 2007 net cost assumptions reflect the early adoption of the measurement change provisions of SFAS 158, as discussed in Note 1.

Asset management objectives include maintaining an adequate level of diversification to reduce interest rate and market risk and to provide adequate liquidity to meet immediate and future benefit payment requirements.

The allocation of pension plan assets is as follows:

	Target Allocation	*Percentage of Plan Assets*	
Asset Category	2009	**2008**	2007
Equity securities	48% – 68%	**49%**	58%
Debt securities	18% – 30%	**34%**	27%
Real estate	4% – 8%	**6%**	6%
Other	7% – 20%	**11%**	9%
		100%	100%

Our common stock represents approximately 4% and 2% of total plan assets at December 31, 2008 and 2007, respectively. We review our assets at least quarterly to ensure we are within the targeted asset allocation ranges and, if necessary, asset balances are adjusted back within target allocations.

Estimated Future Contributions and Benefit Payments

We expect to make contributions of approximately $600 million to our pension plans in 2009, including approximately $400 million to our domestic plans. Contributions do not reflect benefits to be paid directly from corporate assets.

Benefit payments, including amounts to be paid from corporate assets, and reflecting expected future service, as appropriate, are expected to be paid as follows: $1,174 million in 2009, $1,257 million in 2010, $1,257 million in 2011, $1,302 million in 2012, $1,341 million in 2013, and $7,461 million from 2014 through 2018.

Postretirement Benefit Plans. We sponsor a number of postretirement benefit plans that provide health and life benefits to eligible retirees. Such benefits are provided primarily from domestic plans, which comprise approximately 90% of the benefit obligation. The postretirement plans are primarily unfunded. The allocation of assets in funded plans is approximately 37% equity and 63% fixed income.

(in millions of dollars)	**2008**	2007
Change in Benefit Obligation:		
Beginning balance	**$ 971**	$1,074
Service cost	**3**	5
Interest cost	**53**	56
Actuarial gain	**(54)**	(31)
Total benefits paid	**(90)**	(84)
Other	**(12)**	(49)
Ending balance	**$ 871**	$ 971
Change in Plan Assets:		
Beginning balance	**$ 27**	$ 65
Employer contributions	**83**	76
Benefits paid from plan assets	**(90)**	(84)
Other	**(4)**	(30)
Ending balance	**$ 16**	$ 27
Funded Status:		
Fair value of plan assets	**$ 16**	$ 27
Benefit obligations	**(871)**	(971)
Funded status of plan	**$(855)**	$ (944)
Amounts Recognized in the Consolidated Balance Sheet Consist of:		
Current liability	**$ (88)**	$ (70)
Noncurrent liability	**(767)**	(874)
	$(855)	$ (944)
Amounts Recognized in Accumulated Other Comprehensive Income Consist of:		
Net actuarial gain	**$(123)**	$ (76)
Prior service cost	**(4)**	(10)
	$(127)	$ (86)

The components of net periodic benefit cost are as follows:

(in millions of dollars)	**2008**	2007	2006
Other Postretirement Benefits:			
Service cost	**$ 3**	$ 5	$ 8
Interest cost	**53**	56	57
Expected return on plan assets	**(2)**	(3)	(4)
Amortization of prior service cost	**(6)**	(8)	(26)
Net settlement and curtailment gain	**—**	—	(1)
Net periodic other postretirement benefit cost	**$ 48**	$ 50	$ 34

Other changes in plan assets and benefit obligations recognized in other comprehensive income in 2008 are as follows:

(in millions of dollars)	
Current year actuarial gain	**$(47)**
Amortization of prior service credit	**6**
Total recognized in other comprehensive income	**(41)**
Net recognized in net periodic benefit cost and other comprehensive income	**$ 7**

The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2009 include net actuarial gains of $3 million and prior service credits of $2 million.

Major assumptions used in determining the benefit obligation and net cost for postretirement plans are presented in the following table as weighted-averages:

	Benefit Obligation		*Net Cost*		
	2008	2007	**2008**	2007	2006
Discount rate	**6.0%**	5.9%	**5.9%**	5.5%	5.5%
Expected return on plan assets	**—**	—	**7.8%**	7.3%	6.0%

The 2007 net cost assumptions reflect the early adoption of the measurement change provisions of SFAS 158, as discussed in Note 1.

Assumed health care cost trend rates are as follows:

	2008	2007
Health care cost trend rate assumed for next year	**8.5%**	9.0%
Rate that the cost trend rate gradually declines to	**5.0%**	5.0%
Year that the rate reaches the rate it is assumed to remain at	**2016**	2016

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	2008 One-Percentage-Point	
(in millions of dollars)	Increase	Decrease
Effect on total service and interest cost	$ 3	$ (2)
Effect on postretirement benefit obligation	$ 43	$ (38)

Estimated Future Benefit Payments

Benefit payments, including net amounts to be paid from corporate assets, and reflecting expected future service, as appropriate, are expected to be paid as follows: $90 million in 2009, $88 million in 2010, $86 million in 2011, $83 million in 2012, $80 million in 2013, and $336 million from 2014 through 2018.

Stock-based Compensation. We have long-term incentive plans authorizing various types of market and performance-based incentive awards that may be granted to officers and employees. Prior to April 13, 2005, our long-term incentive plan provided for the annual grant of awards in an amount not to exceed 2% of the aggregate number of shares of outstanding common stock, treasury shares and potential common stock (as determined by us in the calculation of earnings per share on a diluted basis) for the preceding year. On April 9, 2008, the shareowners approved an amendment to the 2005 Long Term Incentive Plan (LTIP) which authorized the delivery of up to an additional 33 million shares of common stock pursuant to awards under the LTIP. The amendment increased the maximum number of shares of common stock that may be awarded under the LTIP to 71 million shares. As of December 31, 2008, approximately 43 million shares remain available for awards under the LTIP. The LTIP does not contain an annual award limit. We expect that the shares awarded on an annual basis will range from 1% to 1.5% of shares outstanding. The LTIP will expire after all shares have been awarded or April 30, 2014, whichever is sooner. Following initial approval of the LTIP on April 13, 2005, we may not grant any new awards under previously existing equity compensation plans. Under all long-term incentive plans, the exercise price of awards is set on the grant date and may not be less than the fair market value per share on that date. Generally, awards have a term of ten years and a minimum three-year vesting schedule. In the event of retirement, awards held for more than one year shall immediately become vested and exercisable. In addition, under the LTIP, awards with performance-based vesting will also generally be subject to a three-year performance measurement period. In the event of retirement before completion of the three-year performance measurement period, awards may remain eligible to vest. We have historically repurchased shares in an amount at least equal to the number of shares issued under our equity compensation arrangements and expect to continue this policy.

We measure the cost of all share-based payments, including stock options, at fair value on the grant date and recognize this cost in the statement of operations. For the years ended December 31, 2008, 2007 and 2006, $211 million, $198 million and $180 million, respectively, of compensation cost was recognized in operating results. The associated future income tax benefit recognized was $72 million, $67 million and $58 million for the years ended December 31, 2008, 2007 and 2006, respectively.

For the years ended December 31, 2008, 2007 and 2006, the amount of cash received from the exercise of stock options was $163 million, $415 million and $346 million, respectively, with an associated tax benefit realized of $49 million, $174 million and $137 million, respectively. Also, in accordance with SFAS No. 123(R), for the years ended December 31, 2008, 2007 and 2006, $32 million, $130 million and $101 million, respectively, of certain tax benefits have been reported as operating cash outflows with corresponding cash inflows from financing activities.

At December 31, 2008, there was $151 million of total unrecognized compensation cost related to non-vested equity awards granted under long-term incentive plans. This cost is expected to be recognized ratably over a weighted-average period of 1.5 years.

A summary of the transactions under all long-term incentive plans for the three years ended December 31, 2008 follows:

	Stock Options		Stock Appreciation Rights		Performance Share Units		Other Incentive Shares / Units
(shares and units in thousands)	Shares	Average Price*	Shares	Average Price*	Units	Average Price**	
Outstanding at:							
December 31, 2005	85,786	$36.37	—	—	—	—	586
Granted	220	56.46	7,110	$56.78	1,185	$56.53	234
Exercised/earned	(13,069)	28.47	—	—	—	—	(234)
Cancelled	(961)	47.76	(250)	56.78	(44)	56.53	(37)
December 31, 2006	71,976	$37.71	6,860	$56.78	1,141	$56.53	549
Granted	275	64.49	7,578	65.33	1,085	62.81	125
Exercised/earned	(14,458)	31.39	(61)	45.16	—	—	(85)
Cancelled	(782)	39.35	(491)	60.22	(69)	59.63	(2)
December 31, 2007	57,011	$39.42	13,886	$61.37	2,157	$59.59	587
Granted	**192**	**74.57**	**7,221**	**74.23**	**948**	**75.21**	**174**
Exercised/earned	**(6,095)**	**32.65**	**(14)**	**47.34**	**—**	**—**	**(144)**
Cancelled	**(110)**	**44.75**	**(798)**	**66.57**	**(111)**	**64.59**	**(55)**
December 31, 2008	**50,998**	**$40.35**	**20,295**	**$65.75**	**2,994**	**$64.35**	**562**

* weighted-average exercise price
** weighted-average grant stock price

The weighted-average grant date fair value of stock options and stock appreciation rights granted during 2008, 2007 and 2006 was $21.16, $19.10 and $15.84, respectively. The weighted-average grant date fair value of performance share units, which vest upon achieving certain performance metrics, granted during 2008, 2007, and 2006 was $84.01, $71.28 and $63.96, respectively. The total fair value of options vested during the years ended December 31, 2008, 2007 and 2006 was $144 million, $216 million and $121 million, respectively. The total intrinsic value (which is the amount by which the stock price exceeded the exercise price of the options on the date of exercise) of options exercised during the years ended December 31, 2008, 2007 and 2006 was $173 million, $575 million and $443 million, respectively.

The following table summarizes information about equity awards outstanding that are expected to vest and equity awards outstanding that are exercisable at December 31, 2008:

	Equity Awards Outstanding Expected to Vest				Equity Awards Outstanding That Are Exercisable			
(shares thousands, aggregate intrinsic value in millions)	Awards	Average Price*	Aggregate Intrinsic Value	Remaining Term**	Awards	Average Price*	Aggregate Intrinsic Value	Remaining Term**
Stock Options/Stock Appreciation Rights	70,879	$47.24	$ 451	5.1	51,160	$ 40.24	$ 683	3.9
Performance Share Units/Restricted Stock	3,166	—	$ 170	1.0				

* weighted-average exercise price per share
** weighted-average contractual remaining term in years

The fair value of each option award is estimated on the date of grant using a binomial lattice model. The following table indicates the assumptions used in estimating fair value for the years ended December 31, 2008, 2007 and 2006. Because lattice-based option models incorporate ranges of assumptions for inputs, those ranges are as follows:

	2008	2007	2006
Expected volatility	**23% – 26%**	22% – 23%	21%
Weighted-average volatility	**23%**	22%	21%
Expected term (in years)	**7.9 – 8.7**	7.8 – 8.2	7.6 – 7.9
Expected dividends	**1.6%**	1.6%	1.7%
Risk-free rate	**2.9% – 4.0%**	4.6% – 5.0%	4.0% – 4.4%

Expected volatilities are based on the returns of our stock, including implied volatilities from traded options on our stock for the binomial lattice model. We use historical data to estimate equity award exercise and employee termination behavior within the valuation model. Separate employee groups and equity award characteristics are considered separately for valuation purposes. The expected term represents an estimate of the period of time equity awards are expected to remain outstanding. The risk-free rate is based on the term structure of interest rates at the time of equity award grant.

Note 11. Restructuring

During 2008, we recorded net pre-tax restructuring and related charges totaling $357 million for new and ongoing restructuring actions. We recorded charges in the segments as follows: Otis $21 million, Carrier $140 million, UTC Fire & Security $63 million, Pratt & Whitney $116 million, Hamilton Sundstrand $16 million and Eliminations & Other $1 million. The charges include $148 million in cost of sales, $205 million in selling, general and administrative expenses and $4 million in other income. As described below, these charges relate principally to actions initiated during 2008 and, to a lesser extent, to certain actions initiated in 2007 and 2006.

2008 Actions. During 2008, we initiated restructuring actions relating to ongoing cost reduction efforts, including selling, general and administrative reductions, principally at Carrier, Pratt & Whitney, and UTC Fire & Security, and the consolidation of manufacturing facilities. We recorded net pre-tax restructuring and related charges totaling $327 million, including $119 million in cost of sales, $204 million in selling, general and administrative expenses, and $4 million in other income.

At December 31, 2008, net workforce reductions of approximately 3,900 employees of an expected 6,300 employees have been completed. The majority of the remaining workforce reductions and all facility-related cost reduction actions, expected to total 1.2 million net square feet of facilities, are targeted for completion during 2009 and 2010.

The following table summarizes the accrual balances and utilization by cost type for the 2008 restructuring actions:

(in millions of dollars)	Severance	Asset Write-Downs	Facility Exit and Lease Termination Costs	Total
Net pre-tax restructuring charges	$ 277	$ 24	$ 26	$ 327
Utilization	(125)	(24)	(19)	(168)
Balance at December 31, 2008	**$ 152**	**$ —**	**$ 7**	**$ 159**

The following table summarizes expected, incurred and remaining costs for the 2008 restructuring actions by type:

(in millions of dollars)	Severance	Asset Write-Downs	Facility Exit and Lease Termination Costs	Total
Expected costs	$ 303	$ 24	$ 60	$ 387
Costs incurred during 2008	(277)	(24)	(26)	(327)
Remaining costs at December 31, 2008	**$ 26**	**$ —**	**$ 34**	**$ 60**

The following table summarizes expected, incurred and remaining costs for the 2008 restructuring actions by segment:

(in millions of dollars)	Expected Costs	**Costs Incurred During 2008**	**Remaining Costs at December 31, 2008**
Otis	$ 29	**$ (21)**	**$ 8**
Carrier	164	**(141)**	**23**
UTC Fire & Security	66	**(58)**	**8**
Pratt & Whitney	114	**(93)**	**21**
Hamilton Sundstrand	13	**(13)**	**—**
Eliminations & Other	1	**(1)**	**—**
Total	$ 387	**$ (327)**	**$ 60**

2007 Actions. During 2008, we recorded net pre-tax restructuring and related charges totaling $10 million, including $9 million in cost of sales and $1 million in selling, general and administrative expenses. The 2007 actions relate to ongoing cost reduction efforts including workforce reductions, and the consolidation of manufacturing facilities.

As of December 31, 2008, net workforce reductions of approximately 1,700 employees of an expected 1,800 employees have been completed, and 200,000 net square feet of facilities of an expected 500,000 net square feet have been exited. The remaining workforce and facility reduction actions are targeted for completion during 2009.

The following table summarizes the restructuring accrual balances and utilization by cost type for the 2007 programs:

(in millions of dollars)	Severance	Asset Write-Downs	Facility Exit and Lease Termination Costs	Total
Restructuring accruals at January 1, 2008	$ 31	$ —	$ 7	$ 38
Net pre-tax restructuring charges	1	2	7	10
Utilization	(28)	(2)	(9)	(39)
Balance at December 31, 2008	**$ 4**	**$ —**	**$ 5**	**$ 9**

The following table summarizes expected, incurred and remaining costs for the 2007 programs by type:

(in millions of dollars)	Severance	Asset Write-Downs	Facility Exit and Lease Termination Costs	Total
Expected costs	$ 68	$ 23	$ 33	$ 124
Costs incurred during 2007	(67)	(21)	(21)	(109)
Costs incurred during 2008	(1)	(2)	(7)	(10)
Remaining costs at December 31, 2008	**$ —**	**$ —**	**$ 5**	**$ 5**

The following table summarizes expected, incurred and remaining costs for the 2007 programs by segment:

(in millions of dollars)	Expected Costs	Costs Incurred During 2007	**Costs Incurred During 2008**	**Remaining Costs at December 31, 2008**
Otis	$ 20	$ (20)	**$ —**	**$ —**
Carrier	33	(33)	**—**	**—**
UTC Fire & Security	32	(27)	**(5)**	**—**
Pratt & Whitney	27	(25)	**(2)**	**—**
Hamilton Sundstrand	12	(4)	**(3)**	**5**
Total	$ 124	$ (109)	**$ (10)**	**$ 5**

2006 Actions. During 2008, we recorded net pre-tax restructuring and related charges in the business segments totaling $20 million in cost of sales for the restructuring actions initiated in 2006. These actions relate to ongoing cost reduction efforts, including selling, general and administrative reductions, workforce reductions and the consolidation of manufacturing facilities. As of December 31, 2008, we have completed all net workforce reductions of approximately 3,700 employees and exited approximately 800,000 net square feet of facilities. As of December 31, 2008 there were no remaining costs on these actions.

Note 12. Financial Instruments

We operate internationally and, in the normal course of business, are exposed to fluctuations in interest rates, foreign exchange rates and commodity prices. These fluctuations can increase the costs of financing, investing and operating the business. We manage our foreign currency transaction risks and some commodity exposures to acceptable limits through the use of derivatives designated as hedges as deemed appropriate.

By nature, all financial instruments involve market and credit risks. We enter into derivative and other financial instruments with major investment grade financial institutions and have policies to monitor the credit risk of those counterparties. We limit counterparty exposure and concentration of risk by diversifying counterparties. We do not anticipate non-performance by any of these counterparties.

The non-shareowner changes in equity associated with hedging activity for the 12 months ended December 31, 2008 and 2007 were as follows:

(in millions of dollars)	**2008**	2007
Balance at January 1	**$ 139**	$ 4
Cash flow hedging (loss) gain, net	**(149)**	164
Net gain reclassified to sales or cost of products sold	**(161)**	(29)
Balance at December 31	**$(171)**	$139

Assuming current market conditions continue, of the amount recorded in Shareowners' Equity, a $202 million pre-tax loss is expected to be reclassified into sales or cost of products sold to reflect the fixed prices obtained from hedging within the next 12 months. Gains and losses recognized in earnings related to the discontinuance or the ineffectiveness of cash flow and fair value hedges were immaterial for the years ended December 31, 2008 and 2007. At December 31, 2008, all derivative contracts accounted for as cash flow hedges mature by December 2010.

All derivative instruments are recorded on the balance sheet at fair value. At December 31, 2008 and 2007, the fair value of derivatives recorded as assets was $188 million and $365 million, respectively, and the fair value of derivatives recorded as liabilities was $680 million and $43 million, respectively. We use derivatives to hedge forecasted cash flows associated with foreign currency commitments or forecasted commodity purchases, as deemed appropriate, which are accounted for as cash flow hedges. In addition, from time to time we use derivatives, such as interest rate swaps, which are accounted for as fair value hedges.

The notional amount of foreign exchange contracts hedging foreign currency transactions was $9.9 billion and $12.9 billion at December 31, 2008 and 2007, respectively. The carrying amounts and fair values of financial instruments at December 31 are as follows:

	2008		2007	
(in millions of dollars)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial Assets and Liabilities				
Marketable equity securities	**$ 325**	**$ 325**	$ 202	$ 202
Long-term receivables	**343**	**316**	306	302
Customer financing notes receivable	**316**	**245**	347	335
Short-term borrowings	**(1,023)**	**(1,023)**	(1,085)	(1,085)
Long-term debt	**(10,408)**	**(11,332)**	(8,002)	(8,432)

The above fair values were computed based on comparable transactions, quoted market prices, discounted future cash flows or an estimate of the amount to be received or paid to terminate or settle the agreement, as applicable.

The values of marketable equity securities represent our investment in common stock that is classified as available for sale and is accounted for at fair value.

We have outstanding financing and rental commitments totaling $1,142 million at December 31, 2008. Risks associated with changes in interest rates on these commitments are mitigated by the fact that interest rates are variable during the commitment term and are set at the date of funding based on current market conditions, the fair value of the underlying collateral and the credit worthiness of the customers. As a result, the fair value of these financings is expected to equal the amounts funded. The fair value of the commitment itself is not readily determinable and is not considered significant. Additional information pertaining to these commitments is included in Note 4.

Note 13. Guarantees

We extend a variety of financial guarantees to third parties. As of December 31, 2008 and 2007 the following financial guarantees were outstanding:

	2008		2007	
(in millions of dollars)	**Maximum Potential Payment**	**Carrying Amount of Liability**	Maximum Potential Payment	Carrying Amount of Liability
Credit facilities and debt obligations—unconsolidated subsidiaries (expire 2009 to 2034)	**$ 208**	**$ 2**	$ 296	$ 1
IAE's financing arrangements (See Note 4)	**1,420**	**14**	1,639	14
Commercial aerospace financing arrangements (See Note 4)	**137**	**10**	219	40
Commercial customer financing arrangements	**209**	**5**	196	1
Performance guarantees	**40**	**—**	58	—

We also have obligations arising from sales of certain businesses and assets, including representations and warranties and related indemnities for environmental, health and safety, tax and employment matters. The maximum potential payment related to these obligations is not a specified amount as a number of the obligations do not contain financial caps. The carrying amount of liabilities related to these obligations was $150 million and $164 million at December 31, 2008 and 2007, respectively. For additional information regarding the environmental indemnifications, see Note 15.

We accrue for costs associated with guarantees when it is probable that a liability has been incurred and the amount can be reasonably estimated. The most likely cost to be incurred is accrued based on an evaluation of currently available facts, and where no amount within a range of estimates is more likely, the minimum is accrued. In accordance with FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," for guarantees issued after December 31, 2002, we record a liability for the fair value of such guarantees in the balance sheet.

We provide service and warranty policies on our products and extend performance and operating cost guarantees beyond our normal service and warranty policies on some of our products, particularly commercial aircraft engines. In addition, we incur discretionary costs to service our products in connection with specific product performance issues. Liability for performance and operating cost guarantees is based upon future product performance and durability, and is estimated largely based upon historical experience. Adjustments are made to accruals as claim data and historical experience warrant. The changes in the carrying amount of service and product warranties and product performance guarantees for the years ended December 31, 2008 and 2007, are as follows:

(in millions of dollars)	**2008**	2007
Balance as of January 1	**$1,252**	$1,321
Warranties and guarantees issued	**429**	450
Settlements made	**(551)**	(531)
Adjustments to provision	**6**	12
Balance as of December 31	**$1,136**	$1,252

Note 14. Fair Value Measurement

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS 157), which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. This statement defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. This statement applies under other accounting pronouncements that require or permit fair value measurements. The statement indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. SFAS 157 defines fair value based upon an exit price model.

Relative to SFAS 157, the FASB issued FASB Staff Positions (FSP) FAS 157-1, FAS 157-2, and FAS 157-3. FSP FAS 157-1 amends SFAS 157 to exclude SFAS No. 13, "Accounting for Leases" (SFAS 13), and its related interpretive accounting pronouncements that address leasing transactions, while FSP FAS 157-2 delays the effective date of the application of SFAS 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a non-recurring basis. FSP FAS 157-3 clarifies the application of SFAS 157 as it relates to the valuation of financial assets in a market that is not active for those financial assets. This FSP is effective immediately and includes those periods for which financial statements have not been issued. We currently do not have any financial assets that are valued using inactive markets, and as such are not impacted by the issuance of this FSP.

We adopted SFAS 157 as of January 1, 2008, with the exception of the application of the statement to non-recurring nonfinancial assets and nonfinancial liabilities. Non-recurring nonfinancial assets and nonfinancial liabilities for which we have not applied the provisions of SFAS 157 include those measured at fair value in goodwill impairment testing, indefinite lived intangible assets measured at fair value for impairment testing, asset retirement obligations initially measured at fair value, and those non-recurring nonfinancial assets and nonfinancial liabilities initially measured at fair value in a business combination.

Valuation Hierarchy. SFAS 157 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived principally from or corroborated by observable market data through correlation. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2008:

(in millions of dollars)	**Total Carrying Value at December 31, 2008**	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Available for sale securities	**$317**	$ 317	$ —	$ —
Derivative assets	**188**	—	188	—
Derivative liabilities	**680**	—	680	—

Valuation Techniques. Our available for sale securities include equity investments that are traded in an active market. They are measured at fair value using closing stock prices from active markets and are classified within Level 1 of the valuation hierarchy**.** Our derivative assets and liabilities include foreign exchange and commodity derivatives that are measured at fair value using observable market inputs such as forward rates, interest rates, our own credit risk and our counterparties' credit risks. Based on these inputs, the derivative assets and liabilities are classified within Level 2 of the valuation hierarchy. Based on our continued ability to trade securities and enter into forward contracts, we consider the markets for our fair value instruments to be active.

As of December 31, 2008, there has not been any significant impact to the fair value of our derivative liabilities due to our own credit risk. Similarly, there has not been any significant adverse impact to our derivative assets based on our evaluation of our counterparties' credit risks.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115" (SFAS 159), which is effective for fiscal years beginning after November 15, 2007. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. This statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. Unrealized gains and losses on items for which the fair value option is elected would be reported in earnings. We have adopted SFAS 159 and have elected not to measure any additional financial instruments and other items at fair value.

Note 15. Commitments and Contingent Liabilities

Leases. We occupy space and use certain equipment under lease arrangements. Rental commitments of $1,650 million at December 31, 2008 under long-term noncancelable operating leases are payable as follows: $453 million in 2009, $371 million in 2010, $265 million in 2011, $180 million in 2012, $122 million in 2013 and $259 million thereafter. Rent expense was $504 million in 2008, $437 million in 2007 and $373 million in 2006.

Additional information pertaining to commercial aerospace rental commitments is included in Note 4.

Environmental. Our operations are subject to environmental regulation by federal, state and local authorities in the United States and regulatory authorities with jurisdiction over our foreign operations. As described in Note 1, we have accrued for the costs of environmental remediation activities and periodically reassess these amounts. We believe that the likelihood of incurring losses materially in excess of amounts accrued is remote. At December 31, 2008, we had $553 million reserved for environmental remediation.

Government. We are now, and believe that in light of the current U.S. government contracting environment we will continue to be, the subject of one or more U.S. government investigations. If we or one of our business units were charged with wrongdoing as a result of any of these investigations or other government investigations (including violations of certain environmental or export laws) the U.S. government could suspend us from bidding on or receiving awards of new U.S. government contracts pending the completion of legal proceedings. If convicted or found liable, the U.S. government could fine and debar us from new U.S. government contracting for a period generally not to exceed three years. The U.S. government could void any contracts found to be tainted by fraud.

Our contracts with the U.S. government are also subject to audits. Like many defense contractors, we have received audit reports, which recommend that certain contract prices should be reduced to comply with various government regulations. Some of these audit reports involved substantial amounts. We have made voluntary refunds in those cases we believe appropriate and continue to litigate certain cases. In addition, we accrue for liabilities associated with those matters that are probable and can be reasonably estimated. The most likely settlement amount to be incurred is accrued based upon a range of estimates. Where no amount within a range of estimates is more likely, then we accrued the minimum amount.

As previously disclosed, the Department of Justice (DOJ) sued us in 1999 in the U.S. District Court for the Southern District of Ohio, claiming that Pratt & Whitney violated the civil False Claims Act and common law. This lawsuit relates to the "Fighter Engine Competition" between Pratt & Whitney's F100 engine and General Electric's F110 engine. The DOJ alleges that the government overpaid for F100 engines under contracts awarded by the U.S. Air Force in fiscal years 1985 through 1990 because Pratt & Whitney inflated its estimated costs for some purchased parts and withheld data that would have revealed the overstatements. At trial of this matter, completed in December 2004, the government claimed Pratt & Whitney's liability to be $624 million. On August 1, 2008, the trial court judge held that the Air Force had not suffered any actual damages because Pratt & Whitney had made significant price concessions. However, the trial court judge found that Pratt & Whitney violated the False Claims Act due to inaccurate statements contained in the 1983 offer. In the absence of actual damages, the trial court judge awarded the DOJ the maximum civil penalty of $7.09 million, or $10,000 for each of the 709 invoices Pratt & Whitney submitted in 1989 and later under the contracts. Both the DOJ and UTC have appealed the decision. Should the government ultimately prevail, the outcome of this matter could result in a material effect on our results of operations in the period in which a liability would be recognized or cash flows for the period in which damages would be paid.

In December 2008, the Department of Defense (DOD) issued a contract claim against Sikorsky to recover overpayments the DOD alleges it has incurred since January 2003 in connection with cost accounting changes approved by the DOD and implemented by Sikorsky in 1999 and 2006. These changes relate to the calculation of material overhead rates in government contracts. The DOD claimed that Sikorsky's liability is approximately $80 million (including interest). We believe this claim is without merit and intend to appeal.

Except as otherwise noted above, we do not believe that resolution of any of these matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

Other. As described in Note 13, we extend performance and operating cost guarantees beyond our normal warranty and service policies for extended periods on some of our products. We have accrued our estimate of the liability that may result under these guarantees and for service costs, which are probable and can be reasonably estimated.

We have accrued for environmental investigatory, remediation, operating and maintenance costs, performance guarantees and other litigation and claims based on our estimate of the probable outcome of these matters. While it is possible that the outcome of these matters may differ from the recorded liability, we believe the resolution of these matters will not have a material impact on our competitive position, results of operations, cash flows or financial condition.

We also have other commitments and contingent liabilities related to legal proceedings, self-insurance programs and matters arising out of the normal course of business. We accrue contingencies based upon a range of possible outcomes. If no amount within this range is a better estimate than any other, then we accrue the minimum amount.

Note 16. Segment Financial Data

Our operations are classified in six principal segments. The segments are generally determined based on the management of the businesses and on the basis of separate groups of operating companies, each with general operating autonomy over diversified products and services.

Otis products include elevators, escalators, moving walkways and service sold to customers in the commercial and residential property industries around the world.

Carrier products include residential, commercial and industrial heating, ventilating, air conditioning (HVAC) and refrigeration systems and equipment, food service equipment, building automation and controls, HVAC and refrigeration components and installation, retrofit and aftermarket services.

UTC Fire & Security products include fire and special hazard and suppression systems and fire fighting equipment, electronic security, monitoring and rapid response systems and service and security personnel for a diversified international customer base principally in the industrial, commercial and residential property sectors.

Pratt & Whitney products include commercial, military, business jet and general aviation aircraft engines, parts and services, industrial gas turbines and space propulsion sold to a diversified customer base, including international and domestic commercial airlines and aircraft leasing companies, aircraft manufacturers, and U.S. and foreign governments. Pratt & Whitney also provides product support and a full range of overhaul, repair and fleet management services and produces land-based power generation equipment.

Hamilton Sundstrand provides aerospace and industrial products and aftermarket services for diversified industries worldwide. Aerospace products include power generation, management and distribution systems, flight systems, engine control systems, environmental control systems, fire protection and detection systems, auxiliary power units and propeller systems. Industrial products include air compressors, metering pumps and fluid handling equipment.

Sikorsky products include military and commercial helicopters, aftermarket helicopter and aircraft parts and services.

Segment Revenues and Operating Profit. Total revenues by segment include intersegment sales, which are generally made at prices approximating those that the selling entity is able to obtain on external sales. Segment information for the years ended December 31 is as follows:

	Total Revenues			*Operating Profits*		
(in millions of dollars)	**2008**	2007	2006	**2008**	2007	2006
Otis	**$12,949**	$11,885	$10,290	**$2,477**	$2,321	$1,888
Carrier	**14,944**	14,644	13,481	**1,316**	1,381	1,237
UTC Fire & Security	**6,462**	5,754	4,747	**542**	443	301
Pratt & Whitney	**12,965**	12,129	11,112	**2,122**	2,011	1,817
Hamilton Sundstrand	**6,207**	5,636	4,995	**1,099**	967	832
Sikorsky	**5,368**	4,789	3,230	**478**	373	173
Total segment	**58,895**	54,837	47,855	**8,034**	7,496	6,248
Eliminations & Other	**(214)**	(78)	(26)	**(1)**	(60)	187
General corporate expenses	**—**	—	—	**(408)**	(386)	(337)
Consolidated	**$58,681**	$54,759	$47,829	**$7,625**	$7,050	$6,098

(in millions of dollars)	Total Assets 2008	2007	2006	Capital Expenditures 2008	2007	2006	Depreciation & Amortization 2008	2007	2006
Otis	**$ 7,731**	$ 7,721	$ 6,973	**$ 150**	$ 136	$ 93	**$ 203**	$ 186	$ 183
Carrier	**10,810**	10,335	10,127	**191**	181	148	**194**	188	157
UTC Fire & Security	**10,022**	11,143	8,518	**95**	101	106	**238**	202	176
Pratt & Whitney	**9,650**	9,273	9,828	**412**	384	335	**368**	307	280
Hamilton Sundstrand	**8,648**	8,965	9,418	**141**	160	142	**178**	163	142
Sikorsky	**3,985**	3,412	3,145	**165**	128	66	**62**	52	47
Total segment	**50,846**	50,849	48,009	**1,154**	1,090	890	**1,243**	1,098	985
Eliminations & Other[1]	**5,623**	3,726	(868)	**62**	63	64	**78**	75	48
Consolidated	**$56,469**	$54,575	$47,141	**$1,216**	$1,153	$954	**$1,321**	$1,173	$1,033

1 The asset increase from 2007 to 2008 primarily reflects the increase in cash and cash equivalents held at UTC Corporate. The asset increase from 2006 to 2007 reflects management's decision to transfer domestic pension asset and liability balances from the segments to UTC Corporate.

Geographic External Revenues and Operating Profit. Geographic external revenues and operating profits are attributed to the geographic regions based on their location of origin. U.S. external revenues include export sales to commercial customers outside the United States and sales to the U.S. government, commercial and affiliated customers, which are known to be for resale to customers outside the United States. Long-lived assets are net fixed assets attributed to the specific geographic regions.

(in millions of dollars)	External Revenues 2008	2007	2006	Operating Profits 2008	2007	2006	Long-Lived Assets 2008	2007	2006
United States Operations	**$27,965**	$26,462	$23,524	**$3,945**	$3,508	$3,067	**$3,198**	$3,109	$2,939
International Operations									
Europe	**15,819**	14,341	12,069	**2,219**	2,204	1,731	**1,347**	1,356	1,130
Asia Pacific	**8,212**	7,991	7,056	**1,037**	1,041	814	**800**	762	717
Other	**6,416**	5,605	4,809	**833**	743	637	**671**	803	698
Eliminations & Other	**269**	360	371	**(409)**	(446)	(151)	**332**	266	241
Consolidated	**$58,681**	$54,759	$47,829	**$7,625**	$7,050	$6,098	**$6,348**	$6,296	$5,725

Revenues from U.S. operations include export sales as follows:

(in millions of dollars)	2008	2007	2006
Europe	**$ 2,118**	$1,782	$1,448
Asia Pacific	**2,052**	2,221	1,629
Other	**2,865**	2,225	1,771
	$7,035	$6,228	$4,848

Major Customers. Revenues include sales under prime contracts and subcontracts to the U.S. government, primarily related to Pratt & Whitney, Hamilton Sundstrand and Sikorsky products, as follows:

(in millions of dollars)	2008	2007	2006
Pratt & Whitney	**$3,547**	$3,583	$3,652
Hamilton Sundstrand	**1,089**	948	934
Sikorsky	**3,063**	2,774	1,819
Other	**35**	39	40
	$7,734	$7,344	$6,445

Selected Quarterly Financial Data (Unaudited)

(in millions of dollars, except per share amounts)	**2008 Quarters**				2007 Quarters			
	First	**Second**	**Third**	**Fourth**	First	Second	Third	Fourth
Sales	**$13,577**	**$15,535**	**$14,702**	**$14,229**	$11,936	$13,766	$13,718	$14,499
Gross margin	**3,596**	**4,176**	**4,038**	**3,672**	2,940	3,637	3,650	3,770
Net income	**1,000**	**1,275**	**1,269**	**1,145**	819	1,148	1,197	1,060
Earnings per share of Common Stock:								
Basic—net income	**$ 1.05**	**$ 1.35**	**$ 1.36**	**$ 1.24**	$ .85	$ 1.19	$ 1.24	$ 1.11
Diluted—net income	**$ 1.03**	**$ 1.32**	**$ 1.33**	**$ 1.23**	$ .82	$ 1.16	$ 1.21	$ 1.08

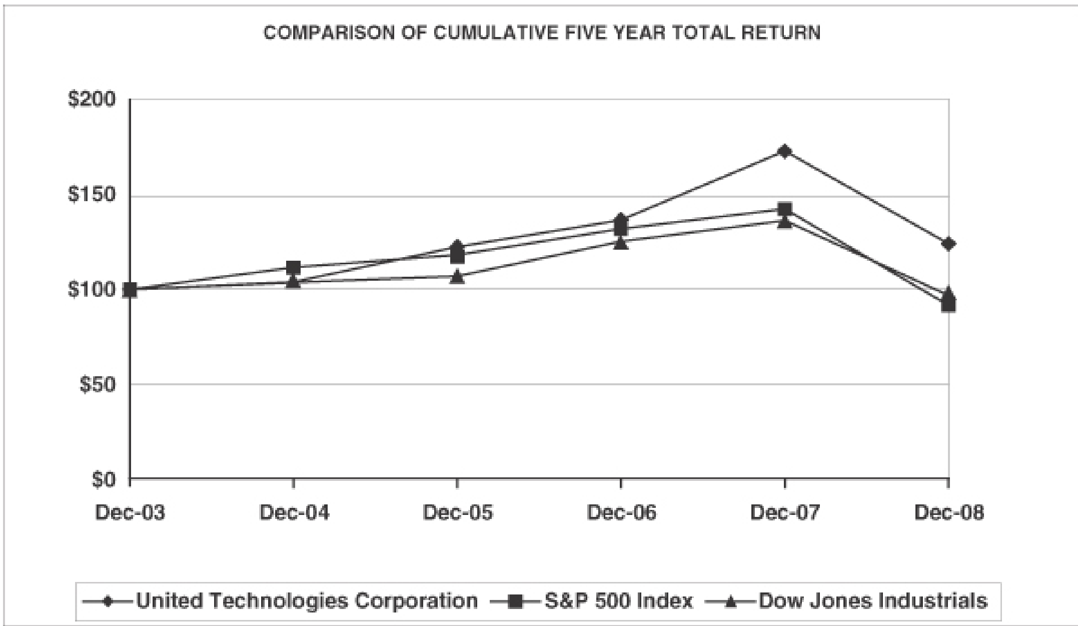
Comparative Stock Data (Unaudited)

	2008			2007		
Common Stock	**High**	**Low**	**Dividend**	High	Low	Dividend
First quarter	**$77.14**	**$65.20**	**$ .320**	$69.49	$61.85	$ .265
Second quarter	**$75.86**	**$60.51**	**$ .320**	$72.64	$63.65	$ .265
Third quarter	**$67.95**	**$56.15**	**$ .320**	$80.98	$69.00	$ .320
Fourth quarter	**$59.96**	**$41.76**	**$ .385**	$82.50	$72.60	$ .320

Our common stock is listed on the New York Stock Exchange. The high and low prices are based on the Composite Tape of the New York Stock Exchange. There were approximately 25,408 registered shareholders at December 31, 2008.

Performance Graph (Unaudited)

The following graph presents the cumulative total shareholder return for the five years ending December 31, 2008 for our common stock, as compared to the Standard & Poor's 500 Stock Index and to the Dow Jones 30 Industrial Average. Our common stock price is a component of both indices. These figures assume that all dividends paid over the five-year period were reinvested, and that the starting value of each index and the investment in common stock was $100.00 on December 31, 2003.



	December					
	2003	2004	2005	2006	2007	**2008**
United Technologies Corporation	$100.00	$110.73	$121.85	$138.50	$172.35	**$123.35**
S&P 500 Index	$100.00	$110.88	$116.33	$134.70	$142.10	**$ 89.53**
Dow Jones Industrial Average	$100.00	$105.56	$107.41	$127.84	$139.18	**$ 93.93**

Board of Directors

Louis R. Chênevert
President and Chief Executive Officer
United Technologies Corporation
(Diversified Manufacturer)

George David
Chairman
United Technologies Corporation
(Diversified Manufacturer)

John V. Faraci
Chairman and Chief Executive Officer
International Paper
(Paper, Packaging and Distribution)

Jean-Pierre Garnier
Chief Executive Officer
Pierre Fabre SA
(Pharmaceutical and Cosmetic Products)

Jamie S. Gorelick
Partner
WilmerHale
(Law Firm)
Former Deputy Attorney General of the United States
Former General Counsel of the Department of Defense

Carlos M. Gutierrez *(effective March 11, 2009)*
Former U.S. Secretary of Commerce
Former Chairman and CEO
Kellogg Company

Edward A. Kangas
Former Chairman and CEO
Deloitte Touche Tohmatsu
(Audit and Tax Services)

Charles R. Lee
Retired Chairman and
Co-Chief Executive Officer
Verizon Communications
(Telecommunications)

Richard D. McCormick
Retired Chairman, President and Chief Executive Officer
US West, Inc.
(Telecommunications)

Harold McGraw III
Chairman, President and Chief Executive Officer
The McGraw-Hill Companies
(Global Information Services)

Richard B. Myers
General, U.S. Air Force (Ret.) and former Chairman of the Joint Chiefs of Staff

H. Patrick Swygert
President Emeritus
Howard University
(Educational Institution)

André Villeneuve
Non-Executive Chairman of LIFFE
(Part of NYSE Euronext Group)

Christine Todd Whitman
President
The Whitman Strategy Group
(Management Consulting Firm)
Former EPA Administrator
Former Governor of New Jersey

Permanent Committees

Audit Committee
John V. Faraci, Chair
Edward A. Kangas
Richard D. McCormick
Richard B. Myers
H. Patrick Swygert
André Villeneuve

Committee on Compensation and Executive Development
Jean-Pierre Garnier, Chair
Jamie S. Gorelick
Edward A. Kangas
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Richard D. McCormick
Harold McGraw III
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Executive Committee
George David, Chair
Louis R. Chênevert
Charles R. Lee
Richard D. McCormick

Finance Committee
Charles R. Lee, Chair
Louis R. Chênevert
George David
John V. Faraci
Jamie S. Gorelick
Carlos M. Gutierrez (*effective March 11, 2009*)
Richard B. Myers
André Villeneuve
Christine Todd Whitman

Committee on Nominations and Governance
Richard D. McCormick, Chair
John V. Faraci
Jean-Pierre Garnier
Carlos M. Gutierrez (*effective March 11, 2009*)
Charles R. Lee
Harold McGraw III
Christine Todd Whitman

Public Issues Review Committee
Christine Todd Whitman, Chair
Jean-Pierre Garnier
Jamie S. Gorelick
Harold McGraw III
Richard B. Myers
H. Patrick Swygert
André Villeneuve

Leadership

Paul R. Adams
Senior Vice President,
Engineering, Pratt & Whitney

David Adler
President,
Sikorsky Aerospace Services

Alain M. Bellemare
President,
Hamilton Sundstrand

Richard H. Bennett, Jr.
Vice President,
Environment, Health & Safety

Anthony C. Black
Senior Vice President,
Operations, UTC Fire & Security

Ari Bousbib
President, Commercial Companies
and Executive Vice President, UTC

J. Thomas Bowler, Jr.
Senior Vice President,
Human Resources and Organization

William M. Brown
President,
UTC Fire & Security

Louis R. Chênevert
President and
Chief Executive Officer

Peter C. Christman, Jr.
President, Pratt & Whitney Power
Systems

Geraud Darnis
President, Carrier

George David
Chairman

Pierre Dejoux
President, South Asia Pacific and
Gulf, Otis

John J. Doucette
Vice President and Chief
Information Officer

Michael R. Dumais
Vice President, Operations,
Hamilton Sundstrand

Thomas E. Farmer
President, Military Engines, Pratt &
Whitney

James E. Geisler
Vice President,
Corporate Strategy and Planning

Charles D. Gill, Jr.
Senior Vice President and General
Counsel

Bruno Grob
President, North and East Europe
and Africa, Otis

Lindsay Harvey
President, United Kingdom and
Central Europe, Otis

Gregory J. Hayes
Senior Vice President and
Chief Financial Officer

David P. Hess
President, Pratt & Whitney

Kathleen M. Hopko
Vice President, Secretary and
Associate General Counsel

Todd J. Kallman
President, Commercial Engines and
Global Services, Pratt & Whitney

Robert F. Leduc
President, Flight Systems and
U.S. Government Classified
Programs, Hamilton Sundstrand

Nancy T. Lintner
Vice President, Communications

James G. Maser
President,
Pratt & Whitney Rocketdyne

Robert J. McDonough
President, Residential and Light
Commercial
North America, Carrier

J. Michael McQuade
Senior Vice President,
Science and Technology

Didier Michaud-Daniel
President, Otis

Raymond J. Moncini
Senior Vice President, Operations,
Carrier

Michael A. Monts
Vice President,
Business Practices

Timothy M. Morris
President, 787 Programs,
Hamilton Sundstrand

Peter Nolan
President, Residential and Light
Commercial International, Carrier

Stephen G. Oswald
President, Industrial, Hamilton
Sundstrand

David E. Parekh
Vice President, Research and
Director, United Technologies
Research Center

Eric Patry
President, Strategic Initiatives,
UTC Fire & Security

Jeffrey P. Pino
President, Sikorsky

Jothi Purushotaman
Vice President, Operations

Thomas I. Rogan
Vice President, Treasurer

Kelly Romano
President, Building Systems and
Services, Carrier

John Saabas
President, Pratt & Whitney Canada

Pedro Sainz de Baranda
President, South Europe and
Mediterranean, Otis

Margaret M. Smyth
Vice President, Controller

Scott D. Starrett
President, Government Programs,
Sikorsky

Tobin J. Treichel
Vice President, Tax

Joseph E. Triompo
President, Aerospace Power
Systems,

Hamilton Sundstrand

Charles Vo
President, North Asia Pacific, Otis

Gregg Ward
Senior Vice President, Government Affairs

Randal E. Wilcox
President, North and South America, Otis

Shareowner Information

Corporate Office
United Technologies Corporation
United Technologies Building
Hartford, Connecticut 06101
Telephone: 860.728.7000

This report is made available to shareowners in advance of the annual meeting of shareowners to be held at 11:00 a.m., April 8, 2009, in Jupiter, Florida. The proxy statement will be made available to shareowners on or about February 20, 2009, at which time proxies for the meeting will be requested.

Information about UTC, including financial information, can be found at our Web site: *www.utc.com.*

Stock Listing
New York Stock Exchange

Ticker Symbol
UTX

Transfer Agent and Registrar
Computershare Trust Company, N.A., is the transfer agent, registrar and dividend disbursing agent for UTC's Common Stock. Questions and communications regarding transfer of stock, replacement of lost certificates, dividends and address changes, and the Direct Stock Purchase and Dividend Reinvestment Plan should be directed to:

Computershare Trust Company, N.A.
250 Royall Street
Canton, Massachusetts 02021
Telephone:
Within the U.S.: 1.800.488.9281
Outside the U.S.: 1.781.575.2724
Web site: *www.computershare.com/investor*

TDD: 1.800.952.9245
Telecommunications device for the hearing impaired.

Certifications
UTC has included as Exhibit 31 to its Annual Report on Form 10-K for fiscal year 2008 filed with the Securities and Exchange Commission certificates of its principal executive officers and principal financial officers certifying, among other things, the information contained in the Form 10-K.

Annually UTC submits to the New York Stock Exchange (NYSE) a certificate of UTC's Chief Executive Officer certifying that he was not aware of any violation by UTC of NYSE corporate governance listing standards as of the date of the certification.

Dividends
Dividends are usually paid on the 10th day of March, June, September and December.

Electronic Access
Registered shareowners may sign up at the following Web site for electronic access to future annual reports and proxy materials, rather than receiving mailed copies: *www.computershare.com/us/ecomms*.

Your enrollment is revocable until each year's record date for the annual meeting. Beneficial shareowners may be able to request electronic access by contacting their broker or bank, or Broadridge Financial Solutions at: *http://enroll.icsdelivery.com/utc.*

Additional Information
Shareowners may obtain a copy of the UTC Annual Report on Form 10-K for 2008 filed with the Securities and Exchange Commission by writing to:

Corporate Secretary
United Technologies Corporation
United Technologies Building
Hartford, Connecticut 06101

For additional information about UTC, please contact Investor Relations at the above corporate office address, or visit our Web site at: *www.utc.com*.

Shareowner Information Services
Our Internet and telephone services give shareowners fast access to UTC financial results. The 24-hour-a-day, toll-free telephone service includes recorded summaries of UTC's quarterly earnings information and other company news. Callers also may request copies of our quarterly earnings and news releases, by either fax or mail, and obtain copies of the UTC Annual Report and Form 10-K.

To access the service, dial 1.800.881.1914 from any touchtone phone and follow the recorded instructions.

Direct Registration System
If your shares are held in street name through a broker and you are interested in participating in the Direct Registration System, you may have your broker transfer the shares to Computershare Trust Company, N.A., electronically through the Direct Registration System. Interested investors can request a description of this book-entry form of registration by calling Shareholder Direct at: 1.800.881.1914.

Environmentally Friendly Report
This annual report is printed on recycled and recyclable paper.

www.utc.com
www.carrier.com
www.hamiltonsundstrand.com
www.otis.com
www.pw.utc.com
www.sikorsky.com
www.utcfireandsecurity.com
www.utcpower.com

United Technologies Corporation
Subsidiary and Affiliate Listing
December 31, 2008

Entity Name	State/Country of Incorporation
3206772 Nova Scotia Company	Canada
Australia Holdings Inc.	Delaware
Beesail Limited	England
Carrier Commercial Refrigeration, Inc.	Delaware
Carrier Corporation	Delaware
Carrier HVACR Investments B.V.	Netherlands
Carrier Kältetechnik Deutschland GmbH	Germany
Carrier Sales and Distribution, LLC	Delaware
Carrier Technologies ULC	Canada
Carrier Transicold Pte. Ltd	Singapore
Ceesail Limited	England
Chubb (UK) Limited	England
Chubb Group (International) Limited	England
Chubb Group Limited	England
Chubb Group Properties Limited	England
Chubb Group Security Limited	England
Chubb International (Netherlands) BV	Netherlands
Chubb International Holdings Limited	England
Chubb International Limited	England
Chubb Investments Limited	England
Chubb Limited	England
Chubb Nederland B.V.	Netherlands
Chubb Overseas Investments Limited	England
Chubb Security Holdings Australia Limited	Australia
Chubb White Peak (UK) Limited	England
Eagle Services Asia Private Limited	Singapore
Empresas Carrier, S. De R L.De C.V.	Mexico
Hamilton Sundstrand Corporation	Delaware
Hamilton Sundstrand Holdings, Inc.	Delaware
Helicopter Support, Inc.	Connecticut
International Comfort Products, LLC	Delaware
Kaysail Limited	England
Kidde America Inc.	Delaware
Kidde Finance Limited	England
Kidde Fire Protection Inc.	Delaware
Kidde Holdings Inc.	Delaware
Kidde Holdings Limited	England
Kidde International Limited	England
Kidde Limited	England
Kidde Technologies Inc. (*)	Delaware
Kidde UK	England
Kidde UK Holdings Limited	England
KNA Inc.	Delaware
Latin American Holding, Inc.	Delaware
Lenel Systems International, Inc.	Delaware
Moonless Limited	England
Nippon Otis Elevator Company	Japan

Exhibit 21

United Technologies Corporation
Subsidiary and Affiliate Listing
December 31, 2008

Entity Name	State/Country of Incorporation
NSI, Inc.	Delaware
Otis Elevator Company	New Jersey
Otis Elevator Korea	South Korea
Otis Holdings GmbH & Co. OHG	Germany
Otis International Holdings UK Limited	England
Otis Limited	England
Otis Pacific Holdings B.V.	Netherlands
Otis S.C.S.	France
Parkview Treasury Services (UK) Limited	England
Pilgrim House Group Limited	England
Pratt & Whitney Canada Corp.	Canada
Pratt & Whitney Canada Holdings Corp.	Canada
Pratt & Whitney Canada Leasing, Limited Partnership	Canada
Pratt & Whitney Engine Leasing, LLC	Delaware
Pratt & Whitney Power Systems, Inc.	Delaware
Pratt & Whitney Rocketdyne, Inc.	Delaware
Pratt Aero Limited Partnership	Canada
Ratier-Figeac, SAS	France
SICLI Holding SAS	France
Sikorsky Aircraft Corporation	Delaware
Sirius Korea Limited	England
Sullair Corporation	Indiana
United Technologies Australia Holdings Limited	Australia
United Technologies Canada, Ltd	Canada
United Technologies Cortran, Inc.	Delaware
United Technologies Electronic Controls, Inc.	Delaware
United Technologies Far East Limited	Hong Kong
United Technologies Finance (U.K.) Limited	England
United Technologies France SAS	France
United Technologies Holding GmbH	Germany
United Technologies Holdings Limited	England
United Technologies Holdings S.A.	France
United Technologies International Corporation-Asia Private Limited	Singapore
United Technologies International SAS	France
United Technologies Luxembourg S.a.r.l.	Luxembourg
United Technologies Paris SNC	France
UT (UK) LIMITED	England
UT Finance Corporation	Delaware
UT Luxembourg Holding I S.a.r.l.	Luxembourg
UT Luxembourg Holding II S.a.r.l.	Luxembourg
UT Park View, Inc.	Delaware
UTC Canada Corporation	Canada
UTC Fire & Security Corporation	Delaware
UTC Investments Australia Pty Limited	Australia
UTCL Holdings, Limited	Canada
UTCL Investments B.V.	Netherlands
UTX Holdings S.C.S.	France

Exhibit 21

United Technologies Corporation
Subsidiary and Affiliate Listing
December 31, 2008

Entity Name	State/Country of Incorporation
White Peak Finance Ireland Limited	**Ireland**
Wytwornia Sprzetu Komunikacyjnego PZL-Rzeszow S.A.	**Poland**
Xizi Otis Elevator Company Limited	**China**
Zardoya Otis, S.A.	**Spain**

* Kidde Technologies, Inc. also conducts business as Kidde Aerospace & Defense, Fenwal Safety Systems and Kidde Dual Spectrum.

Other subsidiaries of the Registrant have been omitted from this listing since, considered in the aggregate as a single subsidiary, they would not constitute a significant subsidiary.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-144830), in the Registration Statement on Form S-4 (No. 333-77991) as amended by Post-Effective Amendment No. 1 on Form S-8 (No. 333-77991) and in the Registration Statements on Form S-8 (Nos. 333-156390, 333-156385, 333-150643, 333-150640, 333-150639, 333-125478, 333-125476, 333-125293, 333-110020, 333-100724, 333-100723, 333-100718, 333-82911, 333-77817, 333-21853, 333-21851, 033-58937, 033-57769 and 033-51385) of United Technologies Corporation of our report dated February 11, 2009 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the Annual Report to Shareowners, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 11, 2009 relating to the financial statement schedule, which appears on page S-I of this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Hartford, Connecticut
February 11, 2009

Exhibit 24

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints CHARLES D. GILL, KATHLEEN M. HOPKO and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2008, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 2009.

/s/ John V. Faraci

John V. Faraci

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the “Corporation”), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints CHARLES D. GILL, KATHLEEN M. HOPKO and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2008, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 2009.

/s/ Jean-Pierre Garnier

Jean-Pierre Garnier

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 2009.

/s/ Jamie S. Gorelick

Jamie S. Gorelick

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 2009.

/s/ Edward A. Kangas

Edward A. Kangas

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 2009.

/s/ Charles R. Lee

Charles R. Lee

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 2009.

/s/ Richard D. McCormick

Richard D. McCormick

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints CHARLES D. GILL, KATHLEEN M. HOPKO and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2008, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 2009.

/s/ Harold McGraw III

Harold McGraw III

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the “Corporation”), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints CHARLES D. GILL, KATHLEEN M. HOPKO and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2008, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 2009.

/s/ Richard B. Myers

Richard B. Myers

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints CHARLES D. GILL, KATHLEEN M. HOPKO and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2008, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 2009.

/s/ H. Patrick Swygert

H. Patrick Swygert

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints CHARLES D. GILL, KATHLEEN M. HOPKO and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2008, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 2009.

/s/ André Villeneuve

André Villeneuve

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints CHARLES D. GILL, KATHLEEN M. HOPKO and GREGORY J. HAYES, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2008, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 2009.

/s/ Christine Todd Whitman

Christine Todd Whitman

Exhibit 31.1

CERTIFICATION

I, Louis R. Chênevert, certify that:

1. I have reviewed this annual report on Form 10-K of United Technologies Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 11, 2009

/s/ Louis R. Chênevert
Louis R. Chênevert
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Gregory J. Hayes, certify that:

1. I have reviewed this annual report on Form 10-K of United Technologies Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 11, 2009

/s/ Gregory J. Hayes

Gregory J. Hayes
Senior Vice President and Chief Financial Officer

Exhibit 31.3

CERTIFICATION

I, Margaret M. Smyth, certify that:

1. I have reviewed this annual report on Form 10-K of United Technologies Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 11, 2009

/s/ Margaret M. Smyth

Margaret M. Smyth
Vice President, Controller

Exhibit 32

Section 1350 Certifications
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of United Technologies Corporation, a Delaware corporation (the "Corporation"), does hereby certify that:

The Annual Report on Form 10-K for the year ended December 31, 2008 (the "Form 10-K") of the Corporation fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: February 11, 2009	/s/ Louis R. Chênevert Louis R. Chênevert President and Chief Executive Officer
Date: February 11, 2009	/s/ Gregory J. Hayes Gregory J. Hayes Senior Vice President and Chief Financial Officer
Date: February 11, 2009	/s/ Margaret M. Smyth Margaret M. Smyth Vice President, Controller