

# UNITED TECHNOLOGIES CORP /DE/

## **FORM 10-K** (Annual Report)

Filed 02/09/12 for the Period Ending 12/31/11

Address	UNITED TECHNOLOGIES BLDG ONE FINANCIAL PLZ HARTFORD, CT 06101
Telephone	8607287000
CIK	0000101829
Symbol	UTX
SIC Code	3724 - Aircraft Engines and Engine Parts
Industry	Aerospace & Defense
Sector	Capital Goods
Fiscal Year	12/31

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

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**FORM 10-K**

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

**For the fiscal year ended December 31, 2011**

**Commission file number 1-812**

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**UNITED TECHNOLOGIES CORPORATION**

(Exact name of registrant as specified in its charter)

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**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**

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

Title of each class  
**Common Stock (\$1 par value)**  
(CUSIP 913017 10 9)

Name of each exchange on which registered  
**New York Stock Exchange**

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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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  
Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§232.405 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 (Check one):

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 Common Stock held by non-affiliates at June 30, 2011 was approximately \$80,344,177,683, 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, 2012, there were 908,863,486 shares of Common Stock outstanding.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Parts I, II and IV hereof incorporate by reference portions of the United Technologies Corporation 2011 Annual Report to Shareowners. Part III hereof incorporates by reference portions of the United Technologies Corporation Proxy Statement for the 2012 Annual Meeting of Shareowners.

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## Table of Contents

### UNITED TECHNOLOGIES CORPORATION AND SUBSIDIARIES

#### Index to Annual Report on Form 10-K for Year Ended December 31, 2011

	<u>Page</u>
<b>PART I</b>	
Item 1. Business:	3
Cautionary Note Concerning Factors That May Affect Future Results	10
Item 1A. Risk Factors	11
Item 1B. Unresolved Staff Comments	17
Item 2. Properties	17
Item 3. Legal Proceedings	18
Item 4. Mine Safety Disclosures	19
<b>PART II</b>	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	19
Item 6. Selected Financial Data	19
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	20
Item 8. Financial Statements and Supplementary Data	20
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	20
Item 9A. Controls and Procedures	20
Item 9B. Other Information	20
<b>PART III</b>	
Item 10. Directors, Executive Officers and Corporate Governance	20
Item 11. Executive Compensation	22
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	22
Item 13. Certain Relationships and Related Transactions, and Director Independence	22
Item 14. Principal Accounting Fees and Services	22
<b>PART IV</b>	
Item 15. Exhibits and Financial Statement Schedules	23
<b>SIGNATURES</b>	28

**UNITED TECHNOLOGIES CORPORATION**

**Annual Report on Form 10-K for  
Year Ended December 31, 2011**

Whenever reference is made in this Form 10-K to specific sections of UTC's 2011 Annual Report to Shareowners (2011 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. Names, abbreviations of names, logos, and product and service designators of other companies are either the registered or unregistered trademarks or tradenames of their respective owners. As used herein, the terms "we," "us," "our" or "UTC," unless the context otherwise requires, 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 primarily to the internal development of our existing businesses and to acquisitions. 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 2011 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, government infrastructure and residential property sectors 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, Pratt & Whitney and UTC Fire & Security also serve customers in certain industrial markets. For 2011, our commercial and industrial sales (generated principally by our commercial businesses) were approximately 58 percent of our consolidated net sales, and commercial aerospace and military aerospace sales were approximately 22 percent and 20 percent, respectively, of our consolidated net sales. Sales for 2011 from outside the United States, including U.S. export sales, were 61 percent of our total segment sales.

On September 28, 2011, we announced a new organizational structure to better serve customers and to drive growth and achieve efficiencies through greater integration across certain product lines. This new structure combines Carrier and UTC Fire & Security into a new segment called UTC Climate, Controls & Security. Beginning with the first quarter of 2012, Carrier and UTC Fire & Security will report combined financial and operational results as part of this new segment. As part of this new organizational structure, we also created UTC Propulsion & Aerospace Systems, a new organization consisting of Pratt & Whitney and Hamilton Sundstrand. We will continue to report the financial and operational results of Pratt & Whitney and Hamilton Sundstrand separately, consistent with the manner in which we will allocate resources and measure financial performance for these segments. Further, we have reported our financial and operational results for the periods presented herein under the six principal segments noted above, consistent with how we have reviewed our business operations for decision-making purposes, resource allocation and performance assessment.

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.

**Description of Business by Segment**

As noted above, our operations for the periods presented herein are classified into 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:

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## Table of Contents

Otis—elevators, escalators, moving walkways and service.

Carrier—heating, ventilating, air conditioning (HVAC) and refrigeration systems, controls, services and energy-efficient products for residential, commercial, industrial and transportation applications.

UTC Fire & Security—fire and special hazard detection and suppression systems, firefighting equipment, 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 control 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 heavy duty process pumps.

Sikorsky—military and commercial helicopters, helicopter and aircraft aftermarket parts and services.

Segment financial data for the years 2009 through 2011, including financial information about foreign and domestic operations and export sales, appears in Note 18 to the Consolidated Financial Statements in our 2011 Annual Report. Segment sales as discussed below include intercompany sales, which are ultimately eliminated within the “Eliminations and other” category as reflected in the segment financial data in Note 18 to the Consolidated Financial Statements in our 2011 Annual Report. Similarly, total segment backlog as discussed below includes fully-funded government and intercompany backlog.

### 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 and repair 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 through sales representatives and distributors.

Sales generated by Otis' international operations were 83 percent and 82 percent of total Otis segment sales in 2011 and 2010, respectively. At December 31, 2011, Otis' backlog was \$14.3 billion as compared to \$13.9 billion at December 31, 2010. Of the total Otis backlog at December 31, 2011, approximately \$8.0 billion is expected to be realized as sales in 2012.

### Carrier

Carrier is the leading provider of HVAC and refrigeration solutions, including controls for residential, commercial, industrial and transportation applications. In 2011, Carrier continued to execute the business transformation strategy it began in 2008 by completing divestitures of several non-core businesses and taking noncontrolling equity interests in various ventures. This included taking a noncontrolling equity interest in a new South American venture in exchange for the contribution of Carrier's existing HVAC operations in Brazil, Argentina and Chile to the new venture, which manufactures and distributes HVAC products in those countries. 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. Through its venture with Watsco, Inc., Carrier distributes Carrier, Bryant, Payne and Totaline residential and light commercial HVAC products in the U.S. and selected territories in the Caribbean and Latin America. Carrier sells directly to end customers 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. The principal incentive program provides reimbursements to distributors for offering promotional pricing on Carrier products. We account for incentive payments made as a reduction to sales.

Sales generated by Carrier's international operations, including U.S. export sales, were 58 percent and 56 percent of total Carrier segment sales in 2011 and 2010, respectively. At both December 31, 2011 and 2010, Carrier's backlog was \$2.2 billion. Substantially all of the backlog at December 31, 2011 is expected to be realized as sales in 2012.

As described above, to better serve customers and to drive growth and achieve greater efficiencies through greater integration across certain product lines, we announced a new organizational structure in September 2011, which combines Carrier with UTC Fire & Security into a new segment called UTC Climate, Controls & Security. We will report combined financial and operational results for this new segment beginning with the first quarter of 2012.

**UTC Fire & Security**

UTC Fire & Security is a global provider of security and fire safety products and services. UTC Fire & Security provides electronic security products such as intruder alarms, access control systems and video surveillance systems and designs and manufactures a wide range of fire safety products including specialty hazard detection and fixed suppression products, portable fire extinguishers, fire detection and life safety systems, and other firefighting equipment. Services provided to the electronic security and fire safety industries include systems integration, video surveillance, installation, maintenance and inspection services. 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. In 2010, we completed the acquisition of the GE Security business from General Electric Company. With the acquisition of GE Security, UTC strengthened its portfolio of security and fire safety technologies for commercial and residential applications, including fire detection and life safety systems, intrusion alarms, video surveillance and access control systems, while also significantly enhancing UTC Fire & Security's North American presence. In 2011, we continued to exit non-core businesses with the divestiture of our United Kingdom and Singapore guarding businesses. UTC Fire & Security products and services are used by governments, financial institutions, architects, building owners and developers, security and fire consultants, homeowners 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.

Sales generated by UTC Fire & Security's international operations, including U.S. export sales, were 77 percent and 78 percent of total UTC Fire & Security segment sales in 2011 and 2010, respectively. At December 31, 2011, UTC Fire & Security's backlog was \$1.3 billion as compared to \$1.1 billion at December 31, 2010. Substantially all of the backlog at December 31, 2011 is expected to be realized as sales in 2012.

As described above, in September 2011, to better serve customers and to drive growth and achieve greater efficiencies through greater integration across certain product lines, we announced a new organizational structure which combines UTC Fire & Security with Carrier into a new segment called UTC Climate, Controls & Security. We will report combined financial and operational results for this new segment beginning with the first quarter of 2012.

**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 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 market and for fighter and transport aircraft in the military market. Pratt & Whitney Canada (P&WC) is a world leader in the production of engines powering business, regional, light jet, utility and military airplanes and helicopters and provides related maintenance, repair and overhaul services, including the sale of spare parts, as well as fleet management services. Pratt & Whitney Rocketdyne (PWR) is a leader in the design, development and manufacture of sophisticated space propulsion systems for military and commercial applications. Pratt & Whitney Power Systems sells aero-derivative engines for industrial applications.

In view of the risks and costs associated with developing new engines, Pratt & Whitney has entered into collaboration arrangements in which sales, costs and risks are shared. At December 31, 2011, the interests of third party participants in Pratt & Whitney-directed commercial jet engine programs ranged from 14 percent to 48 percent. In addition, Pratt & Whitney has interests in other engine programs, including the IAE International Aero Engines AG (IAE) collaboration, which sells and supports V2500 engines for the Airbus A320 family of aircraft. On October 12, 2011, Pratt & Whitney and Rolls-Royce plc (Rolls-Royce), a participant in the IAE collaboration, announced an agreement to restructure their interests in IAE. Under the terms of the agreement, Rolls-Royce will sell its interests in IAE and license its V2500 intellectual property in IAE to Pratt & Whitney for \$1.5 billion plus an agreed payment contingent on each hour flown by V2500-powered aircraft in service at the closing date during the fifteen year period following closing of the transaction. Consummation of this restructuring is subject to regulatory approvals and other closing conditions. Also, on October 12, 2011, Pratt & Whitney and Rolls-Royce announced an agreement to form a new joint venture, in which each will hold an equal share, to develop new engines to power the next generation of 120 to 230 passenger mid-size aircraft that will replace the existing fleet of mid-size aircraft currently in service or in development. With this new joint venture, Pratt & Whitney and Rolls-Royce will focus on high-bypass ratio geared turbofan technology, as well as collaborate on future studies of next generation propulsion systems. Pursuant to the agreement, the formation of this new venture is subject to regulatory approvals and other closing conditions, including completion of the restructuring of the parties' interests in IAE. We expect the restructuring of the parties' interests in IAE to be completed in mid-2012. The closing of the new joint venture may take a substantially longer period of time to complete. Pratt & Whitney also has a 50 percent ownership interest in the Engine Alliance (EA), a joint venture with GE Aviation, which markets and manufactures the GP7000 engine for the Airbus A380 aircraft. Pratt & Whitney has entered into risk and revenue sharing arrangements with third parties for 40 percent of the content that Pratt & Whitney is responsible for providing to the EA. Pratt & Whitney accounts for its interests in the EA joint venture under the equity method of accounting. Pratt & Whitney continues to pursue additional collaboration partners.



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## Table of Contents

The development of new engines and improvements to current production engines present important growth opportunities. 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. Pratt & Whitney achieved initial service release for the conventional take-off and landing/carrier variant and short take-off and vertical landing variant of the F135 engine in February 2010 and January 2011, respectively. These propulsion system configurations are now certified for production and cleared for flight on the Lockheed Martin F-35B stealth fighter jet. In addition, Pratt & Whitney is currently developing technology, including the PurePower PW1000G Geared TurboFan engine, intended to enable it to power both currently-proposed and future aircraft. The PurePower PW1000G engine targets a significant reduction in fuel burn and noise levels with lower environmental emissions and operating costs than current production engines. In 2009, Pratt & Whitney successfully completed ground and flight testing of a demonstrator engine for the PurePower PW1000G engine. In December 2010, Airbus announced that it will offer a version of the PurePower PW1000G engine as a new engine option to power its A320neo family of aircraft scheduled to enter into service in 2015. In September 2011, Pratt & Whitney announced a new collaboration with Japan Aero Engines Corporation (JAEC) and MTU Aero Engines AG (MTU) to provide the PurePower PW1100G-JM engine for the Airbus A320neo program. Under the collaboration agreement, MTU will hold an 18 percent share and be responsible for the engine's low pressure turbine and participate jointly with Pratt & Whitney to provide the high pressure compressor for the engine. JAEC will hold a 23 percent share and be responsible for the engine fan, low pressure compressor and combustor/diffuser. Pratt & Whitney will be responsible for the remainder of the PurePower PW1100G-JM engine and systems integration. Additionally, PurePower PW1000G engine models have been selected by Bombardier to power the new CSeries passenger aircraft and by Mitsubishi Aircraft Corporation to power the new Mitsubishi Regional Jet (MRJ), scheduled to enter into service in 2013 and 2014, respectively. In 2011, the initial production version of the Bombardier CSeries PurePower PW1000G engine successfully completed 115 hours of flight testing and the initial production version of the MRJ PurePower PW1000G engine successfully completed over 300 hours of ground testing. Irkut Corporation of Russia has also selected the PurePower PW1000G engine to power the proposed new Irkut MC-21 passenger aircraft, which is scheduled to enter into service in 2016. The success of these aircraft and the PurePower PW1000G family of engines is dependent upon many factors including technological challenges, aircraft demand, and regulatory approval. Based on these factors, as well as the level of success of aircraft program launches by aircraft manufacturers and other conditions, additional investment in the PurePower program may be required. Pratt & Whitney has also received Federal Aviation Authority (FAA) and European Aviation Safety Agency (EASA) certification for the Advantage70 upgrade to its PW4000 engine for Airbus A330 aircraft. The Advantage70 upgrade is intended to reduce maintenance and fuel costs and increase thrust. PWR is developing a liquid fuel J-2X engine to support NASA's Space Launch System. PWR is also upgrading the performance of the RS-68 and RL10 engines to support U.S. Air Force launch requirements. P&WC is developing the PW210 engine for Sikorsky's S-76D helicopter and the PurePower PW800 engine for the new generation of long-range and heavy business jets. 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 development, production and support programs, creates 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 were 16 percent and 12 percent of total Pratt & Whitney segment sales in 2011 and 2010, respectively, before taking into account discounts or financial incentives offered to customers. Sales to the U.S. government were 28 percent and 32 percent of total Pratt & Whitney segment sales in 2011 and 2010, respectively.

Sales generated by Pratt & Whitney's international operations, including U.S. export sales, were 54 percent and 52 percent of total Pratt & Whitney segment sales in 2011 and 2010, respectively. At December 31, 2011, Pratt & Whitney's backlog was \$22.4 billion, including \$5.3 billion of U.S. government-funded contracts and subcontracts. At December 31, 2010, these amounts were \$23.5 billion and \$5.1 billion, respectively. Of the total Pratt & Whitney backlog at December 31, 2011, approximately \$4.6 billion is expected to be realized as sales in 2012. Pratt & Whitney's backlog includes certain contracts for which actual costs may ultimately exceed total sales. Pratt & Whitney's backlog excludes orders for new commercial engines that have not yet achieved full aviation authority certification. See Note 1 to the Consolidated Financial Statements in our 2011 Annual Report for a description of our accounting for long-term contracts.

As described above, to better serve customers and to drive growth and achieve efficiencies through greater integration across certain product lines, we announced a new organizational structure in September 2011. As part of this new structure, we created UTC Propulsion & Aerospace Systems, a new organization consisting of Pratt & Whitney and Hamilton Sundstrand. We will continue to report the financial and operational results of Pratt & Whitney and Hamilton Sundstrand separately.

### 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 control systems, engine control systems, environmental control systems, fire protection





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## Table of Contents

and detection systems, auxiliary power units and propeller systems, serve commercial, military, regional, business and general aviation, as well as military ground vehicle, 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. Sales to Boeing were 11 percent and 9 percent of total Hamilton Sundstrand segment sales in 2011 and 2010, respectively. Sales to the U.S. government were 20 percent and 24 percent of total Hamilton Sundstrand segment sales in 2011 and 2010, respectively.

Hamilton Sundstrand is engaged in development programs for the Boeing 787 aircraft, the Bombardier CSeries aircraft, the Mitsubishi Regional Jet, the Airbus A350 aircraft, the Irkut MC-21 aircraft, the COMAC C919 aircraft, the CH-53K next generation heavy lift helicopter for the U.S. Marine Corps and the Lockheed Martin F-35 Lightning II military aircraft and the Airbus A400M military aircraft. Hamilton Sundstrand is also the operations support prime contractor for NASA's space suit/life support system and produces environmental monitoring and control, life support, mechanical systems, power generation, management, and distribution and thermal control systems for the International Space Station and the Orion crew exploration vehicle.

Hamilton Sundstrand's principal industrial products, such as air compressors, metering pumps and heavy duty process pumps, serve industries involved with chemical and hydrocarbon processing, oil and gas production, water and wastewater treatment and construction. 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.

Sales generated by Hamilton Sundstrand's international operations, including U.S. export sales, were 49 percent of total Hamilton Sundstrand segment sales in both 2011 and 2010. At December 31, 2011, Hamilton Sundstrand's backlog was \$5.4 billion, including \$901 million of U.S. government-funded contracts and subcontracts. At December 31, 2010, these amounts were \$5.1 billion and \$719 million, respectively. Of the total Hamilton Sundstrand backlog at December 31, 2011, approximately \$2.8 billion is expected to be realized as sales in 2012. See Note 1 to the Consolidated Financial Statements in our 2011 Annual Report for a description of our accounting for long-term contracts.

As described above, to better serve customers and to drive growth and achieve efficiencies through greater integration across certain product lines, we announced a new organizational structure in September 2011. As part of this new structure, we created UTC Propulsion & Aerospace Systems, a new organization consisting of Hamilton Sundstrand and Pratt & Whitney. We will continue to report the financial and operational results of Hamilton Sundstrand and Pratt & Whitney separately.

On September 21, 2011 we announced an agreement to acquire Goodrich Corporation (Goodrich), a global supplier of systems and services to the aerospace and defense industry with 2010 sales of \$7 billion. Under the terms of the agreement, Goodrich shareholders will receive \$127.50 in cash for each share of Goodrich common stock they own at the time of the closing of the transaction. This equates to a total current enterprise value of \$18.4 billion, including \$1.9 billion in net debt to be assumed. The transaction is subject to customary closing conditions, including regulatory approvals and Goodrich shareholder approval. We expect that this acquisition will close in mid-2012. Goodrich products include aircraft nacelles and interior systems, actuation and landing systems, and electronic systems. Once the acquisition is complete, Goodrich and Hamilton Sundstrand will be combined to form a new segment named UTC Aerospace Systems. We expect that the increased scale, financial strength and complementary products of the new combined business will strengthen our position in the aerospace and defense industry. Further, we expect that this acquisition will enhance our ability to support our customers with more integrated systems.

## Sikorsky

Sikorsky is one of the world's largest helicopter companies. Sikorsky manufactures 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. In December 2007, the U.S. government and Sikorsky signed a five-year multi-service contract for 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. Upon completion of the contract in 2013, Sikorsky expects to have delivered approximately 690 aircraft. Sikorsky is in negotiations with the U.S. government for a new five-year multi-service contract for H-60 helicopters. Sikorsky is also developing the CH-53K next generation heavy lift helicopter for the U.S. Marine Corps and the CH-148 derivative of the H-92 helicopter, a military variant of the S-92 helicopter, for the Canadian government. The latter is being developed under a fixed-price contract that provides for the development and production of 28 helicopters, and related logistical support through March 2028. The current contract value is estimated to be \$4.5 billion, and is subject to changes in underlying variables such as future flight hours as well as fluctuations in foreign currency exchange rates. This is the largest and most expansive fixed-price development contract in Sikorsky's history. As previously disclosed, in June 2010 Sikorsky and the Canadian government signed contract amendments that revised the delivery schedule and

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## Table of Contents

contract specifications, and established the requirements for the first six interim aircraft to enable initial operational test and evaluation activities. The amendments also included modifications to the liquidated damages schedule, readjustment of payment schedules, resolution of open disputes and other program enhancements. Sikorsky recognized revenue in 2011 upon completing a significant milestone for work related to four interim configuration helicopters. Delivery of the final configuration aircraft is scheduled to begin in 2012. These aircraft will require further software testing and upgrades before full mission capability can be achieved. Sikorsky is in discussions with the Canadian government concerning the need for additional interim aircraft, schedules to complete remaining work, and the resolution of open disputes.

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 principally made to the U.S. and foreign governments, and commercial helicopter operators. Sikorsky is increasingly engaging in logistics support programs and partnering with its government and commercial customers to manage and provide logistics, maintenance and repair services.

Sales to the U.S. government were 68 percent of total Sikorsky segment sales in both 2011 and 2010. Sales generated by Sikorsky's international operations, including U.S. export sales, were 34 percent and 33 percent of total Sikorsky segment sales in 2011 and 2010, respectively. At December 31, 2011, Sikorsky's backlog was \$9.4 billion, including \$4.1 billion of U.S. government-funded contracts and subcontracts. At December 31, 2010, these amounts were \$9.3 billion and \$4.2 billion, respectively. Of the total Sikorsky backlog at December 31, 2011, approximately \$4.9 billion is expected to be realized as sales in 2012.

### Other

UTC Power is a world leader in the application of fuel cell technology for stationary and transportation applications. UTC Power delivered more than 280 of its 200kW phosphoric acid fuel cell power plants for stationary installations since 1992 before ceasing production of this model. In 2009, UTC Power began delivery of its newly-designed 400kW phosphoric acid fuel cell. To date, UTC Power has delivered more than 50 of these 400kW units to customers worldwide. 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. PureMotion 120 power plants are 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.

Although fuel cells are generally 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 the development stage. 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.

In December 2010, we completed the acquisition of Clipper Windpower Plc (Clipper), a California-based wind turbine manufacturer. This investment is intended to expand our power generation portfolio and allow us to participate in the wind power business by leveraging our expertise in blade technology, turbines and gearbox design.

The results of UTC Power and Clipper are included in the "Eliminations and other" category in the segment financial data in Note 18 to the Consolidated Financial Statements in our 2011 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, industry 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 2011 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 certain of their 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. For information regarding customer financing commitments, participation in guarantees of customer financing arrangements and performance and operating cost guarantees of Pratt & Whitney, see Notes 4, 14 and 15 to the Consolidated Financial Statements in our 2011 Annual Report. Customer selections of engines and components can also have a

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## Table of Contents

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.

### Research and Development

Because 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 \$2.1 billion or 3.5 percent of total sales in 2011, as compared with \$1.7 billion or 3.2 percent of total sales in 2010 and \$1.6 billion or 3.0 percent of total sales in 2009. 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 in our aerospace businesses, amounted to \$1.9 billion in 2011, as compared to \$2.0 billion in 2010 and \$2.1 billion in 2009. 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 shipments. Of the total contract research and development costs, \$1.8 billion, \$1.9 billion and \$2.1 billion were expensed in 2011, 2010 and 2009, 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 \$2.6 billion or 4.5 percent of our total sales for 2011 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 recommended 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 17 to the Consolidated Financial Statements in our 2011 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 17 to the Consolidated Financial Statements in our 2011 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 thereafter certifies that the condition giving rise to the violation had been corrected.

In addition, we could be affected by future laws or regulations imposed in response to concerns over climate change. Changes in climate change concerns, or in the regulation of such concerns, including greenhouse gas emissions, could subject us to additional costs and restrictions, including compliance costs and increased energy and raw materials costs.

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.

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## Table of Contents

### Intellectual Property and Raw Materials and Supplies

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 cash flows, competitive position, financial condition or results of operations.

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 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 (for example, steel, copper, aluminum, titanium and nickel) have caused margin and cost pressures, we do not foresee near term unavailability of materials, components or supplies that would have a material adverse effect on our cash flows, competitive position, financial condition or results of operations. 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, 2011, our total number of employees was approximately 199,900, approximately 65 percent of which represents employees based outside the United States. During 2011, we negotiated or concluded 31 domestic collective bargaining agreements, the largest of which covered certain workers at Carrier. In 2012, numerous collective bargaining agreements are subject to renegotiation, the largest of which cover certain workers at Carrier and Otis. Although some previous contract renegotiations have had a significant impact on our financial condition or results of operations, particularly at Sikorsky, we do not anticipate that the renegotiation of these contracts will have a material adverse effect on our cash flows, competitive position, financial condition or results of operations. For discussion of the effects of our restructuring actions on employment, see Item 1A, "Risk Factors" and Item 3, "Legal Proceedings" in this Form 10-K and under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 12 to the Consolidated Financial Statements in our 2011 Annual Report.

For a discussion of other matters which may affect our cash flows, competitive position, financial condition or results of operations, 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 2011 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," "expectations," "plans," "strategy," "prospects," "estimate," "project," "target," "anticipate," "will," "should," "see," "guidance," "confident" and other words of similar meaning in connection with a discussion of future operating or financial performance. Forward-looking statements may include, among other things, statements relating to future sales, earnings, cash flow, results of operations, uses of cash and other measures of financial performance. All forward-looking statements involve risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. Such risks, uncertainties and other factors include, without limitation:

- the effect of economic conditions in the markets in which we operate in the United States and globally and any changes therein, including financial market conditions, fluctuations in commodity prices, interest rates and foreign currency exchange rates, levels of end market demand in construction and in both the commercial and defense segments of the aerospace industry, levels of air travel, financial difficulties (including bankruptcy) of commercial airlines, the impact of weather conditions and natural disasters and the financial condition of our customers and suppliers;
- in respect of our recently announced agreement to acquire Goodrich and Pratt & Whitney's recently announced transactions with Rolls-Royce, the satisfaction of conditions precedent to, and consummation of, the proposed transactions, the timing of consummation of the proposed transactions, the timing and consummation of proposed financing in connection with the proposed transactions, and the ability of the parties to secure regulatory approvals, and in the case of the Goodrich transaction, the approval of Goodrich's shareholders, in a timely manner;





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## Table of Contents

- in respect of our recently announced agreement to acquire Goodrich, our ability to integrate the acquired operations and to realize synergies and opportunities for growth and innovation;
- our ability to realize the intended benefits of recently announced organizational changes;
- future levels of indebtedness and capital spending and research and development spending;
- future availability of credit and factors that may affect such availability, including credit market conditions and our capital structure;
- delays and disruption in delivery of materials and services from suppliers;
- new business opportunities;
- cost reduction efforts and restructuring costs and savings and other consequences thereof;
- the scope, nature or impact of other acquisition and divestiture activity, including integration of acquired businesses into our existing businesses;
- the development, production, delivery, support, performance and anticipated benefits 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 and labor disputes;
- the outcome of legal proceedings and other contingencies;
- future repurchases of our common stock;
- pension plan assumptions and future contributions; and
- the effect of changes in tax, environmental and other laws and regulations or political conditions in the United States and other countries in which we operate.

In addition, this Form 10-K includes important information as to risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. See the “Notes to Consolidated Financial Statements” under the heading “Contingent Liabilities,” the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings “Business Overview,” “Critical Accounting Estimates,” “Results of Operations,” and “Liquidity and Financial Condition,” and the section titled “Risk Factors.” This Form 10-K also includes important information as to these factors 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 “Legal Proceedings” section. Additional important information as to these factors is included in our 2011 Annual Report in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings “Environmental Matters” and “Restructuring Costs.” The forward-looking statements speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. Additional information as to factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements is disclosed from time to time in our other filings with the SEC.

### Item 1A. Risk Factors

Our business, financial condition, operating results and cash flows can be impacted by the factors set forth below, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results.

#### ***Our Global Growth Is Subject to a Number of Economic Risks***

In 2011, the global economy improved as compared to 2010 and continued to show signs of a gradual recovery from the significant downturn of 2008 and 2009 when the global economy experienced widespread recessionary conditions, record levels of unemployment, significant distress of financial institutions, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. However, despite positive economic indicators seen in the beginning of 2011, uncertainty continues to exist as to the overall rate and stability of the recovery. Global gross domestic product growth continues to be led by emerging markets, particularly in Brazil, Russia, India and China, while in the developed economies, particularly in Europe, the recovery remains uncertain due to persistent high unemployment in the U.S. and Europe, a weak U.S. and European housing market, government budget reduction plans the unwinding of fiscal stimuli and concerns over the deepening European sovereign debt crisis. As a result, further disruptions in Europe or in other economies could affect our sales or liquidity.

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## Table of Contents

Although consumer confidence in the U.S. has improved since the economic downturn, it still remains low, while, as mentioned above, unemployment remains high and the housing market remains depressed. There can be no assurance that any of the recent economic improvements will be broad-based and sustainable, or that they will enhance conditions in markets relevant to us. Further, there can be no assurance that we will not experience further adverse effects that may be material to our cash flows, competitive position, financial condition, results of operations, or our ability to access capital. While these economic developments have not impaired our ability to access credit markets and finance our operations to date, 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 tightening of credit in financial markets adversely affects the ability of our customers and suppliers 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, the financial strength of airlines and business jet operators, 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, as the majority of our sales are non-U.S. based.

### ***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 58 percent of our consolidated net sales in 2011, 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 global credit markets and other global and political factors. For example, a slowdown in building and remodeling activity can adversely affect Carrier's business. In addition to these factors, Carrier's financial performance can also be influenced by production and utilization of transport equipment and, particularly in its residential business, weather conditions.

The results of our commercial and military aerospace businesses, which generated approximately 42 percent of our consolidated net sales in 2011, are directly tied to the economic conditions in the commercial aviation and defense industries, which are cyclical in nature. Although the operating environment currently faced by commercial airlines has shown signs of gradual improvement in 2011, uncertainty continues to exist. As a result, financial difficulties, including bankruptcy, of one or more of the major commercial airlines could result in significant cancellations of orders, reductions in our aerospace sales and losses under existing contracts. In addition, capital spending and demand for aircraft engines, aerospace products and component aftermarket parts and service by commercial airlines, aircraft operators and aircraft manufacturers are 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, 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 the demand for air travel and the aftermarket sales and margins of our aerospace businesses. Future terrorist actions, pandemic health issues or major natural disasters 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 2012, 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 a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

### ***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 relating to certain of our U.S. government contracts. 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, and bar us from bidding on or receiving new awards of U.S. government contracts. 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



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 based on 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 Foreign Currency Fluctuations, Economic Conditions and Changes in Local Government Regulation***

We conduct our business on a global basis, with approximately 61 percent of our total 2011 segment sales derived from international operations, including 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 certain 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 sales 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 are transacted in U.S. Dollars, consistent with established industry practice, while the majority of costs at locations outside the United States are incurred in the applicable local currency (principally the Euro, the Canadian Dollar, and the Polish Zloty). 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 sales. See Note 1 and Note 13 to the Consolidated Financial Statements in our 2011 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, capital 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, Mexico, Russia, South Africa and countries in the Middle East, that carry high levels of currency, political and economic risk. We expect that sales to emerging markets will continue to account for a significant portion of our sales as our business evolves and as these and other developing nations and regions around the world increase their demand for our products. Emerging market operations can present many risks, including civil disturbances, health concerns, cultural differences (such as employment and business practices), volatility in gross domestic product, economic and government instability, and the imposition of exchange controls and capital controls. While these factors and their impact are difficult to predict, any one or more of them could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

***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 many 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, closing or bankruptcy of our suppliers, price increases, or decreased availability of raw materials or commodities, could have a material 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 a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

***We Engage in Acquisitions and Divestitures, and May Encounter Difficulties Integrating Acquired Businesses with, or Disposing of Divested Businesses from, Our Current Operations; Therefore, We May Not Realize the Anticipated Benefits of these Acquisitions and Divestitures***

We seek to grow through strategic acquisitions in addition to internal growth. In the past several years, we have made various acquisitions and have entered into joint venture arrangements intended to complement and expand our businesses, and expect to do so in the future. For example, on September 21, 2011, we announced an agreement to acquire Goodrich and on October 12, 2011, Pratt & Whitney announced that Rolls-Royce will sell its interests in IAE to Pratt & Whitney. Further, on October 12, 2011 Pratt & Whitney and Rolls-Royce also announced an agreement to form a new joint venture to develop new engines to power the next generation of 120 to 230 passenger mid-size aircraft that will replace the existing fleet of mid-size aircraft currently in service or in development. Our due diligence reviews may not identify all of the material issues necessary to accurately estimate the cost and potential loss contingencies of a particular transaction, including potential exposure to regulatory sanctions resulting from an acquisition target's previous activities. We may incur unanticipated costs or expenses, including post-closing asset impairment charges, expenses associated with eliminating duplicate facilities, litigation, and other liabilities. We also may encounter difficulties in integrating acquisitions with our operations, applying our internal controls processes to these acquisitions, or in managing strategic investments. Additionally, we may not realize the degree or timing of benefits we anticipate when we first enter into a transaction. In addition, the success of our pending acquisition of Goodrich and Pratt & Whitney's recently announced transactions with Rolls-Royce plc will depend on the satisfaction of conditions precedent to, and consummation of, the proposed transactions, the timing of consummation of the proposed transactions, and the ability of the parties to secure regulatory approvals, and in the case of the Goodrich transaction, the approval of Goodrich's shareholders, in a timely manner. Any of the foregoing could adversely affect our business and results of operations. In addition, accounting requirements relating to business combinations, including the requirement 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. Furthermore, we make strategic divestitures from time to time. These divestitures may result in continued financial involvement in the divested businesses, such as through guarantees or other financial arrangements, following the transaction. Under these arrangements, nonperformance by those divested businesses could result in obligations imposed on us and could affect our future financial results.

***We May Not Complete the Goodrich Acquisition or Complete the Acquisition Within the Time Frame We Anticipate; The Acquired Business May Underperform Relative to our Expectations; The Transaction May Cause Our Financial Results to Differ From Our Expectations or the Expectations of the Investment Community; We May Not Be Able to Achieve Anticipated Cost Savings or Other Anticipated Synergies.***

The Goodrich acquisition is subject to a number of closing conditions, as described above, and the completion of the transaction is subject to a number of risks and uncertainties. The unpredictability of the business and regulatory conditions affecting the industries in which we and Goodrich operate, the uncertainty of regulatory approvals, the requirement that the merger agreement be adopted by the holders of at least two-thirds of the outstanding shares of Goodrich common stock, and other risks and uncertainties may adversely affect our ability to complete the acquisition or complete the acquisition within the time frame we anticipate.

In addition, if the acquisition is consummated, the success of the acquisition will depend, in part, on our ability to realize the anticipated synergies, cost savings and growth opportunities from the integration of Goodrich with our existing businesses. The integration process may be complex, costly and time-consuming. The potential difficulties of integrating the operations of Goodrich and realizing our expectations for the acquisition include, among others:

- failure to implement our business plan for the combined business;
- unanticipated issues in integrating manufacturing, logistics, information, communications and other systems;
- unanticipated changes in applicable laws and regulations;
- unanticipated changes in the combined business due to potential divestitures or other requirements imposed by antitrust regulators;
- retaining key customers, suppliers and employees;
- retaining and obtaining required regulatory approvals, licenses and permits;
- operating risks inherent in the Goodrich business and our business;
- the impact on our internal controls and compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002; and
- other unanticipated issues, expenses and liabilities.



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## Table of Contents

### ***We Have Outstanding Debt and We Will Incur Significant Transaction- and Acquisition-Related Costs in Connection With Financing the Acquisition of Goodrich; Our Debt Will Increase As A Result of the Acquisition and Any Incurrence of Indebtedness In Connection With the Acquisition, and Will Increase If We Incur Additional Debt in the Future and Do Not Retire Existing Debt.***

We have outstanding debt and other financial obligations and significant unused borrowing capacity. As of December 31, 2011, we had approximately \$10.3 billion of total debt on a consolidated basis. We anticipate that Goodrich will have approximately \$1.9 billion of net debt as of the closing of the acquisition of Goodrich, and we further anticipate incurring significant additional debt in connection with the financing of the acquisition. Our debt level and related debt service obligations could have negative consequences, including:

- requiring us to dedicate significant cash flow from operations to the payment of principal and interest on our debt, which would reduce the funds we have available for other purposes, such as acquisitions;
- reducing our flexibility in planning for or reacting to changes in our business and market conditions; and
- exposing us to interest rate risk since a portion of our debt obligations are at variable rates.

We may incur significantly more debt in the future. If we add new debt and do not retire existing debt, the risks described above could increase.

Our current global and domestic revolving credit facilities impose restrictions on us, including certain restrictions on our ability to incur liens on our assets. Our current revolving credit facilities are available for general corporate purposes. There are currently no amounts outstanding under our credit facilities. Our long-term debt obligations include covenants that may adversely affect our ability to incur certain secured indebtedness or engage in certain types of sale and leaseback transactions. Our ability to comply with these restrictions and covenants may be affected by events beyond our control. If we breach any of these restrictions or covenants and do not obtain a waiver from the lenders, then, subject to applicable cure periods, our outstanding indebtedness could be declared immediately due and payable.

### ***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. The product, program and service needs of our customers change and evolve regularly, and we invest substantial amounts in research and development efforts to 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 supplier- and internally-produced parts and materials; performance of suppliers and subcontractors; hiring and training of qualified personnel; achieving cost and production efficiencies; identification of emerging technological trends in our target end-markets; validation of innovative technologies; the level of customer interest in new technologies and products; and customer acceptance of our products and products that incorporate technologies we develop. These factors involve significant risks and uncertainties. Any development efforts divert resources from other potential investments in our businesses, and these efforts may not lead to the development of new technologies or products on a timely basis or meet the needs of our customers as fully as competitive offerings. In addition, the markets for our products or products that incorporate our technologies may not develop or grow as we anticipate. We or our suppliers and subcontractors may encounter difficulties in developing and producing these new products and services, and may not realize the degree or timing of benefits initially anticipated. Due to the design complexity of our products, we may in the future experience delays in completing the development and introduction of new products. Any delays could result in increased development costs or deflect resources from other projects. In particular, we cannot predict with certainty whether, when and in what quantities our aerospace businesses will produce and sell aircraft engines, helicopters, aircraft systems and components and other products currently in development or pending required certifications. Our contracts are typically awarded on a competitive basis. Our bids are based upon, among other items, the cost to provide the products and services. To generate an acceptable return on our investment in these contracts, we must be able to accurately estimate our costs to provide the services required by the contract and to be able to complete the contracts in a timely manner. If we fail to accurately estimate our costs or the time required to complete a contract, the profitability of our contracts may be materially and adversely affected. Some of our contracts provide for liquidated damages in the event that we are unable to perform and deliver in accordance with the contractual specifications and schedule. Furthermore, we cannot be sure that our competitors will not develop competing technologies which gain market acceptance in advance of or instead of our products. The possibility exists that our competitors might develop new technology or offerings that might cause our existing technology and offerings to become obsolete. Any of the foregoing could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

### ***We Are Subject to Litigation, Tax, Environmental and Other Legal Compliance Risks***

We are subject to a variety of litigation, tax and legal compliance risks. These risks include, among other things, possible liability relating to product liability matters, personal injuries, intellectual property rights, contract-related claims, government contracts, taxes, environmental matters and compliance with U.S. and foreign export laws, competition laws and laws governing



improper business practices. We or one of our business units could be charged with wrongdoing as a result of such matters. If convicted or found liable, we could be subject to significant 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. As a global business, we are subject to complex laws and regulations in the U.S. and other countries in which we operate. Those laws and regulations may be interpreted in different ways. They may also change from time to time, as may related

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## Table of Contents

interpretations and other guidance. Changes in laws or regulations could result in higher expenses and payments, and uncertainty relating to laws or regulations may also affect how we conduct our operations and structure our investments and could limit our ability to enforce our rights. Changes in environmental and climate change laws or regulations, including laws relating to greenhouse gas emissions, could lead to new or additional investment in product designs and could increase environmental compliance expenditures. Changes in climate change concerns, or in the regulation of such concerns, including greenhouse gas emissions, could subject us to additional costs and restrictions, including increased energy and raw materials costs.

In the area of taxes, changes in tax laws and regulations, as well as changes in related interpretations and other tax guidance could materially impact our tax receivables and liabilities and our deferred tax assets and deferred tax liabilities. Additionally, in the ordinary course of business we are subject to examinations by various authorities, including tax authorities. In addition to ongoing investigations, there could be additional investigations launched in the future by governmental authorities in various jurisdictions, and existing investigations could be expanded. 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 a material 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 percent 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 percent likelihood that such tax benefits 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 a material adverse effect on our financial condition or results of operations in the period in which any such event occurs or on our cash flows in the period in which the ultimate settlement with the applicable taxing authority occurs.

### ***We May Be Unable to Realize Expected Benefits From Our Cost Reduction and Restructuring Efforts and Our Profitability May Be Hurt or Our Business Otherwise Might Be Adversely Affected***

In order to operate more efficiently and control costs, we announce from time to time restructuring plans, which include workforce reductions as well as global facility consolidations and other cost reduction initiatives. These plans are intended to generate operating expense savings through direct and indirect overhead expense reductions as well as other savings. We may undertake further workforce reductions or restructuring actions in the future. These types of cost reduction and restructuring activities are complex. If we do not successfully manage our current restructuring activities, or any other restructuring activities that we may undertake in the future, expected efficiencies and benefits might be delayed or not realized, and our operations and business could be disrupted. Risks associated with these actions and other workforce management issues include delays in implementation of anticipated workforce reductions, additional unexpected costs, changes in restructuring plans that increase or decrease the number of employees affected, adverse effects on employee morale and the failure to meet operational targets due to the loss of employees, any of which may impair our ability to achieve anticipated cost reductions or may otherwise harm our business, which could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

### ***Our Financial Performance May Be Adversely Affected By Information Technology and Other Business Disruptions***

Our business may be impacted by disruptions, including information technology attacks or failures, threats to physical security, as well as damaging weather or other acts of nature, pandemics or other public health crises. Cybersecurity attacks, in particular, are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and corruption of data. We have experienced cybersecurity attacks in the past and may experience them in the future, potentially with more frequency. We believe that we have adopted appropriate measures to mitigate potential risks to our technology and our operations from these information technology-related and other potential disruptions. However, given the unpredictability of the timing, nature and scope of such disruptions, we could potentially be subject to production downtimes, operational delays, other detrimental impacts on our operations or ability to provide products and services to our customers, the compromising of confidential or otherwise protected information, destruction or corruption of data, security breaches, other manipulation or improper use of our systems and networks, financial losses from remedial actions, loss of business or potential liability, and/or damage to our reputation, any of which could have a material adverse effect on our cash flows, competitive position, financial condition or results of operations.

### ***We Depend On Our Intellectual Property, and Have Access to Certain Intellectual Property and Information of Our Customers and Suppliers; Infringement or Failure to Protect Our Intellectual Property Could Adversely Affect Our Future Growth and Success***

We rely on a combination of patents, trademarks, copyrights, trade secrets, nondisclosure agreements, information technology security systems and other measures to protect our proprietary intellectual property. We also rely on nondisclosure agreements, information technology security systems and other measures to protect certain customer and supplier information and intellectual property that we have in our possession or to which we have access. Our efforts to protect intellectual property and proprietary rights may not be sufficient. We cannot be sure that our pending patent applications will result in the issuance of patents to us, that patents

## Table of Contents

issued to or licensed by us in the past or in the future will not be challenged or circumvented by competitors, or that these patents will be found to be valid or sufficiently broad to preclude our competitors from introducing technologies similar to those covered by our patents and patent applications. In addition, our ability to enforce and protect our intellectual property rights may be limited in certain countries outside the United States, which could make it easier for competitors to capture market position in such countries by utilizing technologies that are similar to those developed or licensed by us. We may also be subject to disruptions, losses and liability resulting from various cybersecurity attacks or information technology failures. Cybersecurity attacks, in particular, are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and corruption of data. We have experienced cybersecurity attacks in the past and may experience them in the future, potentially with more frequency.

Any of these events or factors could diminish or cause us to lose the competitive advantages associated with our intellectual property, subject us to judgments, penalties and significant litigation costs or temporarily or permanently disrupt our sales and marketing of the affected products or services. Any of the foregoing could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

### Item 1B. Unresolved Staff Comments

None.

### Item 2. Properties

	Number of Facilities - Owned							
Location	Otis	Carrier	UTC Fire & Security	Pratt & Whitney	Hamilton Sundstrand	Sikorsky	Other	Total
Manufacturing:								
North America	—	8	5	30	20	8	—	71
Europe & Middle East	7	6	7	3	18	—	—	41
Asia	3	1	—	6	2	1	—	13
Emerging Markets*	11	13	6	8	9	1	—	48
	21	28	18	47	49	10	—	173
Non-Manufacturing:								
North America	4	7	4	34	4	2	13	68
Europe & Middle East	15	12	4	—	1	—	—	32
Asia	1	1	5	1	—	—	—	8
Emerging Markets*	5	9	4	2	2	—	—	22
	25	29	17	37	7	2	13	130
	Number of Facilities - Leased							
Location	Otis	Carrier	UTC Fire & Security	Pratt & Whitney	Hamilton Sundstrand	Sikorsky	Other	Total
Manufacturing:								
North America	1	2	4	16	8	16	2	49
Europe & Middle East	—	—	11	1	9	1	1	23
Asia	—	—	—	4	2	—	—	6
Emerging Markets*	4	—	10	—	7	—	—	21
	5	2	25	21	26	17	3	99
Non-Manufacturing:								
North America	5	26	20	15	4	8	7	85
Europe & Middle East	11	23	18	—	—	—	—	52
Asia	3	6	7	1	—	—	—	17
Emerging Markets*	6	5	7	1	1	—	—	20
	25	60	52	17	5	8	7	174

\* For purposes of this table, emerging markets is based on the countries included in the MSCI Emerging Markets Index <sup>SM</sup>.

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## Table of Contents

Our fixed assets as of December 31, 2011 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, 2011 are in good operating condition, are well-maintained and substantially all are in regular use.

### Item 3. Legal Proceedings

As previously disclosed, the U.S. 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 its 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. In September 2008, both the DOJ and UTC appealed the decision to the Sixth Circuit Court of Appeals. In November 2010, the Sixth Circuit affirmed Pratt & Whitney's liability under the False Claims Act and remanded the case to the U.S. District Court for further proceedings on the question of damages. Should the government ultimately prevail, the outcome of this matter could result in a material 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.

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 with the General Court of the European Court of Justice (General Court). On July 13, 2011, the General Court rejected our appeal. On September 23, 2011, we filed an appeal of the judgment with the European Court of Justice.

As previously disclosed, in December 2008, the U.S. 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 claims that Sikorsky's liability is approximately \$92 million (including interest through December 2011). We believe this claim is without merit, and Sikorsky filed an appeal in December 2009 with the U.S. Court of Federal Claims, which is pending. We do not believe the resolution of this matter will have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

A significant portion of our activities are subject to export control regulation by the U.S. Department of State (State Department) under the U.S. Arms Export Control Act and International Traffic in Arms Regulations (ITAR). From time to time, we identify, investigate, remediate and voluntarily disclose to the State Department's Office of Defense Trade Controls Compliance (DTCC) potential violations of the ITAR. DTCC administers the State Department's authority under the ITAR to impose civil penalties and other administrative sanctions for violations, including debarment from engaging in the export of defense articles or defense services. Most of our voluntary disclosures are resolved without the imposition of penalties or other sanctions. However, in November 2011, DTCC informed us that it considers certain of our voluntary disclosures filed since 2005 to reflect deficiencies warranting penalties and sanctions. We are currently in discussions with DTCC to reach a consent agreement, which we anticipate will provide for a payment by the Company and commitments regarding additional remedial compliance efforts.

The voluntary disclosures that we anticipate will be addressed in the consent agreement currently under discussion include 2006 and 2007 disclosures regarding the export by Hamilton Sundstrand to P&WC of certain modifications to dual-use electronic engine control software, and the re-export by P&WC of those software modifications and subsequent P&WC-developed patches to China during the period 2002-2004 for use in the development of the Z-10 Chinese military helicopter. The DOJ has also separately conducted a criminal investigation of the matters addressed in these disclosures, as well as the accuracy and adequacy of the disclosures. We have been cooperating with the DOJ's investigation. Since November 2011, we have been in discussions with the DOJ to resolve this matter.

We continue to evaluate the range of possible outcomes of these separate but related export compliance matters, and have recognized a potential liability at December 31, 2011 of \$45 million. We are currently unable to predict the precise timing or outcome of the discussions. We do not believe the ultimate resolution of these matters, individually or collectively, will have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

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## Table of Contents

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.

We are also subject to a number of routine lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the ordinary course of our business. We do not believe that these matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

Except as otherwise noted, 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. Mine Safety Disclosures**

Not applicable.

## **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 2011 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 herein by reference to Part III, Item 12 of this Form 10-K.

#### **Issuer Purchases of Equity Securities**

We did not make any repurchases of our common stock under the current share repurchase program during the three months ended December 31, 2011, and there were no shares reacquired in transactions outside the program during the three months ended December 31, 2011. Under the current program, which was announced on March 10, 2010 and which authorizes the repurchase of up to 60 million shares of our common stock, 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 Securities Exchange Act of 1934, as amended. In connection with our pending acquisition of Goodrich, on September 30, 2011 we announced that we will suspend additional share repurchases until at least September 30, 2012, and will significantly reduce repurchases for two years thereafter. The number of remaining shares remaining for purchase under the current program is approximately 6,937,000. We may, however, continue to reacquire shares outside of this program from time to time in connection with the surrender of shares to cover taxes on the vesting of restricted stock.

### **Item 6. Selected Financial Data**

The Five-Year Summary appearing in our 2011 Annual Report is hereby incorporated by reference. See "Notes to Consolidated Financial Statements" in our 2011 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 2011 Annual Report.



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## Table of Contents

### 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 2011 Annual Report and under the heading “Foreign Exchange and Hedging Activity” in Note 1 and Note 13 to the Consolidated Financial Statements in our 2011 Annual Report.

### Item 8. Financial Statements and Supplementary Data

The 2011 and 2010 Consolidated Balance Sheet, and other financial statements for the years 2011, 2010 and 2009, together with the report thereon of PricewaterhouseCoopers LLP dated February 9, 2012 in our 2011 Annual Report are incorporated by reference in this Form 10-K. The 2011 and 2010 unaudited Selected Quarterly Financial Data appearing in our 2011 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 Chairman & 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, CFO and 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, CFO and 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, 2011. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its *Internal Control—Integrated Framework*, released in 1992. Our management has concluded that based on its assessment, our internal control over financial reporting was effective as of December 31, 2011. The effectiveness of our internal control over financial reporting as of December 31, 2011 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in our 2011 Annual Report.

There has been no change in our internal control over financial reporting during the quarter ended December 31, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### Item 9B. Other Information

None.

## 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 sections of our Proxy Statement for the 2012 Annual Meeting of Shareowners titled “General Information Concerning the Board of Directors,” “Nominees,” and “Committees of the Board” (under the subheadings “The Audit Committee” and “The Committee on Nominations and Governance”).

## Table of Contents

### Executive Officers of the Registrant

The following persons are executive officers of United Technologies Corporation:

<u>Name</u>	<u>Title</u>	<u>Other Business Experience Since 1/1/2007</u>	<u>Age 2/9/2012</u>
Alain M. Bellemare	President & Chief Operating Officer, UTC Propulsion & Aerospace Systems, (since September 2011)	President, Hamilton Sundstrand Corporation; President, Pratt & Whitney Canada	50
J. Thomas Bowler, Jr.	Senior Vice President, Human Resources and Organization (since 2007)	Vice President, Human Resources, United Technologies Corporation	59
Louis R. Chênevert	Director (since 2006), Chairman (since 2010), President (since 2006) & Chief Executive Officer (since 2008)	President and Chief Operating Officer, United Technologies Corporation; President, Pratt & Whitney	54
Geraud Darnis	President & Chief Executive Officer, UTC Climate, Controls & Security, (since September 2011)	President, Carrier Corporation	52
Michael R. Dumais	President, Hamilton Sundstrand (since September 2011)	Vice President of Operations, Hamilton Sundstrand; Vice President & General Manager, Customer Service, Hamilton Sundstrand	45
Charles D. Gill	Senior Vice President and General Counsel (since 2007)	Vice President, General Counsel, and Secretary, Carrier Corporation	47
Gregory J. Hayes	Senior Vice President and Chief Financial Officer (since 2008)	Vice President, Accounting and Finance, United Technologies Corporation	51
David P. Hess	President, Pratt & Whitney (since 2009)	President, Hamilton Sundstrand Corporation	56
Peter F. Longo	Vice President, Controller (since January 2011)	Vice President, Finance, Hamilton Sundstrand Corporation	52
Didier Michaud-Daniel	President, Otis Elevator (since 2008)	President, Otis United Kingdom and Central Europe Area, Otis Elevator	54
Jeffrey P. Pino	President, Sikorsky Aircraft (since 2006)	—	57
Thomas I. Rogan	Vice President, Treasurer (since 2001)	—	59

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 2012 Annual Meeting of Shareowners titled “Other Matters” under the heading “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.utc.com/Governance/Ethics/Code+of+Ethics>. 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.utc.com/Governance/Board+of+Directors>. 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.

## Table of Contents

### Item 11. Executive Compensation

The information required by Item 11 is incorporated herein by reference to the sections of our Proxy Statement for the 2012 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 and the Equity Compensation Plan Information required by Item 12 is incorporated herein by reference to the sections of our Proxy Statement for the 2012 Annual Meeting titled “Security Ownership of Directors, Nominees, Executive Officers and Certain Beneficial Owners” and “Equity Compensation Plan Information.”

#### Equity Compensation Plan Information

The following table provides information as of December 31, 2011 concerning Common Stock issuable under UTC’s equity compensation plans.

Plan category	(a) Number of securities to be issued upon exercise	(b) Weighted-average exercise price of outstanding options,	(c) Number of securities remaining available for future issuance under equity compensation plans
	of outstanding options, warrants and rights	warrants and rights	(excluding securities reflected in column (a))
Equity compensation plans approved by shareowners	55,113,000 <sup>(1)</sup>	\$ 60.47	55,522,000 <sup>(2)</sup>
Equity compensation plans not approved by shareowners	4,026,000 <sup>(3)</sup>	\$ 43.00	0
<b>Total</b>	<b>59,139,000</b>	<b>\$ 59.20</b>	<b>55,522,000</b>

- (1) Consists of: (i) shares of Common Stock issuable upon the exercise of stock options awarded under the 1989 Long-Term Incentive Plan (1989 LTIP), the 2005 Long-Term Incentive Plan, as amended (2005 LTIP) and the Non-Employee Director Stock Option Plan (Non-Employee Director Plan); and (ii) shares of Common Stock issuable pursuant to outstanding restricted share, restricted share unit and performance share unit awards, assuming performance at the target level. This amount includes 811,000 restricted shares and restricted share units and 2,963,000 performance share units at the target level. Up to an additional 2,963,000 shares could be issued if performance goals are achieved above target. The weighted average exercise price of outstanding options, warrants and rights shown in column (b) takes into account only the shares identified in clause (i).
- (2) Represents as of December 31, 2011 the maximum number of shares of Common Stock remaining available for award. Stock 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 4.03 times the number of shares to which the award corresponds. Stock options and stock appreciation rights do not constitute stock 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.
- (3) Consists of stock 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 have a fixed option price equal to the fair market value of Common Stock on the date the stock option was granted. Options vest three years after the grant date and have a ten-year term. Effective April 14, 2005, all equity incentive compensation awards are provided under the shareowner-approved 2005 LTIP.

### 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 2012 Annual Meeting titled “General Information Concerning the Board of Directors,” “Director Independence,” and “Other Matters” (under the subheading “Transactions with Related Persons”).

### 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 2012 Annual Meeting titled “Appointment of a Firm of Independent Registered Public Accountants to Serve as Independent Auditor for 2012,” including the information provided in that section with regard to “Audit Fees,” “Audit-Related Fees,” “Tax Fees” and “All Other Fees.”

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## Table of Contents

### PART IV

#### Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements, Financial Statement Schedules and Exhibits

(1) Financial Statements (incorporated herein by reference to the 2011 Annual Report):

	<b>Page Number in</b> <b><u>Annual Report</u></b>
Report of Independent Registered Public Accounting Firm	29
Consolidated Statement of Operations for the three years ended December 31, 2011	30
Consolidated Balance Sheet as of December 31, 2011 and 2010	31
Consolidated Statement of Cash Flows for the three years ended December 31, 2011	32
Consolidated Statement of Changes in Equity for the three years ended December 31, 2011	33
Notes to Consolidated Financial Statements	35
Selected Quarterly Financial Data (Unaudited)	62

(2) Financial Statement Schedule for the three years ended December 31, 2011:

	<b>Page Number in</b> <b><u>Form 10-K</u></b>
<a href="#">SCHEDULE I—Report of Independent Registered Public Accounting Firm on Financial Statement Schedule</a>	S-I
<a href="#">SCHEDULE II—Valuation and Qualifying Accounts</a>	S-II

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.

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## Table of Contents

<b>Exhibit Number</b>	
2.1	Agreement and Plan of Merger, among United Technologies Corporation, Charlotte Lucas Corporation, and Goodrich Corporation, dated as of September 21, 2011, incorporated by reference to Exhibit 2.1 to UTC's Current Report on Form 8-K (Commission file number 1-812) filed with the SEC on September 23, 2011.
3(i)	Restated Certificate of Incorporation, restated as of May 5, 2006, incorporated by reference to Exhibit 3(i) to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the 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 A to UTC's Proxy Statement for the 1975 Annual Meeting of Shareowners, Amendment No. 1 thereto, effective January 1, 1995, incorporated by reference to Exhibit 10.2 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 1995, and Amendment No. 2 thereto, effective January 1, 2009, incorporated by reference to Exhibit 10.1 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2008.
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 the fiscal year ended December 31, 1992.
10.3	United Technologies Corporation Pension Preservation Plan, as amended and restated, effective December 31, 2009, incorporated by reference to Exhibit 10.3 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2009.
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 the fiscal year ended December 31, 1992, as amended by 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 the fiscal year ended December 31, 2003, and Amendment thereto, effective June 11, 2008, incorporated by reference to Exhibit 10.4 of UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended June 30, 2008, and Amendment thereto, dated February 4, 2011, incorporated by reference to Exhibit 10.4 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2010.
10.5	United Technologies Corporation Deferred Compensation Plan, as amended and restated, effective January 1, 2005, incorporated by reference to Exhibit 10.5 of UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2008.
10.6	United Technologies Corporation Long Term Incentive Plan, incorporated by reference to Exhibit 10.11 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 1989, as amended by Amendment No. 1, incorporated by reference to Exhibit 10.11 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 1995, and Amendment No. 2, incorporated by reference to Exhibit 10.6 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2003.
10.7	Schedule of Terms for Nonqualified Stock Option and Dividend Equivalent Awards relating to the United Technologies Corporation Long Term Incentive Plan, as amended (referred to above in Exhibit 10.6), incorporated by reference to Exhibit 10.15 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2004.
10.8	Schedule of Terms and Form of Award for Restricted Stock Awards relating to the United Technologies Corporation Long Term Incentive Plan, as amended (referred to above in Exhibit 10.6), 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.
10.9	Schedule of Terms and Form of Award for Nonqualified Stock Option Awards relating to the United Technologies Corporation Long Term Incentive Plan, as amended (referred to above in Exhibit 10.6), 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.

- 10.10 Schedule of Terms and Forms of Award for Continuous Improvement Incentive Program Non-qualified Stock Option and Dividend Equivalent Awards relating to the United Technologies Corporation Long Term Incentive Plan, as amended (referred to above in Exhibit 10.6), 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.
- 10.11 United Technologies Corporation Executive Leadership Group Program, as amended and restated, effective June 10, 2009, 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, 2009.



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## Table of Contents

- 10.12 Schedule of Terms for Restricted Share Unit Retention Awards relating to the United Technologies Corporation Executive Leadership Group Program (referred to above in Exhibit 10.11), effective December 22, 2010, incorporated by reference to Exhibit 10.12 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2010.
- 10.13 Form of Award Agreement for Restricted Share Unit Retention Awards relating to the United Technologies Corporation Executive Leadership Group Program (referred to above in Exhibit 10.11), 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.
- 10.14 United Technologies Corporation Board of Directors Deferred Stock Unit Plan, as amended and restated October 13, 2010, incorporated by reference to Exhibit 10.14 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2010.
- 10.15 Retainer Payment Election Form for United Technologies Corporation Board of Directors Deferred Stock Unit Plan (referred to above in Exhibit 10.14), 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.
- 10.16 Form of Deferred Restricted Stock Unit Award relating to the United Technologies Corporation Board of Directors Deferred Stock Unit Plan (referred to above in Exhibit 10.14), incorporated by reference to Exhibit 10.16 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2009.
- 10.17 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 the fiscal year ended December 31, 1995, as amended by Amendment No. 1, incorporated by reference to Exhibit 10(iii)(A)(2) to UTC's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2000, Amendment No. 2, incorporated by reference to Exhibit 10(iii)(A)(1) to UTC's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2001, Amendment No. 3, incorporated by reference to Exhibit 10.17 to UTC's Annual Report on Form 10-K for the fiscal year ending December 31, 2001, Amendment No. 4, incorporated by reference to Exhibit 10.12 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ending December 31, 2002 and Amendment No. 5, incorporated by reference to Exhibit 10.12 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2003.
- 10.18 Form of Nonqualified Stock Option Award relating to the United Technologies Corporation Nonemployee Director Stock Option Plan, as amended (referred to above in Exhibit 10.17), 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 United Technologies Corporation 2005 Long-Term Incentive Plan, as amended and restated effective April 13, 2011, 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 19, 2011.
- 10.20 Schedule of Terms for restricted stock awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (referred to above in Exhibit 10.19), 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.
- 10.21 Form of Award Agreement for restricted stock awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (referred to above in Exhibit 10.19), 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.
- 10.22 Schedule of Terms for non-qualified stock option awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (referred to above in Exhibit 10.19), 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.
- 10.23 Form of Award Agreement for non-qualified stock option awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (referred to above in Exhibit 10.19), 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.
- 10.24 Schedule of Terms for performance share unit awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (referred to above in Exhibit 10.19), incorporated by reference to Exhibit 10.28 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2008.
- 10.25 Schedule of Terms for stock appreciation rights awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (referred to above in Exhibit 10.19), incorporated by reference to Exhibit 10.29 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2008.
- 10.26 Form of Award Agreement for performance share unit and stock appreciation rights awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (referred to above in Exhibit 10.19), incorporated by reference to Exhibit 10.1 to UTC's Current Report on Form 8-K filed with the SEC on October 16, 2006.

- 10.27 Form of Award Agreement for performance share unit and stock appreciation rights awards relating to the United Technologies Corporation 2005 Long-Term Incentive Plan (referred to above in Exhibit 10.19), 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 United Technologies Corporation LTIP Performance Share Unit Deferral Plan, relating to the 2005 Long-Term Incentive Plan (referred to above in Exhibit 10.19), incorporated by reference to Exhibit 10.36 of UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2008.

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## Table of Contents

10.29	United Technologies Corporation International Deferred Compensation Replacement Plan, effective January 1, 2005, incorporated by reference to Exhibit 10.35 of UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2008.
10.30	United Technologies Corporation Company Automatic Excess Plan, effective January 1, 2010, incorporated by reference to Exhibit 10.30 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2009.
10.31	United Technologies Corporation Savings Restoration Plan, effective January 1, 2010, incorporated by reference to Exhibit 10.31 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2009.
10.32	Services Agreement by and between United Technologies Corporation and Ari Bousbib, effective September 1, 2010, incorporated by reference to Exhibit 10.32 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2010.
10.33	Bridge Credit Agreement, among United Technologies Corporation, the Lenders (as defined therein), JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC, HSBC Securities (USA) Inc. and Merrill Lynch Pierce, Fenner & Smith Incorporated, dated as of November 8, 2011.*
11	Statement Re: Computations of Per Share Earnings.*
12	Statement Re: Computation of Ratios.*
13	Annual Report for the year ended December 31, 2011 (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 <a href="http://www.utc.com/Governance/Ethics/Code+of+Ethics">http://www.utc.com/Governance/Ethics/Code+of+Ethics</a> .
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, Ellen J. Kullman, 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.*
101.INS	XBRL Instance Document.* (File name: utx-20111231.xml)
101.SCH	XBRL Taxonomy Extension Schema Document.* (File name: utx-20111231.xsd)
101.CAL	XBRL Taxonomy Calculation Linkbase Document.* (File name: utx-20111231_cal.xml)
101.DEF	XBRL Taxonomy Definition Linkbase Document.* File name: utx-20111231_def.xml)
101.LAB	XBRL Taxonomy Label Linkbase Document.* (File name: utx-20111231_lab.xml)
101.PRE	XBRL Taxonomy Presentation Linkbase Document.* (File name: utx-20111231_pre.xml)

### **Notes to Exhibits List:**

\* Submitted electronically herewith.

Exhibits 10.1 through 10.33 are contracts, arrangements or compensatory plans filed as exhibits pursuant to Item 15(b) of the requirements for Form 10-K reports.

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## Table of Contents

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language):

(i) Consolidated Statement of Operations for the three years ended December 31, 2011, (ii) Consolidated Balance Sheet as of December 31, 2011 and 2010, (iii) Consolidated Statement of Cash Flows for the three years ended December 31, 2011, (iv) Consolidated Statement of Changes in Equity for the three years ended December 31, 2011, (v) Notes to Consolidated Financial Statements, and (vi) Financial Schedule of Valuation and Qualifying Accounts.

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 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 part of 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.

## 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/ G REGORY J. H AYES  
Gregory J. Hayes  
Senior Vice President and Chief Financial Officer

By: /s/ P ETER F. L ONGO  
Peter F. Longo  
Vice President, Controller

Date: February 9, 2012

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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ L OUIS R. C HÊNEVERT</u> (Louis R. Chênevert)	Director, Chairman & Chief Executive Officer (Principal Executive Officer)	February 9, 2012
<u>/s/ G REGORY J. H AYES</u> (Gregory J. Hayes)	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 9, 2012
<u>/s/ P ETER F. L ONGO</u> (Peter F. Longo)	Vice President, Controller (Principal Accounting Officer)	February 9, 2012
<u>/s/ J OHN V. F ARACI *</u> (John V. Faraci)	Director	
<u>/s/ J EAN -P IERRE G ARNIER *</u> (Jean-Pierre Garnier)	Director	
<u>/s/ J AMIE S. G ORELICK *</u> (Jamie S. Gorelick)	Director	
<u>/s/ E DWARD A. K ANGAS *</u> (Edward A. Kangas)	Director	
<u>/s/ E LLEN J. K ULLMAN *</u> (Ellen J. Kullman)	Director	
<u>/s/ C HARLES R. L EE *</u> (Charles R. Lee)	Director	
<u>/s/ R ICHARD D. M C C ORMICK *</u> (Richard D. McCormick)	Director	
<u>/s/ H AROLD W. M C G RAW III *</u> (Harold W. McGraw III)	Director	

Table of Contents

Signature	Title	Date
<u>/s/ R ICHARD B. M YERS *</u> (Richard B. Myers)	Director	
<u>/s/ H. P ATRICK S WYGERT *</u> (H. Patrick Swygert)	Director	
<u>/s/ A NDRÉ V ILLENEUVE *</u> (André Villeneuve)	Director	
<u>/s/ C HRISTINE T ODD W HITMAN *</u> (Christine Todd Whitman)	Director	
*By: <u>/s/ C HARLES D. G ILL</u> Charles D. Gill Senior Vice President and General Counsel, as Attorney-in-Fact		

Date: February 9, 2012



**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 9, 2012 appearing in the 2011 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 9, 2012

S-I

**SCHEDULE II**

**UNITED TECHNOLOGIES CORPORATION AND SUBSIDIARIES**  
**Valuation and Qualifying Accounts**  
**Three Years Ended December 31, 2011**  
**(Millions of Dollars)**

<b>Allowances for Doubtful Accounts and Other Customer Financing Activity:</b>	
Balance December 31, 2008	\$386
Provision charged to income	145
Doubtful accounts written off (net)	(80)
Balance December 31, 2009	451
Provision charged to income	58
Doubtful accounts written off (net)	(47)
Other adjustments	(14)
Balance December 31, 2010	448
Provision charged to income	88
Doubtful accounts written off (net)	(38)
Other adjustments	(42)
<b>Balance December 31, 2011</b>	<b><u>\$456</u></b>
<b>Future Income Tax Benefits—Valuation allowance:</b>	
Balance December 31, 2008	\$698
Additions charged to income tax expense	186
Additions charged to goodwill, due to acquisitions	3
Reductions credited to income tax expense	(16)
Other adjustments	32
Balance December 31, 2009	903
Additions charged to income tax expense	93
Reductions charged to goodwill, due to acquisitions	(3)
Reductions credited to income tax expense	(44)
Other adjustments	(38)
Balance December 31, 2010	911
Additions charged to income tax expense	130
Reductions credited to income tax expense	(27)
Other adjustments	(37)
<b>Balance December 31, 2011</b>	<b><u>\$977</u></b>



BRIDGE CREDIT AGREEMENT

dated as of

November 8, 2011,

among

UNITED TECHNOLOGIES CORPORATION,

the LENDERS party hereto,

JPMORGAN CHASE BANK, N.A.,  
as Administrative Agent

and

J.P. MORGAN SECURITIES LLC,  
HSBC SECURITIES (USA) INC.

and

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED,  
as Joint Lead Arrangers and Joint Bookrunners

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BANK OF AMERICA, N.A.

and

HSBC BANK USA, NATIONAL ASSOCIATION,  
as Syndication Agents

CITIBANK, N.A.,  
DEUTSCHE BANK SECURITIES INC.,  
BNP PARIBAS,  
GOLDMAN SACHS BANK USA

and

THE ROYAL BANK OF SCOTLAND PLC,  
as Documentation Agents

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## TABLE OF CONTENTS

### Page

#### ARTICLE I

##### Definitions

SECTION 1.01.	Defined Terms	1
SECTION 1.02.	Classification of Loans and Borrowings	20
SECTION 1.03.	Terms Generally	20
SECTION 1.04.	Accounting Terms; GAAP	20
SECTION 1.05.	Effectuation of Transactions	20

#### ARTICLE II

##### The Credits

SECTION 2.01.	Commitments	21
SECTION 2.02.	Loans and Borrowings	21
SECTION 2.03.	Requests for Borrowings	22
SECTION 2.04.	Funding of Borrowings	23
SECTION 2.05.	Interest Elections	23
SECTION 2.06.	Termination and Reduction of Commitments	24
SECTION 2.07.	Repayment of Loans; Evidence of Debt	25
SECTION 2.08.	Prepayment of Loans	26
SECTION 2.09.	Fees	27
SECTION 2.10.	Interest	28
SECTION 2.11.	[Reserved.]	29
SECTION 2.12.	Increased Costs	29
SECTION 2.13.	Break Funding Payments	30
SECTION 2.14.	Taxes	31
SECTION 2.15.	Payments Generally; Pro Rata Treatment; Sharing of Setoffs	35
SECTION 2.16.	Mitigation Obligations; Replacement of Lenders	37
SECTION 2.17.	Defaulting Lenders	38

#### ARTICLE III

##### Representations and Warranties

SECTION 3.01.	Organization; Powers	38
SECTION 3.02.	Authorization; Absence of Conflicts	39

SECTION 3.03.	Governmental Consents	39
SECTION 3.04.	Enforceability	39
SECTION 3.05.	Financial Statements; No Material Adverse Change	39
SECTION 3.06.	Litigation	39
SECTION 3.07.	Federal Reserve Regulations	40
SECTION 3.08.	Investment Company Status	40
SECTION 3.09.	ERISA	40
ARTICLE IV		
Conditions		
SECTION 4.01.	Effective Date	40
SECTION 4.02.	Funding Date	41
ARTICLE V		
Affirmative Covenants		
SECTION 5.01.	Financial Statements; Other Information; Notices of Material Events	43
SECTION 5.02.	Use of Proceeds	44
ARTICLE VI		
Negative Covenants		
SECTION 6.01.	Liens	44
SECTION 6.02.	Fundamental Changes	47
SECTION 6.03.	Sale and Leaseback Transactions	48
ARTICLE VII		
Events of Default		
SECTION 7.01.	Events of Default	49
SECTION 7.02.	Lenders' Rights upon an Event of Default	51
SECTION 7.03.	Preservation of Remedies	51
ARTICLE VIII		
The Administrative Agent		
ARTICLE IX		
Miscellaneous		
SECTION 9.01.	Notices	55
SECTION 9.02.	Waivers; Amendments	56

---

SECTION 9.03.	Expenses; Indemnity; Damage Waiver	57
SECTION 9.04.	Successors and Assigns	59
SECTION 9.05.	Survival	63
SECTION 9.06.	Counterparts; Integration; Effectiveness	63
SECTION 9.07.	Severability	63
SECTION 9.08.	[Reserved.]	64
SECTION 9.09.	Governing Law; Jurisdiction; Consent to Service of Process	64
SECTION 9.10.	WAIVER OF JURY TRIAL	64
SECTION 9.11.	Headings	65
SECTION 9.12.	Confidentiality	65
SECTION 9.13.	Interest Rate Limitation	66
SECTION 9.14.	USA PATRIOT Act Notice	66
SECTION 9.15.	No Fiduciary Relationship	66
SECTION 9.16.	Non-Public Information	67



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## SCHEDULES:

Schedule 2.01 — Commitments

## EXHIBITS:

Exhibit A — Form of Assignment and Assumption  
Exhibit B — Form of Borrowing Request  
Exhibit C — Form of Interest Election Request  
Exhibit D-1 — Form of U.S. Tax Certificate (For Foreign Lenders that are not Partnerships for U.S. Federal Income Tax Purposes and Lenders that are Disregarded Entities for U.S. Federal Income Tax Purposes Whose Owner, for U.S. Federal Income Tax Purposes, is not a Partnership for U.S. Federal Income Tax Purposes)  
Exhibit D-2 — Form of U.S. Tax Certificate (For Foreign Participants that are not Partnerships for U.S. Federal Income Tax Purposes and Participants that are Disregarded Entities for U.S. Federal Income Tax Purposes Whose Owner, for U.S. Federal Income Tax Purposes, is not a Partnership for U.S. Federal Income Tax Purposes)  
Exhibit D-3 — Form of U.S. Tax Certificate (For Foreign Participants that are partnerships for U.S. Federal Income Tax Purposes and Participants that are Disregarded Entities for U.S. Federal Income Tax Purposes Whose Owner, for U.S. Federal Income Tax Purposes, is a Partnership for U.S. Federal Income Tax Purposes)  
Exhibit D-4 — Form of U.S. Tax Certificate (For Foreign Lenders that are partnerships for U.S. Federal Income Tax Purposes and Lenders that are Disregarded Entities for U.S. Federal Income Tax Purposes Whose Owner, for U.S. Federal Income Tax Purposes, is a Partnership for U.S. Federal Income Tax Purposes)  
Exhibit E — Form of Financial Officer's Certificate

BRIDGE CREDIT AGREEMENT dated as of November 8, 2011, among UNITED TECHNOLOGIES CORPORATION, the LENDERS party hereto, JPMORGAN CHASE BANK, N.A., as Administrative Agent, and J.P. MORGAN SECURITIES LLC, HSBC SECURITIES (USA) INC. and MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, as Joint Lead Arrangers and Joint Bookrunners.

The Borrower has requested the Lenders (such term and each other capitalized term used and not otherwise defined herein having the meaning assigned to it in Article I) to extend credit in the form of Loans to the Borrower in Dollars in an aggregate principal amount of not more than \$15,000,000,000. The Lenders are willing to extend such credit to the Borrower on the terms and subject to the conditions set forth herein.

Accordingly, the parties hereto agree as follows:

## ARTICLE I

### Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

“ ABR ”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, shall bear interest at a rate determined by reference to the Alternate Base Rate.

“ Acquired Company ” means Goodrich Corporation, a New York corporation.

“ Acquired Company Disclosure Letter ” means the Company Disclosure Letter dated as of the Signing Date and in the final form delivered to the Administrative Agent on or about the Signing Date.

“ Acquired Company Merger Agreement Material Adverse Effect ” means any event, occurrence, state of facts, condition, effect or change that is, or would reasonably be expected to become, individually or in the aggregate, a material adverse effect on (a) the ability of the Acquired Company to consummate the Merger and the other Transactions (as defined in the Merger Agreement as in effect on the Signing Date) or (b) the business, assets, results of operations or condition (financial or otherwise) of the Acquired Company and its Subsidiaries (as defined in the Merger Agreement as in effect on the Signing Date), taken as a whole, except to the extent such material adverse effect under this clause (b) results from (i) any changes in general United States or global economic conditions (including securities, credit, financial or other capital markets conditions), except to the extent such changes in conditions have a disproportionate effect on the Acquired Company and its Subsidiaries (as so defined), taken as a whole, relative

to others in any industry in which the Acquired Company and any of its Subsidiaries (as so defined) operate, (ii) any changes in conditions generally affecting any of the industries in which the Acquired Company and its Subsidiaries (as so defined) operate, except to the extent such changes in conditions have a disproportionate effect on the Acquired Company and its Subsidiaries (as so defined), taken as a whole, relative to others in any such industry, (iii) any decline in the market price of the Company Common Stock (as defined in the Merger Agreement as in effect on the Signing Date) (it being understood that the facts or occurrences giving rise to or contributing to such decline may be deemed to constitute, and be taken into account in determining whether there has been or would reasonably be expected to be, an Acquired Company Merger Agreement Material Adverse Effect), (iv) any failure, in and of itself, by the Acquired Company to meet any internal or published projections or forecasts in respect of revenues, earnings or other financial or operating metrics (it being understood that the facts or occurrences giving rise to or contributing to such failure may be deemed to constitute, and be taken into account in determining whether there has been or would reasonably be expected to be, an Acquired Company Merger Agreement Material Adverse Effect), (v) the public announcement of the Merger or any of the other Transactions (as defined in the Merger Agreement as in effect on the Signing Date), (vi) any change in Law (as defined in the Merger Agreement as in effect on the Signing Date) or GAAP (or authoritative interpretations thereof), except to the extent such changes have a disproportionate effect on the Acquired Company and its Subsidiaries (as so defined), taken as a whole, relative to others in any industry in which the Acquired Company and any of its Subsidiaries (as so defined) operate, (vii) geopolitical conditions, the outbreak or escalation of hostilities, any acts of war, sabotage or terrorism, or any escalation or worsening of any such acts of war, sabotage or terrorism threatened or underway as of the Signing Date, except to the extent such conditions or events have a disproportionate effect on the Acquired Company and its Subsidiaries (as so defined), taken as a whole, relative to others in any industry in which the Acquired Company and any of its Subsidiaries (as so defined) operate, or (viii) any hurricane, tornado, flood, earthquake or other natural disaster, except to the extent such events have a disproportionate effect on the Acquired Company and its Subsidiaries (as so defined), taken as a whole, relative to others in any industry in which the Acquired Company and any of its Subsidiaries (as so defined) operate.

“Acquired Company Merger Agreement Representations” means the representations made by the Acquired Company in the Merger Agreement, but only to the extent that the Borrower or any of its Subsidiaries has the right under the Merger Agreement not to consummate the Merger as a result of such representations in the Merger Agreement being inaccurate.

“Acquired Company SEC Documents” has the meaning assigned to the term “Company SEC Documents” in the Merger Agreement as in effect on the Signing Date.

“Administrative Agent” means JPMorgan Chase Bank, N.A., in its capacity as administrative agent hereunder, and its successors in such capacity as provided in Article VIII.

“ Administrative Agent Fee Letter ” means the Administrative Agent Fee Letter dated September 21, 2011, among the Borrower, the Administrative Agent and certain other parties thereto.

“ Administrative Questionnaire ” means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“ Affiliate ” means, with respect to any Person, another Person that directly or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“ Agreement ” means this Bridge Credit Agreement.

“ Alternate Base Rate ” means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus  $\frac{1}{2}$  of 1% and (c) LIBOR on such day (or if such day is not a Business Day, the immediately preceding Business Day) for a deposit in Dollars with a maturity of one month plus 1%. For purposes of clause (c) above, LIBOR on any day shall be based on the rate per annum appearing on the Reuters “LIBOR01” screen displaying British Bankers’ Association Interest Settlement Rates (or on any successor or substitute screen provided by Reuters, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such screen, as reasonably determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to Dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, on such day for deposits in Dollars with a maturity of one month. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or LIBOR shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or LIBOR, respectively.

“ Applicable Rate ” means, for any day, with respect to any Eurodollar Loan or any ABR Loan, as the case may be, the applicable rate per annum set forth below under the caption “Eurodollar Spread” or “ABR Spread”, as the case may be, based upon the Ratings applicable on such date:

Ratings (Moody’s/S&P)		Eurodollar Spread (basis points per annum)	ABR Spread (basis points per annum)
Level 1	A2/A or higher	75.0	0.0
Level 2	A3/A or A2/A-	100.0	0.0
Level 3	A3/A-	125.0	25.0
Level 4	Lower than A3/A- or unrated	150.0	50.0

; provided that, for each Level, each of the interest rate spreads set forth in the table above will increase by 25 basis points per annum on the 90th day after the Funding Date, by an additional 25 basis points per annum on the 180th day after the Funding Date and by an additional 25 basis points per annum on the 270th day after the Funding Date.

For purposes of the foregoing, (a) if either Moody's or S&P shall not have in effect a Rating (other than by reason of the circumstances referred to in the last sentence of this definition), then such rating agency shall be deemed to have established a Rating in Level 4; (b) if the Ratings established or deemed to be established by Moody's and S&P shall fall within different Levels (and Level 2 is not applicable to those Ratings), the Applicable Rate shall be based upon the higher Rating unless the Ratings differ by two or more Levels, in which case the Applicable Rate will be based upon the Level one level below that corresponding to the higher Rating; and (c) if the Ratings established or deemed to have been established by Moody's and S&P shall be changed (other than as a result of a change in the ratings system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the Applicable Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Administrative Agent shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency (it being understood that, in the discretion of the Administrative Agent, any such negotiation on the part of the Administrative Agent may be subject to prior consultation with one or more Lenders and any consent by the Administrative Agent to any such amendment may be subject to the Administrative Agent having obtained consent thereto from the Required Lenders), and, pending the effectiveness of any such amendment, the Applicable Rate shall be determined by reference to the rating most recently in effect prior to such change or cessation.

“ Approved Fund ” means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in commercial loans and similar extensions of credit in the ordinary course and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“ Arranger Fee Letter ” means the Lead Arranger Fee Letter dated September 21, 2011, among the Borrower, the Arrangers and certain other parties thereto.

“ Arrangers ” means J.P. Morgan Securities LLC, HSBC Securities (USA) Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, in their capacities as the joint lead arrangers and joint bookrunners for the credit facility provided for herein.

“ Assignment and Assumption ” means an assignment and assumption entered into by a Lender and an Eligible Assignee, with the consent of any Person whose consent is required by Section 9.04, and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent and the Borrower.

“ Attributable Debt ” means, as to any particular lease under which any Person is at the time liable for a term of more than 12 months, at any date as of which the amount thereof is to be determined, the total net amount of rent required to be paid by such Person under such lease during the remaining term thereof (excluding any subsequent renewal or other extension options held by the lessee), discounted from the respective due dates thereof to such date at the rate of 15% per annum, compounded monthly. The net amount of rent required to be paid under any such lease for any such period shall be the aggregate amount of the rent payable by the lessee with respect to such period after excluding amounts required to be paid on account of maintenance and repairs, services, insurance, taxes, assessments, water rates and similar charges and contingent rents (such as those based on sales). In the case of any lease which is terminable by the lessee upon the payment of a penalty in an amount which is less than the total discounted net amount of rent required to be paid from the later of the first date upon which such lease may be so terminated or the date of the determination of such net amount of rent, as the case may be, such net amount shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated.

“ Board of Governors ” means the Board of Governors of the Federal Reserve System of the United States of America.

“ Borrower ” means United Technologies Corporation, a Delaware corporation.

“ Borrower Materials ” has the meaning set forth in Section 5.01.

“ Borrower Merger Agreement Material Adverse Effect ” means any event, occurrence, state of facts, condition, effect or change that is, or would reasonably be expected to become, individually or in the aggregate, a material adverse effect on the business, assets, results of operations or condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole, except to the extent such material adverse effect results from (a) any changes in general United States or global economic conditions (including securities, credit, financial or other capital markets conditions), except to the extent such changes in conditions have a disproportionate effect on the Borrower and its Subsidiaries, taken as a whole, relative to others in any industry in which the Borrower and any of its Subsidiaries operate, (b) any changes in conditions generally affecting any of the industries in which the Borrower and its Subsidiaries operate, except to the extent such changes in conditions have a disproportionate effect on the Borrower and its Subsidiaries, taken as a whole, relative to others in any such industry, (c) any decline in the market price of the common stock of the Borrower (it being understood that the facts or occurrences giving rise to or contributing to such decline may be deemed to constitute, and be taken into account in determining whether there has been or would reasonably be expected to be, a Borrower Merger Agreement Material Adverse Effect), (d) any failure, in and of itself, by the Borrower to meet any internal or published projections or forecasts in respect of revenues, earnings or other financial or operating metrics (it being understood that the facts or occurrences giving rise to or contributing to such failure may be deemed to constitute, and be taken into



account in determining whether there has been or would reasonably be expected to be, a Borrower Merger Agreement Material Adverse Effect), (e) the public announcement of the Merger, (f) any change in Law (as defined in the Merger Agreement as in effect on the Signing Date) or GAAP (or authoritative interpretations thereof), except to the extent such changes have a disproportionate effect on the Borrower and its Subsidiaries, taken as a whole, relative to others in any industry in which the Borrower and any of its Subsidiaries operate, (g) geopolitical conditions, the outbreak or escalation of hostilities, any acts of war, sabotage or terrorism, or any escalation or worsening of any such acts of war, sabotage or terrorism threatened or underway as of the Signing Date, except to the extent such conditions or events have a disproportionate effect on the Borrower and its Subsidiaries, taken as a whole, relative to others in any industry in which the Borrower and any of its Subsidiaries operate, or (h) any hurricane, tornado, flood, earthquake or other natural disaster, except to the extent such events have a disproportionate effect on the Borrower and its Subsidiaries, taken as a whole, relative to others in any industry in which the Borrower and any of its Subsidiaries operate.

“Borrowing” means Loans of the same Type made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

“Borrowing Request” means a request by the Borrower for a Borrowing in accordance with Section 2.03, which shall be, in the case of any such written request, in the form of Exhibit B or any other form approved by the Administrative Agent.

“Business Day” means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurodollar Loan, the term “Business Day” shall also exclude any day that is not a London Banking Day.

“Change in Law” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption of any rule, regulation, treaty or other law, (b) any change in any rule, regulation, treaty or other law or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law, but if not having the force of law, one which applies generally to the class or category of financial institutions of which any Lender or the Administrative Agent forms a part and compliance with which is in accordance with the general practice of those financial institutions) of any Governmental Authority; provided that, notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III (upon implementation), shall in each case shall be deemed to be a “Change in Law”, regardless of the date enacted, adopted, promulgated or issued.

“ Charges ” has the meaning set forth in Section 9.13.

“ Code ” means the Internal Revenue Code of 1986, as amended from time to time.

“ Commitment ” means, with respect to each Lender, the commitment of such Lender to make Loans hereunder as set forth in Section 2.01, expressed as an amount representing the maximum principal amount of the Loans to be made by such Lender hereunder. The amount of each Lender’s Commitment on the date hereof is set forth on Schedule 2.01, and the aggregate amount of the Commitments on the date hereof is \$15,000,000,000. The amount of each Lender’s Commitment on the Funding Date will be the amount set forth in Schedule 2.01 on the date hereof, as adjusted for any reduction in Commitments made pursuant to Sections 2.06(a)(i), 2.06(b) and 2.06(c).

“ Commitment Termination Date ” means September 21, 2012 (or, if the Outside Date (as defined in the Merger Agreement as in effect on the Signing Date) shall have been automatically extended as provided in Section 8.1 (b)(i) of the Merger Agreement (as in effect on the Signing Date), then March 21, 2013.

“ Consolidated ” refers to the consolidation of the accounts of a Person and its Subsidiaries in accordance with GAAP consistent with those applied in the preparation of the consolidated financial information of the Borrower referred to in Section 3.05(a).

“ Consolidated Net Tangible Assets ” means the total amount of assets of the Borrower and its Consolidated Subsidiaries (less applicable reserves and other properly deductible items) after deducting therefrom (a) all current liabilities (excluding any thereof which are by their terms extendible or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed) and (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, all as set forth on the most recent Consolidated balance sheet of the Borrower and its Consolidated Subsidiaries and computed in accordance with GAAP.

“ Continuing Director ” means a director who either (a) was a member of the Borrower’s board of directors on the date of this Agreement, (b) becomes a member of the Borrower’s board of directors subsequent to the date of this Agreement and whose appointment, election or nomination for election by the Borrower’s stockholders is duly approved by a majority of the directors referred to in clause (a) above constituting at the time of such appointment, election or nomination at least a majority of that board, or (c) becomes a member of the Borrower’s board of directors subsequent to the date of this Agreement and whose appointment, election or nomination for election by the Borrower’s stockholders is duly approved by a majority of the directors referred to in clauses (a) and (b) above constituting at the time of such appointment, election or nomination at least a majority of that board.

“ Control ” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “ Controlling ” and “ Controlled ” have meanings correlative thereto.

“ Debt ” has the meaning set forth in Section 6.01.

“ Debt Incurrence ” means any incurrence of indebtedness for borrowed money by the Borrower or any of its Subsidiaries, whether pursuant to a public offering or in a Rule 144A or other private placement of debt securities (including debt securities convertible into equity securities) or incurrence of loans under any loan or credit facility, other than (a) indebtedness owed by the Borrower or any of its Subsidiaries to the Borrower or any of its Subsidiaries, (b) indebtedness under the Existing Credit Agreements; provided that the aggregate amount of indebtedness excluded pursuant to this clause (b) shall not exceed an amount equal to the sum of \$2,000,000,000 plus the aggregate amount of commitments (whether used or unused) in effect under the Existing Credit Agreements as of the Signing Date, (c) any commercial paper financings in the ordinary course of business of the Borrower and its Subsidiaries, (d) any trade or customer finance-related financing in the ordinary course of business of the Borrower and its Subsidiaries, (e) any indebtedness incurred by any Subsidiary of the Borrower that is organized outside the United States (whether or not guaranteed by the Borrower or any of its Subsidiaries), (f) any refinancings, renewals or replacements of indebtedness existing on the Signing Date (including any such indebtedness of the Acquired Company or any Subsidiary of the Acquired Company, but excluding indebtedness under the Existing Credit Agreements) that does not increase the aggregate principal or commitment amount thereof (plus accrued unpaid interest and premium thereon and underwriting discounts, fees, commissions and expenses), (g) other indebtedness in an aggregate principal amount not to exceed \$2,000,000,000 incurred to finance acquisitions and investments (other than the Merger) and (h) the Loans.

“ Debtor Relief Laws ” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“ Default ” means any event or condition that constitutes, or upon notice, lapse of time or both would constitute, an Event of Default.

“ Defaulting Lender ” means, subject to Section 2.17(b), any Lender that, as determined by the Administrative Agent in good faith, (a) has failed to perform any of its funding obligations hereunder on the date and at the time required to be funded by it hereunder, unless such obligation is the subject of a good faith dispute; (b) has notified the Borrower, or the Administrative Agent or any Lender that it does not intend to comply with its funding obligations or has made a public statement to that effect with respect to its funding obligations hereunder or generally under other agreements in which it commits to extend credit; (c) has failed, within three Business Days after request by the Administrative Agent, to confirm that it will comply with its funding obligations under this Agreement; or (d) has, or has a direct parent company that has, (i) become the subject

of a proceeding under any Debtor Relief Law, (ii) had a receiver, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or a custodian appointed for it, or (iii) taken any action in furtherance of, or indicated its consent to, approval of or acquiescence in any such proceeding or appointment; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a governmental authority.

“ Documentation Agents ” means Citibank, N.A., Deutsche Bank Securities Inc., BNP Paribas, Goldman Sachs Bank USA and The Royal Bank of Scotland plc.

“ Dollars ” or “ \$ ” means the lawful money of the United States of America.

“ Effective Date ” means the date on which the conditions specified in Section 4.01 have been satisfied (or waived in accordance with Section 9.02).

“ Eligible Assignee ” means any Person, other than a natural person or the Borrower or any Subsidiary or other Affiliate of the Borrower.

“ Equity Interests ” means shares of capital stock, partnership interests, membership interests, beneficial interests or other ownership interests, whether voting or nonvoting, in, or interests in the income or profits of, a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any of the foregoing.

“ Equity Issuance ” means any issuance by the Borrower of any Equity Interests or any securities that derive their value or rate of return by reference to Equity Interests in the Borrower, whether pursuant to a public offering or in a Rule 144A or other private placement, other than (a) securities issued pursuant to employee stock plans or employee compensation plans or contributed to pension funds and (b) securities or interests issued or transferred as consideration in connection with any acquisition, divestiture or joint venture arrangement.

“ ERISA ” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

“ ERISA Affiliate ” means any trade or business (whether or not incorporated) which is a member of a group of which the Borrower is a member and which is under common control within the meaning of Section 414 of the Code.

“ Eurodollar ”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, shall bear interest at a rate determined by reference to LIBOR.

“ Event of Default ” has the meaning set forth in Section 7.01.

“ Exchange Act ” means the United States Securities Exchange Act of 1934, as amended from time to time.

“ Excluded Taxes ” means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient: (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes and branch profits Taxes, in each case (i) imposed by the United States, (ii) imposed as a result of such Recipient being organized under the laws of, or having its principal office in, or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (iii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. Federal withholding Taxes (including backup withholding Taxes) imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 2.16(b)) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.14, amounts with respect to such Taxes were payable either to such Lender’s assignor immediately before such Lender acquired the applicable interest in a Loan or Commitment or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient’s failure to comply with Section 2.14(f) and (d) any U.S. Federal withholding Taxes imposed under FATCA.

“ Existing Credit Agreements ” means (a) the US\$1,600,000,000 Revolving Credit Agreement dated as of November 30, 2010, among the Borrower, the lenders party thereto, Bank of America, N.A., as administrative agent, and the other agent and arranger parties thereto, and (b) the US\$1,400,000,000 Revolving Credit Agreement dated as of December 3, 2010, among the Borrower, the subsidiary borrowers party thereto, the lenders party thereto, HSBC Bank plc, as administrative agent, and the other agent and arranger parties thereto, in each case as amended, extended, restated or otherwise modified, or as refinanced or replaced with any other credit agreement.

“ Facility Balance ” means, on any date, the aggregate principal amount of all the Loans outstanding on such date.

“ FATCA ” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof.

“ Federal Funds Effective Rate ” means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

“ Financial Officer ” means, with respect to any Person, the chief financial officer, principal accounting officer, treasurer or controller of such Person.

“Foreign Lender” means a Lender that is not a U.S. Person.

“Funding Date” means the date, on or after the Effective Date, on which the Merger is consummated and the conditions specified in Section 4.02 are satisfied (or waived in accordance with Section 9.02).

“Funding Date Schedule” means a schedule delivered by the Borrower to the Administrative Agent on the Funding Date pursuant to Section 4.02(j).

“GAAP” means generally accepted accounting principles in the United States of America.

“Governmental Authority” means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national body exercising such powers or functions, such as the European Union or the European Central Bank).

“Indemnified Taxes” means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower under this Agreement and (b) to the extent not otherwise described in (a), Other Taxes.

“Indemnitee” has the meaning set forth in Section 9.03(b).

“Industrial Development Bonds” means obligations issued by a State, a Commonwealth, a Territory or a possession of the United States, or any political subdivision of any of the foregoing, or the District of Columbia, the interest on which is excludable from gross income of the holders thereof pursuant to the provisions of Section 103(a)(1) of the Code (or any similar provision of the Code), as in effect on the date of the issuance of such obligations.

“Information” has the meaning set forth in Section 9.12.

“Interest Election Request” means a request by the Borrower to convert or continue a Borrowing in accordance with Section 2.05, which shall be, in the case of any such written request, in the form of Exhibit C or any other form approved by the Administrative Agent and the Borrower.

“Interest Payment Date” means (a) with respect to any ABR Loan, the last day of each March, June, September and December and (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part.

“Interest Period” means, with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two or three months thereafter, as



the Borrower may elect; provided that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, and (b) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made, and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

“ IRS ” means the United States Internal Revenue Service, or any other Governmental Authority that shall have succeeded to the functions thereof.

“ Lenders ” means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that shall have ceased to be a party hereto pursuant to an Assignment and Assumption.

“ LIBOR ” means, for any Interest Period for any Eurodollar Borrowing, a rate per annum determined by the Administrative Agent pursuant to the following formula:

$$\text{LIBOR} = \frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

Where,

“ Eurodollar Base Rate ” means, for any Interest Period, the rate per annum equal to the British Bankers Association LIBOR Rate (“ BBA LIBOR ”), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as designated by the Administrative Agent from time to time) at approximately 11:00 a.m., London time, two London Banking Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period. If such rate is not available at such time for any reason, then the “Eurodollar Base Rate” for such Interest Period shall be the rate per annum determined by the Administrative Agent to be the average (calculated as provided below and rounded upward to the nearest whole multiple of 1/100 of 1% per annum, if such average is not such a multiple) of the rates per annum at which deposits in Dollars are offered by each of the LIBOR Reference Banks to prime banks in the London interbank eurodollar market at their request at approximately 11:00 a.m., London time, two London Banking Days prior to the first day of such Interest Period in an amount substantially equal to such LIBOR Reference Bank’s Eurodollar Loan comprising part of such Borrowing and for a period equal to such Interest Period; provided that if

the Administrative Agent receives rate quotations from all five of the LIBOR Reference Banks, the foregoing average rate shall be calculated by disregarding the highest and lowest of the rate quotations received from such LIBOR Reference Banks, and averaging the remaining three quotations and, if the Administrative Agent receives rate quotations from less than five of the LIBOR Reference Banks, the foregoing average rate shall be calculated based upon the rate quotations actually furnished to the Administrative Agent by the LIBOR Reference Banks. If such rate is not available by the LIBOR Reference Banks, at such time for any reason, then the “Eurodollar Base Rate” for such Interest Period shall be the rate per annum reasonably determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the first day of such Interest Period, in same day funds in the approximate amount of the Loan being made, continued or converted by JPMorgan Chase Bank, N.A. and with a term equivalent to such Interest Period would be offered by JPMorgan Chase Bank N.A.’s London Branch to major banks in the London interbank eurodollar market at their request at approximately 11:00 a.m., London time, two London Banking Days prior to the commencement of such Interest Period.

“ Eurodollar Reserve Percentage ” means, for any day during any Interest Period, the reserve percentage (expressed as a decimal, carried out to five decimal places) in effect on such day, whether or not applicable to any Lender, under regulations issued from time to time by the Board of Governors for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as “Eurocurrency liabilities”). The LIBOR for each outstanding Eurodollar Loan shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage.

“ LIBOR Reference Banks ” means the principal offices in London of Bank of America, N.A., Citibank, N.A., JPMorgan Chase Bank, N.A., HSBC Bank USA and Deutsche Bank AG, or such other financial institutions as may be agreed between the Borrower and the Administrative Agent from time to time in writing.

“ Liens ” has the meaning set forth in Section 6.01.

“ London Banking Day ” means any day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

“ Loans ” means the loans made by the Lenders to the Borrower pursuant to this Agreement.

“ Material Adverse Effect ” means a material adverse effect on (a) the Consolidated results of operations or Consolidated financial condition of the Borrower or (b) the rights of or remedies available to the Lenders against the Borrower under this Agreement, taken as a whole.

“ Material Debt ” means Debt in the principal amount in excess of \$100,000,000.

“ Maturity Date ” means the day that is 364 days after the Funding Date.

“ Maximum Rate ” has the meaning set forth in Section 9.13.

“ Merger ” means the merger of the Merger Sub with and into the Acquired Company pursuant to the Merger Agreement, with the separate existence of the Merger Sub ceasing and the Acquired Company continuing as the surviving corporation.

“ Merger Agreement ” means the Agreement and Plan of Merger dated as of September 21, 2011, by and among the Borrower, the Merger Sub and the Acquired Company, together with all definitive disclosure letters relating thereto.

“ Merger Sub ” means Charlotte Lucas Corporation, a New York corporation and a wholly owned Subsidiary of the Borrower.

“ MNPI ” means material information concerning the Borrower and the other Subsidiaries and their securities that has not been disseminated in a manner making it available to investors generally, within the meaning of Regulation FD under the Securities Act and the Exchange Act.

“ Moody's ” means Moody's Investors Service, Inc., and any successor to its rating agency business.

“ Multiemployer Plan ” means a “multiemployer plan” as defined in Section 4001(a)(3) of ERISA to which the Borrower or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

“ Net Proceeds ” means, with respect to any event, (a) the cash (which term, for purposes of this definition, shall include cash equivalents) proceeds (including, in the case of any casualty, condemnation or similar proceeding, insurance, condemnation or similar proceeds) actually received in respect of such event, including any cash received in respect of any noncash proceeds, but only as and when received, net of (b) the sum, without duplication, of (i) all reasonable fees and out-of-pocket expenses paid in connection with such event by the Borrower and its Subsidiaries to third parties, including attorneys' fees, accountants' fees, investment banking fees, survey costs, title insurance premiums, and related search and recording charges, transfer taxes, deed or mortgage recording taxes, other customary expenses and brokerage, consultant and other customary fees, in each case, actually incurred in connection therewith, (ii) in the case of a sale, transfer, lease or other disposition (including pursuant to a Sale and Leaseback Transaction or a casualty or a condemnation or similar proceeding) of an asset, the amount of all payments required to be made by the Borrower and its Subsidiaries as a

result of such event to repay Debt secured by such asset and (iii) the amount of all taxes paid (or reasonably estimated to be payable) by the Borrower and its Subsidiaries, and the amount of any reserves established by the Borrower and its Subsidiaries in accordance with GAAP to fund purchase price adjustment, indemnification and similar contingent liabilities reasonably estimated to be payable, in each case during the year that such event occurred or the next succeeding year and that are directly attributable to the occurrence of such event (as determined reasonably and in good faith by the Borrower); provided that, if the Borrower or any of its Subsidiaries receive proceeds that would otherwise constitute Net Proceeds from any Reduction/Prepayment Event described in clause (c) of the definition of such term, the Borrower or such Subsidiary may use, or commit to use, any portion of such proceeds (the “Reinvestment Amount”) to acquire, construct, improve, upgrade or repair assets useful in the business of the Borrower or its Subsidiaries or to consummate any business acquisition, and in each case, the Reinvestment Amount shall not constitute Net Proceeds until, and except to the extent (but shall then be deemed to have been received to such extent and shall constitute Net Proceeds and not be covered by this proviso), (A) not so used (or committed to be used) within the 365-day period of receipt of such proceeds or (B) if committed to be used within such 365-day period, not so used within the maximum period contemplated in the relevant agreement for the consummation thereof. For purposes of this definition, in the event any contingent liability reserve established with respect to any event as described in clause (b)(iii) above shall be reduced, the amount of such reduction shall, except to the extent such reduction is made as a result of a payment having been made in respect of the contingent liabilities with respect to which such reserve has been established, be deemed to be receipt, on the date of such reduction, of cash proceeds in respect of such event.

“Non-Funding Lender” has the meaning set forth in Section 2.03.

“Notice of a Non-Funding Lender” has the meaning set forth in Section 2.03.

“Other Connection Taxes” means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising solely from such Recipient having taken any of the following actions: executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced this Agreement, or sold or assigned, pursuant to Section 2.16(b), an interest in any Loan or other interest under this Agreement).

“Other Taxes” means all present or future stamp, court or, documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to this Agreement, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.16(b)).

“Participant” has the meaning set forth in Section 9.04(c)(i).

“ Participant Register ” has the meaning set forth in Section 9.04(c)(ii).

“ PBGC ” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA, or any other Governmental Authority that shall have succeeded to the functions thereof.

“ Permitted Assignee ” means any Person that is a Lender or a lender under any Existing Credit Agreement.

“ Person ” means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Authority or any other entity.

“ Plan ” means an employee benefit plan, other than a Multiemployer Plan, which is (or, in the event that any such plan has been terminated within five years after a transaction described in Section 4069 of ERISA, was) maintained for employees of the Borrower or any ERISA Affiliate and subject to Title IV of ERISA.

“ Platform ” means IntraLinks/IntraAgency, SyndTrak or another website or other information platform.

“ Prepayment Amount ” has the meaning set forth in Section 2.08(b).

“ Prime Rate ” means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank, N.A. as its prime rate in effect at its principal office in New York City. Each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

“ Principal Property ” means any manufacturing plant or warehouse, together with the land upon which it is erected and fixtures comprising a part thereof, owned by the Borrower or any Wholly-Owned Domestic Manufacturing Subsidiary and located in the United States the gross book value (without deduction of any reserve for depreciation) of which on the date as of which the determination is being made is an amount that exceeds 1% of the Consolidated Net Tangible Assets, other than any such manufacturing plant or warehouse or any portion thereof or any such fixture (together with the land upon which it is erected and fixture comprising a part thereof) (a) that is financed by Industrial Development Bonds or (b) that, in the opinion of the board of directors of the Borrower or of any duly authorized committee of that board, is not of material importance to the total business conducted by the Borrower and its Subsidiaries taken as a whole.

“ Private Side Lender Representatives ” means, with respect to any Lender, representatives of such Lender that are not Public Side Lender Representatives.

“ Pro Forma Financial Statements ” means the pro forma Consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the last day of the fiscal quarter of the Borrower most recently ending at least 45 days prior to the Funding Date (or, if such fiscal quarter is the last fiscal quarter of the fiscal year of the Borrower,

most recently ending at least 90 days prior to the Funding Date) and the related pro forma Consolidated statement of operations of the Borrower and its Consolidated Subsidiaries for the 12-month period ending on the last day of such fiscal quarter, in each case prepared after giving effect to the Transactions as if the Transactions had occurred, with respect to such balance sheet, on the last day of such fiscal quarter and, with respect to such statement of operations, on the first day of such 12-month period.

“ Public Side Lender Representatives ” means, with respect to any Lender, representatives of such Lender that do not wish to receive MNPI.

“ Public Lender ” has the meaning set forth in Section 5.01.

“ Ratings ” means the ratings of the Borrower’s senior, unsecured, non-credit-enhanced, long-term debt by Moody’s and S&P.

“ Recipient ” means the Administrative Agent or any Lender.

“ Reduction Amount ” has the meaning set forth in Section 2.06(c).

“ Reduction/Prepayment Events ” means:

(a) any Debt Incurrence;

(b) any Equity Issuance; and

(c) any sale, transfer or other disposition of assets (including pursuant to a sale and leaseback transaction or by way of merger or consolidation) of any asset of the Borrower or any of its Subsidiaries, including (i) any issuance or sale of Equity Interest in any Subsidiary of the Borrower to a Person other than the Borrower or any of its Subsidiaries and (ii) any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, any equipment, fixed asset or real property of the Borrower or any of its Subsidiaries, but excluding, in each case, (i) any disposition of inventory or other assets in the ordinary course of business of the Borrower or any Subsidiary and not as part of a financing or of used or surplus equipment, cash or cash equivalents, (ii) any disposition of assets that individually results in Net Proceeds to the Borrower and its Subsidiaries of \$50,000,000 or less, (iii) any disposition of assets by any Subsidiary of the Borrower that is organized outside the United States or (iv) any disposition of assets to the Borrower or any Subsidiary or other Affiliate of the Borrower.

“ Reduction/Prepayment Event Threshold Amount ” means, at any time, (a) \$2,000,000,000 minus (b) the aggregate amount at such time of all Net Proceeds received by the Borrower and its Subsidiaries after the Signing Date (but, for the avoidance of doubt, immediately prior to such time) in respect of any Reduction/Prepayment Event that were not required to be applied to reduce the Commitments pursuant to Section 2.06(c) or were not required to be applied to prepay the Loans pursuant to Section 2.08, in each case, because such Net Proceeds did not exceed the Reduction/Prepayment Event Threshold Amount as in effect at the time such Net Proceeds were received.

“Register” has the meaning set forth in Section 9.04(b)(iv).

“Reinvestment Amount” has the meaning set forth in the definition of the term “Net Proceeds”.

“Related Parties” means, with respect to any specified Person, such Person’s Affiliates and the directors, officers, partners, trustees, employees, agents and advisors of such Person and of such Person’s Affiliates.

“Required Lenders” means, at any time, Lenders having Commitments and Loans representing more than 50% of the sum of the aggregate amount of all the Commitments and the aggregate principal amount of all the Loans at such time.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor to its rating agency business.

“Sale and Leaseback Transaction” has the meaning set forth in Section 6.03.

“SEC” means the United States Securities and Exchange Commission, or any other Governmental Authority that shall have succeeded to the functions thereof.

“Securities Act” means the United States Securities Act of 1933, as amended from time to time.

“Signing Date” means September 21, 2011.

“Specified Representations” means the representations and warranties set forth in Sections 3.01 (in each case (except the representation and warranty relating to due organization and valid existence) solely to the extent it relates to the entering into and performance of this Agreement), 3.02(a), 3.02(b)(i), 3.02(b)(ii) (but excluding any contractual restriction other than Material Debt and, in relation to Material Debt only, disregarding the reference to “Material Adverse Effect” set forth therein), 3.04, 3.07 and 3.08.

“Subsidiary” means, for any Person, any corporation, partnership or other entity of which at least a majority of the securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions of such corporation, partnership or other entity (irrespective of whether or not at the time securities or other ownership interests of any other class or classes of such corporation, partnership or other entity shall or might have voting power upon the occurrence of any contingency) is at the time of any determination directly or indirectly owned or controlled by such Person, by such Person and one or more other Subsidiaries of such Person or by one or more other Subsidiaries of such Person.



“Supplemental Borrowing” has the meaning set forth in Section 2.03.

“Syndication Agents” means Bank of America, N.A. and HSBC Bank USA, National Association.

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Transactions” means (a) the execution, delivery and performance by the Borrower of this Agreement, the borrowing of Loans and the use of the proceeds thereof, (b) the Merger, (c) the repayment of any Debt of the Acquired Company and its Subsidiaries that would become due or otherwise default upon the consummation of the Merger and (d) the payment of fees and expenses incurred in connection with the foregoing.

“Type”, when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to LIBOR or the Alternate Base Rate.

“United States” means the United States of America (including the constituent States thereof and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

“U.S. Person” means a “United States person” within the meaning of Section 7701(a)(30) of the Code.

“U.S. Tax Compliance Certificate” has the meaning set forth in Section 2.14(f).

“USA PATRIOT Act” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended from time to time, and the rules and regulations promulgated or issued thereunder.

“Wholly-Owned Domestic Manufacturing Subsidiary” means any Subsidiary of the Borrower of which, at the time of determination, all of the outstanding capital stock (other than directors’ qualifying shares) is owned by the Borrower directly and/or indirectly and which, at the time of determination, is primarily engaged in manufacturing; provided, however, that “Wholly-Owned Domestic Manufacturing Subsidiary” shall not include any Subsidiary of the Borrower (a) that neither transacts any substantial portion of its business nor regularly maintains any substantial portion of its fixed assets within the United States, (b) that is engaged primarily in the finance business, including financing the operations of, or the purchase of products that are products of or incorporate products of, the Borrower and/or its Subsidiaries or (c) that is primarily engaged in ownership and development of real estate, construction of buildings or related activities, or a combination of the foregoing. In the event that there shall at any

time be a question as to whether a Subsidiary of the Borrower is primarily engaged in manufacturing or is described in the foregoing clause (a), (b) or (c), such matter shall be determined for all purposes of this Agreement by resolution of the board of directors of the Borrower.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans and Borrowings may be classified and referred to by Type ( e.g., a “Eurodollar Loan” or an “ABR Borrowing”).

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. The words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all real and personal, tangible and intangible assets and properties, including cash, securities, accounts and contract rights. Except as otherwise expressly provided herein, any definition of or reference to any agreement, instrument or other document (including this Agreement) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (but disregarding any amendment, supplement or other modification made in breach of this Agreement). Unless the context requires otherwise, (a) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof and (b) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature used herein shall be construed in accordance with GAAP, as in effect from time to time; provided that if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

SECTION 1.05. Effectuation of Transactions. On the Funding Date all the representations and warranties of the Borrower contained in this Agreement shall be deemed made after giving effect to the Merger and the other Transactions to occur on the Funding Date, unless the context otherwise requires.

## ARTICLE II

### The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions set forth herein, (a) each Lender agrees to make a Loan to the Borrower on the Funding Date (but in no event later than the Commitment Termination Date), in Dollars in a principal amount not to exceed such Lender's Commitment and (b) in the event any Lender shall have become a Non-Funding Lender, each other Lender agrees to make a second Loan to the Borrower on the Funding Date (but in no event later than the Commitment Termination Date), in Dollars in a principal amount not to exceed such Lender's remaining Commitment, if any. Amounts repaid or prepaid in respect of Loans may not be reborrowed.

SECTION 2.02. Loans and Borrowings. (a) Each Loan shall be made as part of a Borrowing consisting of Loans of the same Type made by the Lenders ratably in accordance with their Commitments (in the case of a Supplemental Borrowing, such ratability to be determined excluding the Commitments of the Non-Funding Lenders). The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required hereunder (it being understood that this proviso shall not affect the obligations of the Lenders to make Loans under Section 2.01(b)).

(b) Each Borrowing shall be comprised entirely of Eurodollar Loans or ABR Loans, as the Borrower may request in accordance herewith. Each Lender at its option may make any Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement and such Lender shall not be entitled to any amounts payable under Sections 2.12, 2.13, 2.14 or 9.03 solely in respect of increased costs or Taxes resulting from such exercise and existing at the time of such exercise (and that would not have been incurred but for such exercise).

(c) At the commencement of each Interest Period for any Eurodollar Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of \$5,000,000 and not less than \$1,000,000; provided that a Eurodollar Borrowing that results from a continuation of an outstanding Eurodollar Borrowing may be in an aggregate amount that is equal to such outstanding Borrowing. Borrowings of more than one Type may be outstanding at the same time; provided that there shall not at any time be more than a total of five (or such greater number as may be agreed to by the Administrative Agent) Eurodollar Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert to or continue, any Eurodollar Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Requests for Borrowings. To request a Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing. Such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or facsimile to the Administrative Agent of an executed written Borrowing Request; provided that a Borrowing Request may be revoked by the Borrower (by notice to the Administrative Agent at any time prior to 9:00 a.m., New York City time, on the day of the proposed Borrowing), such revocation to be subject to Section 2.13 in the case of a Borrowing Request for a Eurodollar Borrowing. Such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

- (i) the aggregate amount of the requested Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;
- (iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;
- (iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and
- (v) the location and number of the account to which funds are to be disbursed.

Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing. Notwithstanding anything to the contrary in this Section, in the event any Lender shall have failed to make any Loan required to be made by it under Section 2.01(a) (any such Lender, a "Non-Funding Lender"), the Borrower shall be deemed to have requested a Borrowing (a "Supplemental Borrowing") of Loans to be made under Section 2.01 (b) in an aggregate principal amount equal to the lesser of (A) the aggregate principal amount of the Loans so failed to have been made by all the Non-Funding Lenders and (B) the aggregate amount of the Commitments of all Lenders (other than the Non-Funding Lenders) then remaining in effect. The Supplemental Borrowing shall be deemed to be requested to be made on the Funding Date as an ABR Borrowing, and the location and number of the account to which funds are deemed to be requested to be disbursed in respect of the Supplemental Borrowing shall be identical to those specified by the Borrower in the

Borrowing Request delivered in respect of the initial Borrowing. Promptly after obtaining knowledge thereof, the Administrative Agent shall advise the Borrower and each Lender of any Lender having become a Non-Funding Lender (such notice being referred to as the “Notice of a Non-Funding Lender”) and shall advise each Lender of the amount of such Lender’s Loan to be made under Section 2.01(b) as part of the Supplemental Borrowing.

SECTION 2.04. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the Funding Date by wire transfer of immediately available funds in Dollars by 10:00 a.m., New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders; provided that, in the case of any Loan to be made as part of a Supplemental Borrowing, each Lender shall make such Loan on the Funding Date by wire transfer of immediately available funds in Dollars, to such account of the Administrative Agent, as promptly as practicable after having received the Notice of a Non-Funding Lender. The Administrative Agent will make such Loans available to the Borrower by promptly (and in any event, no later than two hours after receipt) remitting the amounts so received, in like funds, to an account specified by the Borrower in the Borrowing Request.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the Funding Date that such Lender will not make available to the Administrative Agent such Lender’s share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance on such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its full share of such Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of a payment to be made by such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of a payment to be made by the Borrower, the interest rate applicable to such Borrowing. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender’s Loan included in such Borrowing. If the Borrower pays such amount to the Administrative Agent, then such amount shall constitute a reduction of such Borrowing.

SECTION 2.05. Interest Elections. (a) Each Borrowing initially shall be of the Type and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in the Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a Borrowing of a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone (i) in the case of a conversion to or a continuation of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed conversion or continuation or (ii) in the case of a conversion to an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of the proposed conversion. Each such telephonic Interest Election Request shall be revocable at any time prior to the effective date of the conversion or continuation specified in such notice (subject to the payment by the Borrower of amounts described in Section 2.13 if the Administrative Agent has already given notice of such requested conversion or continuation to the Lenders) and shall be confirmed promptly by hand delivery or facsimile to the Administrative Agent of an executed written Interest Election Request. Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is to be a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

(c) Promptly following receipt of an Interest Election Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(d) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, the Borrower shall be deemed to have elected to convert such Eurodollar Borrowing into an ABR Borrowing effective as of the last day of such Interest Period.

SECTION 2.06. Termination and Reduction of Commitments. (a) Unless previously terminated, (i) each Lender's Commitment shall automatically reduce by the amount of each Loan made by such Lender, such reduction to be effective immediately following the making of such Loan by such Lender, and (ii) the

Commitments shall terminate upon the earlier of (A) the borrowing of the Loans (including, if applicable, Loans comprising the Supplemental Borrowing) in accordance with Section 2.01 and (B) 5:00 p.m., New York City time, on the Commitment Termination Date.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of \$10,000,000 and not less than \$50,000,000. The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under this paragraph (b) at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Each notice delivered by the Borrower pursuant to this paragraph (b) shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied.

(c) In the event and on each occasion that, after the date hereof and prior to the termination of the Commitments in accordance with this Section, either (i) the Borrower receives any Net Proceeds in respect of a Reduction/Prepayment Event described in clause (b) of the definition of such term or (ii) the Borrower or any of its Subsidiaries receives any Net Proceeds in respect of a Reduction/Prepayment Event described in clause (a) or (c) of the definition of such term, then (A) subject to the immediately next sentence, the Borrower shall within five Business Days of receipt of such Net Proceeds notify the Administrative Agent of such Reduction/Prepayment Event, the amount of Net Proceeds resulting therefrom and the amount of the Reduction/Prepayment Event Threshold Amount then in effect (together with, in each case, a reasonably detailed calculation thereof) and (B) if such Net Proceeds exceed (the amount of such excess being referred to as the “Reduction Amount”) the Reduction/Prepayment Event Threshold Amount then in effect, the Commitments will automatically reduce (on the earlier of the date of delivery of such notice or the fifth Business Day after such receipt) by an aggregate amount equal to the lesser of (1) the aggregate amount of the Commitments then in effect and (2) the Reduction Amount. The Borrower shall not be required to deliver any notice referred to in clause (A) above in respect of any Reduction/Prepayment Event with respect to which the Borrower and its Subsidiaries have received Net Proceeds of \$500,000,000 or less, except if a reduction in the Commitments would result therefrom pursuant to the immediately preceding sentence.

(d) Promptly following receipt of any notice pursuant to paragraph (b) or (c) of this Section, the Administrative Agent shall advise the Lenders of the contents thereof. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their Commitments.



SECTION 2.07. Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of the Loan of such Lender on the Maturity Date.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The records maintained by the Administrative Agent and the Lenders shall be prima facie evidence of the existence and amounts of the obligations of the Borrower in respect of the Loans, interest and fees due or accrued hereunder; provided that the failure of the Administrative Agent or any Lender to maintain such records or any error therein shall not in any manner affect the obligation of the Borrower to pay any amounts due hereunder in accordance with the terms of this Agreement.

(d) Any Lender may request that the Loan made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent and reasonably acceptable to the Borrower. Thereafter, the Loan evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.08. Prepayment of Loans. (a) The Borrower shall have the right, in its sole discretion, at any time and from time to time, to prepay any Borrowing in whole or in part, without premium or penalty (but subject to Section 2.13) upon notice to the Administrative Agent by telephone (confirmed by hand delivery or facsimile) of any such optional prepayment (i) in the case of prepayment of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment or (ii) in the case of prepayment of an ABR Borrowing, not later than 9:00 a.m., New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date.

(b) In the event and on each occasion that, after the making of the Loans hereunder on the Funding Date, either (i) the Borrower receives any Net Proceeds in respect of a Reduction/Prepayment Event described in clause (b) of the definition of such term or (ii) the Borrower or any of its Subsidiaries receives any Net Proceeds in respect of a Reduction/Prepayment Event described in clause (a) or (c) of the definition of such term, then (A) subject to the immediately next sentence, the Borrower shall within five Business Days of receipt of such Net Proceeds notify the Administrative Agent of such Reduction/Prepayment Event, the amount of Net Proceeds resulting therefrom and the amount of the Reduction/Prepayment Event Threshold Amount then in

effect (together with, in each case, a reasonably detailed calculation thereof) and (B) if such Net Proceeds exceed (the amount of such excess (if any) being referred to as the “ Prepayment Amount ”) the Reduction/Prepayment Event Threshold Amount then in effect, within five Business Days of the day such Net Proceeds are received, the Borrower shall prepay Borrowings in an amount equal to the lesser of the aggregate principal amount of Loans then outstanding and the Prepayment Amount. The Borrower shall not be required to deliver any notice referred to in clause (A) above in respect of any Reduction/Prepayment Event with respect to which the Borrower and its Subsidiaries have received Net Proceeds of \$500,000,000 or less, except if a prepayment of the Borrowings would be required on account thereof pursuant to the immediately preceding sentence.

(c) Each notice delivered pursuant to paragraph (a) of this Section (and if a prepayment is to be made, paragraph (b) of this Section), shall specify the principal amount of each Borrowing or portion thereof to be prepaid. Promptly following receipt of any notice pursuant to paragraph (a) or (b) of this Section, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial optional prepayment of any Borrowing shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest thereon.

SECTION 2.09. Fees. (a) Subject to Section 2.17, the Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee, which shall accrue in an amount equal to 0.05% per annum on the daily amount of the undrawn Commitment of such Lender during the period from and including the date hereof to but excluding the date on which such Commitment terminates. Accrued commitment fees shall be payable in arrears on the last day of March, June, September and December of each year, on the Funding Date and on the date (if other than the Funding Date) on which all the Commitments terminate, commencing on the first such date to occur after the date hereof. All commitment fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrower agrees to pay to the Administrative Agent for the account of each Lender on each of the dates set forth below a duration fee equal to the applicable percentage set forth below of the aggregate principal amount of such Lender's Loans outstanding on such date:

<u>Date</u>	<u>Duration Fee Percentage</u>
90 days after the Funding Date	0.25%, if the Facility Balance on such date is < \$8,000,000,000 0.50%, if Facility Balance on such date is ≥ \$8,000,000,000
180 days after the Funding Date	0.75%
270 days after the Funding Date	1.00%

(c) The Borrower agrees to pay to the parties entitled thereto the fees payable pursuant to the Arranger Fee Letter, in the amounts and at the times set forth therein.

(d) The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable pursuant to the Administrative Agent Fee Letter, in the amounts and at the times set forth therein.

(e) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the parties entitled thereto or, in the case of the commitment fees and the duration fees, to the Administrative Agent for distribution to the Lenders entitled thereto. Fees paid shall not be refundable under any circumstances.

SECTION 2.10. Interest. (a) The Loans comprising each ABR Borrowing shall bear interest at the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest at LIBOR for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2.00% per annum plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2.00% per annum plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(d) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan; provided that (i) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(e) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate or LIBOR shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.11. [Reserved.]

SECTION 2.12. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in LIBOR);

(ii) impose on any Lender or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Lender; or

(iii) subject any Lender to any Taxes (other than (A) Indemnified Taxes and (B) Excluded Taxes) on its loans, loan principal, commitments or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto;

and the result of any of the foregoing shall be to increase the cost to such Lender or other Recipient of making or maintaining any Loan (or of maintaining its obligation to make any such Loan), or to reduce the amount of any sum received or receivable by such Lender or other Recipient hereunder (whether of principal, interest or otherwise), then, from time to time upon request of such Lender or other Recipient, the Borrower will pay to such Lender or other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender or other Recipient, as the case may be, for such additional costs or expenses incurred or reduction suffered.

(b) If any Lender reasonably determines that any Change in Law regarding capital requirements (except any such reserve requirement reflected in LIBOR) has had or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitments of or the Loans made by such Lender to a level below that which such Lender or such Lender's holding company would have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then, from time to time upon request of such Lender, the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as

specified in paragraph (a) or (b) of this Section delivered to the Borrower shall be prima facie evidence of the amount claimed; provided that it is accompanied by a statement in reasonable detail of the calculation on which such amount was based. The Borrower shall pay such Lender, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Promptly after any Lender or the Administrative Agent has determined that it will make a request for increased compensation pursuant to this Section, such Lender or the Administrative Agent, as applicable, shall notify the Borrower thereof. Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender pursuant to this Section for any increased costs or expenses incurred or reductions suffered more than 180 days prior to the date that such Lender, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or expenses or reductions and of such Lender's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or expenses or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.13. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert or continue any Eurodollar Loan on the date specified in any notice delivered pursuant hereto (whether or not such notice may be revoked in accordance with the terms hereof), (d) the failure to prepay any Eurodollar Loan on a date specified therefor in any notice of prepayment given by the Borrower or (e) the assignment (other than as a result of a default by the applicable Lender in the performance of its agreements set forth herein) of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.16, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. Such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest that would have accrued on the principal amount of such Loan had such event not occurred, at LIBOR that would have been applicable to such Loan (but not including the Applicable Rate applicable thereto), for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest that would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for Dollar deposits of a comparable amount and period from other banks in the London interbank market. A certificate of any Lender delivered to the Borrower and setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be prima facie evidence of such amount; provided that it is accompanied by a statement in reasonable detail of the calculation on which such amount was based. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.14. Taxes. (a) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Borrower under this Agreement shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of the Borrower or any other applicable withholding agent) requires the deduction or withholding of any Tax from any such payment by the Borrower or such other withholding agent, then the Borrower or such other applicable withholding agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the Borrower shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) Payment of Other Taxes by the Borrower. The Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law or, at the option of the Administrative Agent, timely reimburse it for Other Taxes.

(c) Evidence of Payments. As soon as practicable after any payment of Taxes by the Borrower to a Governmental Authority pursuant to this Section, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(d) Indemnification by the Borrower. The Borrower shall indemnify each Recipient, within 20 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrower to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 9.04(c) relating to the

maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with this Agreement, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Each Lender shall severally indemnify the Borrower for any Taxes paid or payable by the Borrower (and not deducted or withheld by the Borrower from any payment otherwise due hereunder to such Lender) as a result of the failure of such Lender to deliver, or as a result of the inaccuracy, inadequacy or deficiency of, any documentation required to be delivered by such Lender to the Borrower pursuant to Section 2.14(f), and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent and the Borrower to set off and apply any and all amounts at any time owing by the Administrative Agent or the Borrower (as applicable) to such Lender under this Agreement or otherwise payable by the Administrative Agent or the Borrower (as applicable) to the Lender from any other source against any amount due to the Administrative Agent or the Borrower (as applicable) under this paragraph.

(f) Status of Lenders. (i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under this Agreement shall deliver to the Borrower and the Administrative Agent, at the time or times prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to any withholding (including backup withholding) or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.14(f)(ii)(A), 2.14(f)(ii)(B) and 2.14(f)(ii)(D)) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that the Borrower is a U.S. Person:

(A) any Lender (or if such Lender is disregarded as an entity separate from its owner for U.S. Federal tax purposes, the Person treated as its owner for U.S. Federal tax purposes) that is a U.S. Person shall deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Lender becomes a Lender under

this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), duly completed and executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. Federal backup withholding tax;

(B) any Foreign Lender (or if such Foreign Lender is disregarded as an entity separate from its owner for U.S. Federal tax purposes, the Person treated as its owner for U.S. Federal tax purposes) shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender (or if the Foreign Lender is disregarded as an entity separate from its owner for U.S. Federal tax purposes, the Person treated as its owner for U.S. Federal tax purposes) entitled to the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under this Agreement, duly completed and executed originals of IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. Federal withholding Tax pursuant to the “interest” article of such tax treaty and (y) with respect to any other applicable payments under this Agreement, duly completed and executed originals of IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. Federal withholding Tax pursuant to the “business profits” or “other income” article of such tax treaty;

(2) duly completed and executed originals of IRS Form W-8ECI;

(3) in the case of a Foreign Lender (or if such Foreign Lender is disregarded as an entity separate from its owner for U.S. Federal tax purposes, the Person treated as its owner for U.S. Federal tax purposes) entitled to the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a duly completed and executed certificate substantially in the form of Exhibit D-1 to the effect that such Foreign Lender is not a “bank” within the meaning of Section 881(c)(3)(A) of the Code, a “10 percent shareholder” of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code (a “U.S. Tax Compliance Certificate”) and (y) duly completed and executed originals of IRS Form W-8BEN; or



(4) to the extent a Foreign Lender (or if such Foreign Lender is disregarded as an entity separate from its owner for U.S. Federal tax purposes, the Person treated as its owner for U.S. Federal tax purposes) is not the beneficial owner, duly completed and executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, a U.S. Tax Compliance Certificate substantially in the form of Exhibit D-2 or Exhibit D-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable (and including any other information required to be provided by IRS Form W-8IMY); provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit D-4 on behalf of each such direct and indirect partner;

(C) any Lender (or if such Lender is disregarded as an entity separate from its owner for U.S. Federal tax purposes, the Person treated as its owner for U.S. Federal tax purposes) shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. Federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under this Agreement would be subject to U.S. Federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

Upon the reasonable request of the Borrower or the Administrative Agent, any Lender shall update any form or certification previously delivered pursuant to this Section 2.14(f). Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall promptly (and in any event within 10 days after such expiration, obsolescence or inaccuracy) (x) update such form or certification or (y) notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(g) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund or credit of any Taxes as to which it has been indemnified pursuant to this Section (including by the payment of additional amounts pursuant to this Section), it shall pay to the indemnifying party an amount equal to such refund or credit (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (plus any penalties, interest (but solely with respect to the period during which the indemnifying party held such refund) or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph, in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

**SECTION 2.15. Payments Generally; Pro Rata Treatment; Sharing of Setoffs.** (a) The Borrower shall make each payment required to be made by it hereunder prior to the time expressly required hereunder for such payment (or, if no such time is expressly required, prior to 12:00 noon, New York City time), on the date when due, in Dollars in immediately available funds, without any setoff or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to such account as may be specified by the Administrative Agent; provided that payments pursuant to Sections 2.09(c), 2.12, 2.13, 2.14, and 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payment received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. Any payment by the Borrower credited to the account specified by the Administrative Agent shall discharge the obligation of the Borrower to make such payment at the time such credit is so effected, irrespective of the time of any distribution of such payment by the Administrative Agent to any Lender.

(b) If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans of other Lenders to the extent necessary so that the amount of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amounts of principal of and accrued interest on their Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement (for the avoidance of doubt, as in effect from time to time) or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower agrees that any Lender acquiring a participation pursuant to the foregoing arrangements may, to the fullest extent permitted by law, exercise all its rights of payment with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

(c) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Federal Funds Effective Rate.

(d) If any Lender shall fail to make any payment required to be made by it hereunder to or for the account of the Administrative Agent, then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), (i) apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations in respect of such payment until all such unsatisfied obligations have been discharged or (ii) hold any such amounts in a segregated account as cash collateral for, and application to, any future funding obligations of such Lender pursuant to Sections 2.04(b), 2.15(c) and 9.03(c), in each case in such order as shall be determined by the Administrative Agent in its discretion.

SECTION 2.16. **Mitigation Obligations; Replacement of Lenders.** (a) Each Lender shall (i) if it determines that it is specifically entitled to compensation under Section 2.14, use its reasonable efforts to designate a different lending office, if any, for funding or booking its Loans hereunder or to assign and delegate its rights and obligations hereunder to another of its offices, branches or Affiliates, if any, if such designation or assignment and delegation would avoid, or minimize the amount of, any payment by the Borrower of additional amounts under Section 2.14 in respect of such Lender and (ii) if it determines that it is specifically entitled to compensation under Section 2.12, use its reasonable efforts (including using reasonable efforts to designate a different lending office, if any, for funding or booking its Loans hereunder or to assign and delegate its rights and obligations hereunder to another of its offices, branches or Affiliates, if any), but only if it shall not incur any disadvantage as a result thereof, to avoid, or to minimize the amount of, any payment by the Borrower of additional amounts under Section 2.12 in respect of such Lender.

(b) If (i) any Lender requests or becomes entitled to and does not waive compensation under Section 2.12, (ii) the Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.14, (iii) any Lender has become a Defaulting Lender on or prior to the Funding Date or (iv) any Lender has failed to consent to a proposed amendment, waiver, discharge or termination that under Section 9.02 requires the consent of all the Lenders (or all the affected Lenders) and with respect to which the Required Lenders shall have granted their consent, then the Borrower may, at its sole expense and effort, upon notice to the Administrative Agent and, to the extent permitted under applicable law, such Lender, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights (other than its existing rights to payments pursuant to Sections 2.12 and 2.14) and obligations under this Agreement to an assignee that shall assume such obligations (which may be a Lender, if another Lender accepts such assignment and delegation); provided that (A) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (in the case of such principal and accrued interest and fees) or the Borrower (in the case of all other amounts), (B) in the case of any such assignment and delegation resulting from a claim for compensation under Section 2.12 or payments required to be made pursuant to Section 2.14, such assignment will result in a reduction in such compensation or payments and (C) in the case of any such assignment and delegation resulting from the failure to provide a consent, the assignee shall have given such consent. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver or consent by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation have ceased to apply. Each party hereto agrees that an assignment and delegation required pursuant to this paragraph may be effected pursuant to an Assignment and Assumption executed by the Borrower, the Administrative Agent and the assignee and that the Lender required to make such assignment and delegation need not be a party thereto.

SECTION 2.17. Defaulting Lenders. (a) Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender on or prior to the Funding Date, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(i) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any waiver, amendment or modification with respect to this Agreement shall be restricted as set forth in Section 9.02(b).

(ii) Certain Fees. Such Defaulting Lender shall not be entitled to receive any commitment fee pursuant to Section 2.09(a) for any period during which such Defaulting Lender is a "Defaulting Lender".

(b) Defaulting Lender Cure. If the Borrower and the Administrative Agent agree in writing in their sole discretion that a Defaulting Lender should no longer be deemed to be a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, such Defaulting Lender will, to the extent applicable, purchase that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans to be held on a pro rata basis by the Lenders in accordance with their respective Commitments, whereupon such Defaulting Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

### ARTICLE III

#### Representations and Warranties

The Borrower represents and warrants on the Funding Date (it being agreed that, other than for purposes of Section 7.01, and subject to Section 7.03, the representations and warranties made by the Borrower herein on the Funding Date (other than the Specified Representations) shall be deemed to be qualified by the matters set forth on the Funding Date Schedule delivered pursuant to Section 4.02(j)), as follows:

SECTION 3.01. Organization; Powers. The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is duly qualified to do business and in good standing as a foreign corporation in all other jurisdictions in which the conduct of its operations or the ownership of its properties requires such qualification except where the failure to so qualify will not have a material adverse effect on the Consolidated financial condition of the Borrower. The Borrower has all requisite power and authority, corporate or otherwise, to conduct its business, to own its properties and to execute and deliver, and to perform all of its obligations under, this Agreement.

SECTION 3.02. Authorization; Absence of Conflicts. The execution, delivery and performance by the Borrower of this Agreement (a) have been duly authorized by all necessary corporate action and (b) do not contravene (i) the Borrower's certificate of incorporation or by-laws or (ii) except where such contravention would not reasonably be expected to have a Material Adverse Effect, any law or contractual restriction binding on the Borrower.

SECTION 3.03. Governmental Consents. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body in the United States, or to the Borrower's knowledge, in any other jurisdiction, is required for the due execution, delivery and performance by the Borrower of this Agreement other than routine requirements which, to the Borrower's knowledge, have (to the extent that compliance is required on or prior to the date hereof) been complied with in all material respects.

SECTION 3.04. Enforceability. This Agreement is a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.05. Financial Statements; No Material Adverse Change. (a) The Consolidated balance sheets of the Borrower and its Consolidated Subsidiaries as of the most recent fiscal year end and as of the most recent fiscal quarter end, and the related Consolidated statements of operations of the Borrower and its Consolidated Subsidiaries for the most recent fiscal year end and for the most recent fiscal quarter end, in each case which have been made publicly available on the SEC's EDGAR system website, fairly present the Consolidated financial condition of the Borrower as at such dates and the Consolidated results of operations of the Borrower for such periods all in accordance with GAAP and (except to the extent otherwise noted therein) consistently applied.

(b) Pro Forma Financial Statements (i) have been prepared by the Borrower in good faith, based on the assumptions believed by the Borrower to be reasonable at the time made, and (ii) to the knowledge of the Borrower, present fairly, in all material respects, the pro forma Consolidated financial condition and the pro forma Consolidated results of operations of the Borrower as of the date and for the period specified in the definition of the term "Pro Forma Financial Statements" as if the Transactions had occurred on such date or at the beginning of such period, as applicable.

(c) Since December 31, 2010, there has been no Borrower Merger Agreement Material Adverse Effect.

SECTION 3.06. Litigation . There is no pending or, to the knowledge of the Borrower, threatened action or proceeding affecting the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator, which would reasonably be expected to have a material adverse effect on the Consolidated results of operations or the Consolidated financial condition of the Borrower.

SECTION 3.07. Federal Reserve Regulations. Neither the Borrower nor any of its Subsidiaries is engaged or will engage, principally or as one of its important activities, in the business of extending credit for the purpose of “purchasing” or “carrying” any “margin stock” within the respective meanings of each of the quoted terms under Regulation T, U or X of the Board of Governors as now and from time to time hereafter in effect. No part of the proceeds of any Loans hereunder will be used in a manner that would cause the Loans to be in violation of Regulation U of the Board of Governors.

SECTION 3.08. Investment Company Status . The Borrower is not an “investment company” as defined in, or subject to regulation under, the Investment Company Act of 1940.

SECTION 3.09. ERISA. No event described in clause (i)(A) or (i)(B) of Section 7.01(f) has occurred or is reasonably expected to occur with respect to any Plan which would materially and adversely affect the Consolidated financial condition of the Borrower, and no event described in clause (i)(C) or (i)(D) of Section 7.01(f) has occurred or is reasonably expected to occur which would materially and adversely affect the Consolidated financial condition of the Borrower.

## ARTICLE IV

### Conditions

SECTION 4.01. Effective Date. The effectiveness of this Agreement is subject to the satisfaction (or waiver in accordance with Section 9.02), in each case on the date hereof, of each of the following conditions:

(a) The Administrative Agent shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) evidence satisfactory to the Administrative Agent (which may include a facsimile or electronic transmission of a signed counterpart of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Administrative Agent shall have received a Secretary’s Certificate, dated the Effective Date and signed by the Secretary or Assistant Secretary of the Borrower, in form and substance reasonably satisfactory to the Administrative Agent, together with all attachments contemplated thereby.

(c) The Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of the General Counsel and/or In-House Counsel of the Borrower, in each case in form and substance reasonably satisfactory to the Administrative Agent.

(d) The Administrative Agent shall have received all fees due and payable on or prior to the Effective Date, and, to the extent invoiced at least one Business Day prior to the Effective Date, other amounts due and payable on or prior to the Effective Date (including reasonable fees, charges and disbursements of Cravath, Swaine & Moore LLP) required to be paid or reimbursed by the Borrower.

(e) The Lenders shall have received all documentation and other information required by bank regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including the USA PATRIOT Act, reasonably requested by the Lenders in writing at least four Business Days prior to the Effective Date.

SECTION 4.02. Funding Date. The obligations of the Lenders to make Loans hereunder is subject to receipt by the Administrative Agent of a Borrowing Request therefor in accordance with Section 2.03, and to the satisfaction (or waiver in accordance with Section 9.02) of the following conditions on or after the Effective Date:

(a) The Administrative Agent shall have received a certificate, substantially in the form attached hereto as Exhibit E (and, if not in the form of such Exhibit, with all modifications therefrom to be reasonably acceptable to the Administrative Agent), dated the Funding Date and signed by a Financial Officer of the Borrower (or, with respect to paragraphs (e), (f) and (g) (to the extent relating to the Acquired Company and its Subsidiaries) of this Section, at the option of the Borrower, a Financial Officer of the Acquired Company), confirming satisfaction of the conditions set forth in the first sentence of paragraph (b) of this Section and in paragraphs (e), (f), (g) and (h) of this Section.

(b) The Merger shall have been consummated, or substantially concurrently with the making of Loans hereunder shall be consummated, pursuant to and on the terms set forth in the Merger Agreement (and all conditions precedent to the obligations of the Borrower and the Merger Sub to consummate the Merger shall have been satisfied on the terms set forth in the Merger Agreement), in each case without giving effect to amendments, waivers or consents by the Borrower or the Merger Sub (other than any waiver or consent to any interim operating covenants of the Acquired Company and its Subsidiaries not involving the incurrence of Debt or Liens or the disposition of assets) that are adverse in any material respect to the Lenders and that have not been approved by the Arrangers (such approval not to be unreasonably withheld or delayed). The Administrative Agent shall have received a copy of the closing date officer's certificate delivered by the Acquired Company pursuant to Section 7.2(c) of the Merger Agreement.



(c) The Arrangers shall have received (a) audited Consolidated balance sheets and related Consolidated statements of operations, stockholders' equity and cash flows of each of the Borrower and the Acquired Company for the three most recently completed fiscal years ended at least 90 days prior to the Funding Date, in each case prepared in accordance with GAAP, and (b) unaudited Consolidated balance sheets and related Consolidated statements of operations, stockholders' equity and cash flows of each of the Borrower and the Acquired Company for each subsequent fiscal quarter ended at least 45 days before the Funding Date, in each case prepared in accordance with GAAP; provided that filing of the required financial statements by the Borrower or the Acquired Company with the SEC of an Annual Report on Form 10-K and a Quarterly Report on Form 10-Q will satisfy the foregoing requirements.

(d) The Arrangers shall have received the Pro Forma Financial Statements.

(e) Except as set forth in the Acquired Company Disclosure Letter or in the Acquired Company SEC Documents filed with the SEC and publicly available after January 1, 2011 and prior to the Signing Date (excluding any forward-looking statements, risk factors and other similar statements in the Acquired Company SEC Documents that are cautionary, nonspecific or predictive in nature), from January 1, 2011 through the Signing Date there has not been any event, circumstance, change, occurrence, state of facts or effect (including the incurrence of any liabilities of any nature, whether or not accrued, contingent or otherwise) that has had or would reasonably be expected to have, individually or in the aggregate, an Acquired Company Merger Agreement Material Adverse Effect.

(f) Since January 1, 2011, there shall not have been any event, circumstance, change, occurrence, state of facts or effect (including the incurrence of any liabilities of any nature, whether or not accrued, contingent or otherwise) that has had or would reasonably be expected to have, individually or in the aggregate, an Acquired Company Merger Agreement Material Adverse Effect.

(g) The Acquired Company Merger Agreement Representations and the Specified Representations shall be true and correct.

(h) No event referred to in Section 7.01(d)(2) or 7.01(e) (in each case, with respect to the Borrower) or Section 7.01(i) shall have occurred and be continuing or would result from the making of the Loans on the Funding Date.

(i) The Administrative Agent and the Arrangers shall have received all fees and other amounts due and payable on or prior to the Funding Date to the extent invoiced by 8:00 a.m., New York City time, on the Funding Date, including payment or reimbursement of all fees and expenses (including reasonable fees, charges and disbursements of Cravath, Swaine & Moore LLP) required to be paid or reimbursed by the Borrower on or prior to the Funding Date, including pursuant to the Arranger Fee Letter.

(j) In the event that the Borrower determines that any of the representations and warranties set forth in Article III required to be made on the Funding Date (other than the Specified Representations) cannot be made on the Funding Date, the Administrative Agent shall have received a Funding Date Schedule setting forth such matters as the Borrower deems necessary to qualify such representations and warranties such that, after giving effect to the Funding Date Schedule, the Borrower determines that it can make such representations and warranties as of the Funding Date (it being understood and agreed nothing in this paragraph (j) shall be construed as making the accuracy of any representation or warranty set forth herein (other than the Specified Representations) a condition precedent to the obligations of the Lenders to make Loans hereunder).

## ARTICLE V

### Affirmative Covenants

After the funding of the Loans on the Funding Date, so long as any Loan shall remain unpaid hereunder:

SECTION 5.01. Financial Statements; Other Information; Notices of Material Events . The Borrower will, unless the Required Lenders shall otherwise consent in writing, furnish to each Lender:

(a) promptly after the sending or filing thereof, copies of all such regular, periodic and special reports and all registration statements (except those relating to employee benefit or stock option plans) which the Borrower or any of its Consolidated Subsidiaries which is an issuer of securities which are registered under Section 12 of the Exchange Act files with the SEC or with any national securities exchange and of all such proxy statements, financial statements and reports as the Borrower sends to its stockholders; provided that, a copy of each report, registration statement, proxy statement and financial statement required to be furnished under clause (a) of this Article V shall be deemed furnished to each Lender if it is made publicly available on the SEC's EDGAR system website; and provided, however, that, in the event that the Borrower ceases to have any class of its securities registered pursuant to the requirements of Section 12 of the Exchange Act, the Borrower shall continue to furnish to the Lenders substantially the same information, bearing substantially the same certifications and on substantially the same schedule as required pursuant to the Exchange Act;

(b) promptly after the furnishing thereof, copies of any statement or report furnished to any holder of debt securities pursuant to the terms of any indenture or to the lenders under the Existing Credit Agreements pursuant to the terms thereof and not otherwise required to be furnished to the Lenders pursuant to any other clause of this Section;

(c) as soon as possible and in any event within five Business Days after the occurrence of each Default or Event of Default that is continuing on the date of such statement, the statement of the chief financial officer of the Borrower setting forth details of such Default or Event of Default and the action that the Borrower proposes to take with respect thereto;

(d) promptly and in any event within five Business Days after the occurrence thereof, notice of the occurrence of any event described in clause (i) of Section 7.01(f); and

(e) such other publicly available information respecting the condition or operations, financial or otherwise, of the Borrower or any of its Subsidiaries as any Lender may from time to time reasonably request.

The Borrower hereby acknowledges that (i) the Administrative Agent and/or the Arrangers will make available to the Lenders materials and/or information provided by or on behalf of the Borrower hereunder (collectively, the “Borrower Materials”) by posting the Borrower Materials on the Platform and (ii) certain of the Lenders (each, a “Public Lender”) may have personnel who are Private Side Lender Representatives. The Borrower hereby agrees that (A) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked “PUBLIC”, which, at a minimum, shall mean that the word “PUBLIC” shall appear prominently on the first page thereof; (B) by marking Borrower Materials “PUBLIC,” the Borrower shall be deemed to have authorized the Administrative Agent, the Arrangers and the Lenders to treat such Borrower Materials as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States Federal and state securities laws ( provided , however , that to the extent such Borrower Materials constitute Information, treatment of such Borrower Materials shall be subject to Section 9.12 in all respects); (C) all Borrower Materials marked “PUBLIC” are permitted to be made available through a portion of the Platform designated “Public Side Information;” and (D) the Administrative Agent and the Arrangers shall be entitled to treat any Borrower Materials that are not marked “PUBLIC” as being suitable only for posting on a portion of the Platform not designated “Public Side Information.” Notwithstanding the foregoing, the Borrower shall be under no obligation to mark any Borrower Materials “PUBLIC”.

SECTION 5.02. Use of Proceeds. The Borrower will use the proceeds of the Loans to finance the payment of the merger consideration payable under the Merger Agreement upon the consummation of the Merger and to finance the other Transactions.

## ARTICLE VI

### Negative Covenants

So long as any Loan shall remain unpaid or any Lender shall have any Commitment, without the written consent of the Required Lenders:

SECTION 6.01. Liens. The Borrower will not itself, and will not permit any Wholly-Owned Domestic Manufacturing Subsidiary to, create, incur, issue or assume

any notes, bonds, debentures or other similar evidences of indebtedness for money borrowed (notes, bonds, debentures or other similar evidences of indebtedness for money borrowed collectively called “ Debt ”) secured by any pledge of, or mortgage, lien, encumbrance or security interests on (such pledges, mortgages, liens, encumbrances and security interests collectively called “ Liens ”) any Principal Property owned by the Borrower or any Wholly-Owned Domestic Manufacturing Subsidiary, and will not itself, and will not permit any Subsidiary to, create, incur, issue or assume any Debt secured by any Lien on any shares of stock or Debt of any Wholly-Owned Domestic Manufacturing Subsidiary, without in any such case effectively providing that the Loans (together with, if the Borrower shall so determine, any other Debt of the Borrower then existing or thereafter created that is not subordinate to indebtedness hereunder) shall be secured equally and ratably with (or prior to) such secured Debt, so long as such secured Debt shall be so secured, unless, after giving effect thereto, the aggregate principal amount of all such secured Debt then outstanding plus Attributable Debt of the Borrower and its Wholly-Owned Domestic Manufacturing Subsidiaries in respect of Sale and Leaseback Transactions involving Principal Properties entered into after the date hereof (other than such Sale and Leaseback Transactions as are permitted by Section 6.03(b)) would not exceed an amount equal to 10% of Consolidated Net Tangible Assets; provided, however, that nothing contained in this Section 6.01 shall prevent, restrict or apply to, and there shall be excluded from secured Debt in any computation under this Section 6.01, Debt secured by:

(a) Liens on any property or assets of the Borrower or any Subsidiary of the Borrower (including shares of stock or Debt owned by the Borrower or any Subsidiary of the Borrower) existing as of the date hereof;

(b) Liens on any property or assets of, or on any shares of stock or Debt of, any corporation existing at the time such corporation becomes a Wholly-Owned Domestic Manufacturing Subsidiary, or arising thereafter (i) otherwise than in connection with the borrowing of money arranged thereafter and (ii) pursuant to contractual commitments entered into prior to and not in contemplation of such corporation’s becoming a Wholly-Owned Domestic Manufacturing Subsidiary;

(c) Liens on any property or assets or shares of stock or Debt existing at the time of acquisition thereof (including acquisition through merger or consolidation) or securing the payment of all or any part of the purchase price or construction cost thereof or securing any Debt incurred prior to, at the time of or within 120 days after, the acquisition of such property or assets or shares of stock or Debt or the completion of any such construction, whichever is later, for the purpose of financing all or any part of the purchase price or construction cost thereof ( provided that such Liens are limited to such shares of stock or Debt or such other property or assets, improvements thereon and the land upon which such property, assets and improvements are located and any other property or assets not then constituting a Principal Property);

(d) Liens on any property or assets to secure all or any part of the cost of exploration, drilling, development, operation, construction, alteration, repair or improvement of all or any part of such property or assets, or to secure Debt incurred prior

to, at the time of or within 120 days after, the completion of such exploration, drilling, development, operation, construction, alteration, repair or improvement, whichever is later, for the purpose of financing all or any part of such cost ( provided that such Liens are limited to such property or assets, improvements thereon and the land upon which such property, assets and improvements are located and any other property or assets not then constituting a Principal Property);

(e) Liens which secure Debt owing by a Subsidiary of the Borrower to the Borrower or to a Wholly-Owned Domestic Manufacturing Subsidiary;

(f) Liens arising from the assignment of moneys due and to become due under contracts between the Borrower or any Subsidiary of the Borrower and the United States or any agency, department, instrumentality or political subdivision thereof or Liens in favor of the United States or any agency, department, instrumentality or political subdivision of any thereof, pursuant to the provisions of any contract not directly or indirectly in connection with securing Debt;

(g) (i) any materialmen's, carriers', mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business in respect of obligations which are not overdue or which are being contested in good faith by appropriate proceedings; (ii) any deposit or pledge as security for the performance of any bid, tender, contract, lease, or undertaking not directly or indirectly in connection with the securing of Debt; (iii) any deposit or pledge with any governmental agency required or permitted to qualify the Borrower or any Subsidiary of the Borrower to conduct business, to maintain self-insurance or to obtain the benefits of any law pertaining to workmen's compensation, unemployment insurance, old age pensions, social security or similar matters, or to obtain any stay or discharge in any legal or administrative proceedings; (iv) deposits or pledges to obtain the release of mechanics', workmen's, repairmen's, materialmen's or warehousemen's liens or the release of property in the possession of a common carrier; (v) any security interest created in connection with the sale, discount or guarantee of notes, chattel mortgages, leases, accounts receivable, trade acceptances or other paper, or contingent repurchase obligations, arising out of sales of merchandise in the ordinary course of business; (vi) liens for Taxes levied or imposed upon the Borrower or any Wholly-Owned Domestic Manufacturing Subsidiary or upon the income, profits or property of the Borrower or any Wholly-Owned Domestic Manufacturing Subsidiary or liens on any Principal Property of the Borrower or any Wholly-Owned Domestic Manufacturing Subsidiary arising from claims for labor, materials or supplies; provided that the amount, applicability or validity of such Tax or claim is being contested in good faith by appropriate proceedings; or (vii) other deposits or pledges similar to those referred to in this clause (g);

(h) Liens arising by reason of any judgment, decree or order of any court, so long as any appropriate legal proceedings which may have been initiated for the review of such judgment, decree or order shall not have been finally terminated or so long as the period within which such proceedings may be initiated shall not have expired; any deposit or pledge with any surety company or clerk of any court, or in escrow, as collateral in connection with, or in lieu of, any bond on appeal from any judgment or

decree against the Borrower or any Subsidiary of the Borrower, or in connection with other proceedings or actions at law or in equity by or against the Borrower or any Subsidiary of the Borrower; and

(i) any extension, renewal, substitution or replacement (or successive extensions, renewals, substitutions or replacements), as a whole or in part, of any of the Liens referred to in clauses (a) through (h) above or the Debt secured thereby; provided that (i) such extension, renewal, substitution or replacement Lien shall be limited to all or any part of the same property or assets or shares of stock or Debt that secured the Lien extended, renewed, substituted or replaced (plus improvements on such property and plus any other property or assets not then constituting a Principal Property) and (ii) in the case of clauses (a) through (c) above, the Debt secured by such Lien at such time is not increased.

For purposes of this Section 6.01 and Section 6.03, the giving of a guarantee which is secured by a Lien on a Principal Property, and the creation of a Lien on a Principal Property or shares of stock or Debt to secure Debt which existed prior to the creation of such Lien, shall be deemed to involve the creation of Debt in an amount equal to the principal amount guaranteed or secured by such Lien; but the amount of Debt secured by Liens on Principal Properties and shares of stock and Debt shall be computed without cumulating the underlying indebtedness with any guarantee thereof or Lien securing the same, and the following shall not be deemed to be Liens securing Debt and, accordingly, nothing contained in this Section 6.01 or in Section 6.03 shall prevent, restrict or apply to: (x) any acquisition by the Borrower or any Wholly-Owned Domestic Manufacturing Subsidiary of any property or assets subject to any reservation or exception under the terms of which any vendor, lessor or assignor creates, reserves or excepts or has created, reserved or excepted an interest in oil, gas and/or any other mineral and/or the proceeds thereof, (y) any conveyance or assignment under the terms of which the Borrower or any Wholly-Owned Domestic Manufacturing Subsidiary conveys or assigns to any Person or Persons an interest in oil, gas and/or any other mineral and/or proceeds thereof, or (z) any Lien upon any property or assets owned or leased by the Borrower or any Wholly-Owned Domestic Manufacturing Subsidiary or in which the Borrower or any Wholly-Owned Domestic Manufacturing Subsidiary owns an interest to secure to the Person or Persons paying the expenses of developing and/or conducting operations for the recovery, storage, transportation and/or sale of the mineral resources of the said property (or property with which it is unitized) the payment to such Person or Persons of the Borrower's or such Wholly-Owned Domestic Manufacturing Subsidiary's proportionate part of such development and/or operating expense.

Notwithstanding anything set forth in this Agreement to the contrary, any failure by the Borrower to comply with this Section 6.01 prior to the funding of the Loans on the Funding Date shall not constitute a breach of this Agreement or give rise to any rights or remedies of the Administrative Agent or the Lenders or any other Person against the Borrower unless and until such failure is continuing after the funding of the Loans on the Funding Date.

**SECTION 6.02. Fundamental Changes.** (a) The Borrower will not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless: (i) the corporation formed by such consolidation or into which the Borrower is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Borrower substantially as an entirety shall be a corporation organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and shall expressly assume, by writing approved by the Required Lenders, which approval shall not be unreasonably withheld, the Borrower's obligation for the due and punctual payment of the principal of and interest on all Loans and the performance of every covenant of this Agreement on the part of the Borrower to be performed; and (ii) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing. This paragraph (a) shall only apply to a merger or consolidation in which the Borrower is not the surviving corporation and to conveyances, leases and transfers by the Borrower as transferor or lessor.

(b) Upon any consolidation by the Borrower with or merger by the Borrower into any other corporation or any conveyance, transfer or lease of the properties and assets of the Borrower substantially as an entirety in accordance with paragraph (a) of this Section, the successor corporation formed by such consolidation or into which the Borrower is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Borrower under this Agreement with the same effect as if such successor corporation had been named as the Borrower herein, and in the event of any such conveyance or transfer, the Borrower (which term shall for this purpose mean the Person named as the "Borrower" in the first paragraph of this Agreement or any successor corporation which shall theretofore become such in the manner described in paragraph (a) of this Section), except in the case of a lease, shall be discharged of all obligations and covenants under this Agreement and may be dissolved and liquidated.

(c) If, upon any such consolidation of the Borrower with or merger of the Borrower into any other corporation, or upon any conveyance, lease or transfer of the property of the Borrower as an entirety or substantially as an entirety to any other Person, any Principal Property of the Borrower or of any Wholly-Owned Domestic Manufacturing Subsidiary (or any shares of stock or Debt of any Wholly-Owned Domestic Manufacturing Subsidiary) would thereupon become subject to any Lien, then unless such Lien could be created pursuant to Section 6.01 without equally and ratably securing the Loans, the Borrower, prior to or simultaneously with such consolidation, merger, conveyance, lease or transfer, will as to such Principal Property, shares of stock or Debt, secure the Loans outstanding hereunder (together with, if the Borrower shall so determine, any other Debt of the Borrower now existing or hereafter created which is not subordinate to indebtedness hereunder) equally and ratably with (or prior to) the Debt which upon such consolidation, merger, conveyance, lease or transfer is to become secured as to such Principal Property, shares of stock or Debt by such Lien, or will cause such Loans to be so secured.

**SECTION 6.03. Sale and Leaseback Transactions.** The Borrower will not, and will not permit any Wholly-Owned Domestic Manufacturing Subsidiary to, enter into any arrangement after the date hereof with any bank, insurance company or other lender or investor (other than the Borrower or another Wholly-Owned Domestic Manufacturing Subsidiary) providing for the leasing by the Borrower or any such Wholly-Owned Domestic Manufacturing Subsidiary of any Principal Property (except a lease for a temporary period not to exceed three years by the end of which it is intended that the use of such Principal Property by the lessee will be discontinued), which was or is owned by the Borrower or a Wholly-Owned Domestic Manufacturing Subsidiary and which has been or is to be sold or transferred, more than 120 days after the completion of construction and commencement of full operation thereof by the Borrower or such Wholly-Owned Domestic Manufacturing Subsidiary, to such lender or investor or to any Person to whom funds have been or are to be advanced by such lender or investor on the security of such Principal Property (herein referred to as a “Sale and Leaseback Transaction”) unless either (a) Attributable Debt of the Borrower and its Wholly-Owned Domestic Manufacturing Subsidiaries in respect of such Sale and Leaseback Transaction and all other Sale and Leaseback Transactions entered into after the date hereof (other than such Sale and Leaseback Transactions permitted by clause (b) below), plus the aggregate principal amount of Debt secured by Liens on Principal Properties then outstanding (excluding any such Debt secured by Liens covered in clauses (a) through (i) of Section 6.01) without equally and ratably securing the Loans, would not exceed 10% of Consolidated Net Tangible Assets or (b) the Borrower, within 120 days after the sale or transfer, applies, or causes a Wholly-Owned Domestic Manufacturing Subsidiary to apply, an amount equal to the greater of the net proceeds of such sale or transfer or fair market value of the Principal Property so sold and leased back at the time of entering into such Sale and Leaseback Transaction (in either case as determined by any two of the following: the Chairman, the President, any Vice President, the Treasurer and the Controller of the Borrower) to the prepayment (subject to the conditions of Section 2.08) of the Loans hereunder or the retirement of other indebtedness of the Borrower (other than indebtedness subordinated to indebtedness hereunder), or indebtedness of a Wholly-Owned Domestic Manufacturing Subsidiary, for money borrowed, having a stated maturity more than 12 months from the date of such application or which is extendible at the option of the obligor thereon to a date more than 12 months from the date of such application. Notwithstanding the foregoing, (x) no prepayment or retirement referred to in clause (b) above may be effected by payment at maturity or pursuant to any mandatory sinking fund payment or any mandatory prepayment provision and (y) where the Borrower or any Wholly-Owned Domestic Manufacturing Subsidiary is the lessee in any Sale and Leaseback Transaction, Attributable Debt shall not include any Debt resulting from the guarantee by the Borrower or any other Wholly-Owned Domestic Manufacturing Subsidiary of the lessee’s obligation thereunder.

Notwithstanding anything set forth in this Agreement to the contrary, any failure by the Borrower to comply with this Section 6.03 prior to the funding of the Loans on the Funding Date shall not constitute a breach of this Agreement or give rise to any rights or remedies of the Administrative Agent or the Lenders or any other Person against the Borrower unless and until such failure is continuing after the funding of the Loans on the Funding Date.



## ARTICLE VII

### Events of Default

SECTION 7.01. Events of Default. Each of the following shall, after the funding of the Loans on the Funding Date, constitute an event of default (collectively, the “Events of Default”):

(a) the Borrower shall fail to pay (i) any principal of any Loan when the same becomes due and payable, (ii) any interest on any Loan or any invoiced fees payable under Section 2.09 when the same becomes due and payable, and such failure shall continue for a period of five Business Days, or (iii) any other amount owing by the Borrower when the same becomes due and payable, and such failure shall continue for a period of five Business Days after receipt by the Borrower of written notice from the Administrative Agent (or other applicable Person) of such amount being due, together with a statement in reasonable detail of the calculation thereof;

(b) any material representation or warranty made by the Borrower herein on the Funding Date or in any certificate delivered by the Borrower pursuant to Section 4.02 shall prove to have been incorrect in any material respect when made;

(c) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice thereof shall have been given to the Borrower and the Administrative Agent by any Lender;

(d) the Borrower or any Wholly-Owned Domestic Manufacturing Subsidiary (1) shall admit in writing its inability to pay its debts generally, (2) shall make a general assignment for the benefit of creditors or shall institute any proceeding or voluntary case seeking to adjudicate it bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors, or seeking the entry of any order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property or (3) shall take any corporate action to authorize any of the actions set forth above in this clause (d);

(e) any proceeding shall be instituted against the Borrower or any Wholly-Owned Domestic Manufacturing Subsidiary seeking to adjudicate it bankrupt or insolvent or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors or seeking the entry of any order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, and such proceeding shall remain undismissed or unstayed for period of 60 days;

(f) both (i) either (A) the plan administrator of any Plan shall provide the notice referred to in Section 4041(a)(2) of ERISA to any affected party of its intent to terminate a Plan under Section 4041(c) of ERISA or the PBGC shall institute proceedings under Section 4042(a) of ERISA to terminate any such Plan, (B) a plan administrator of any such Plan shall notify the PBGC of the withdrawal of the Borrower or any ERISA Affiliate from such Plan and the Borrower or any ERISA Affiliate is, or is treated as, a substantial employer as that term is used in Section 4062(e) or 4063 of ERISA, (C) the Borrower or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred a withdrawal liability (as defined under Part I of Subtitle E of Title IV of ERISA) to such Multiemployer Plan (except to the extent the Borrower or such ERISA Affiliate is contesting such liability (or the amount of such liability) in good faith and by appropriate proceedings and there is a reasonable basis to reduce materially such liability) or (D) the Borrower or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA; and (ii) such occurrence materially and adversely affects the Consolidated financial condition of the Borrower;

(g) both (i) a Person (or two or more Persons acting as a syndicate or other group for the purpose of acquiring or holding securities of the Borrower) shall obtain more than a majority of the voting stock of the Borrower without the approval of the Borrower's board of directors and shall effectuate a change in a majority of the members of such board (including the Chairman and the President) and (ii) within 60 days after the occurrence of such change the Borrower shall have failed to obtain a waiver of such event from the Required Lenders;

(h) both (i) a change shall occur in a majority of the members of the Borrower's board of directors (including the Chairman and the President) within a six - month period such that such majority shall no longer consist of Continuing Directors, and (ii) within 90 days after the occurrence of such change, the Required Lenders shall in their sole discretion notify the Borrower that such change shall constitute an Event of Default; or

(i) any Material Debt of the Borrower shall be declared to be due and payable prior to the stated maturity thereof or shall not be paid at the stated maturity thereof.

**SECTION 7.02. Lenders' Rights upon an Event of Default.** If an Event of Default occurs and is continuing, the Administrative Agent shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Loans, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Loans, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the case of an Event of Default referred to in Section 7.01(d) or 7.01(e) (in each case, with respect to the Borrower) constituting an entry of an order for relief under the United States federal bankruptcy laws, the Loans, all such interest and

all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

SECTION 7.03. Preservation of Remedies. The parties hereto agree that the ability of the Borrower to deliver the Funding Date Schedule shall not be construed as a waiver of any Event of Default that may arise under Section 7.01 or any right or remedy of the Administrative Agent or the Lenders provided for herein or under law, in each case after the funding of the Loans on the Funding Date.

## ARTICLE VIII

### The Administrative Agent

Each of the Lenders hereby irrevocably appoints the entity named as Administrative Agent in the heading of this Agreement and its successors to serve as administrative agent hereunder, and authorizes the Administrative Agent to take such actions and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default or an Event of Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or to exercise any discretionary power, except discretionary rights and powers expressly contemplated by this Agreement that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith to be necessary, under the circumstances as provided in this Agreement); provided that the Administrative Agent shall not be required to take any action that, in its opinion, could expose the Administrative Agent to liability or be contrary to this Agreement or applicable law, and (c) except as expressly set forth in this Agreement, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any Subsidiary or any other Affiliate thereof that is communicated to or obtained by the Person serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it (other than not making any delivery of a notice or any other strictly administrative, non-discretionary action

expressly required hereunder to be taken by it on or prior to the Funding Date) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith to be necessary, under the circumstances as provided in this Agreement) or in the absence of its own gross negligence or willful misconduct (such absence to be preserved unless otherwise determined by a court of competent jurisdiction by a final and non-appealable judgment). The Administrative Agent shall be deemed not to have knowledge of any Default or Event of Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in this Agreement or the occurrence of any Default, (iv) the sufficiency, validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere in this Agreement, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent or satisfaction of any condition that expressly refers to the matters described therein being acceptable or satisfactory to the Administrative Agent.

The Administrative Agent shall be entitled to rely, and shall not incur any liability for relying, upon any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person (whether or not such Person in fact meets the requirements set forth in this Agreement for being the signatory, sender or authenticator thereof). The Administrative Agent also shall be entitled to rely, and shall not incur any liability for relying, upon any statement made to it orally or by telephone and believed by it to be made by the proper Person (whether or not such Person in fact meets the requirements set forth in this Agreement for being the signatory, sender or authenticator thereof), and may act upon any such statement prior to receipt of written confirmation thereof. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it (other than not making any delivery of a notice or any other strictly administrative, non-discretionary action expressly required hereunder to be taken by it on or prior to the Funding Date) in good faith and in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any of and all its duties and exercise its rights and powers hereunder by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any of and all their duties and exercise their rights and powers through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the terms of this paragraph, after the funding of the Loans on the Funding Date, the Administrative Agent may resign at any time from its capacity as such. In connection with such resignation, the Administrative Agent shall give notice of its intent to resign to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, subject to the consent of the Borrower (unless an Event of Default has occurred and is continuing), to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its intent to resign, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof, having a combined capital and surplus of at least \$500,000,000 and a local office in New York, New York. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed by the Borrower and such successor. Notwithstanding the foregoing, in the event no successor Administrative Agent shall have been so appointed and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its intent to resign, the retiring Administrative Agent may give notice of the effectiveness of its resignation to the Lenders and the Borrower, whereupon, on the date of effectiveness of such resignation stated in such notice, (a) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and (b) the Required Lenders shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent; provided that (i) all payments required to be made hereunder to the Administrative Agent for the account of any Person other than the Administrative Agent shall be made directly to such Person and (ii) all notices and other communications required or contemplated to be given or made to the Administrative Agent shall also directly be given or made to each Lender. Following the effectiveness of the Administrative Agent's resignation from its capacity as such, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent, any Arranger or any other Lender, or any of the Related Parties of any of the foregoing, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, any Arranger or any other Lender, or any of the Related Parties of any of the foregoing, and based on such documents and information as

it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement or any related agreement or any document furnished hereunder or thereunder.

Each Lender, by delivering its signature page to this Agreement on the Effective Date, or delivering its signature page to an Assignment and Assumption pursuant to which it shall become a Lender hereunder prior to the Funding Date, shall be deemed to have acknowledged receipt of, and consented to and approved, this Agreement and each document required to be delivered to, or be approved by or satisfactory to, the Administrative Agent or the Lenders on the Effective Date.

Each Lender, by funding its Loans on the Funding Date, or delivering its signature page to an Assignment and Assumption pursuant to which it shall become a Lender hereunder on or after the Funding Date, shall be deemed to have acknowledged receipt of, and consented to and approved, this Agreement and each document required to be delivered to, or be approved by or satisfactory to, the Administrative Agent or the Lenders on the Effective Date.

Notwithstanding anything herein to the contrary, neither the Arrangers nor any Person named on the cover page of this Agreement as a Syndication Agent or a Documentation Agent shall have any duties or obligations under this Agreement (except in its capacity, as applicable, as a Lender), but all such Persons shall have the benefit of the indemnities to the extent expressly provided for hereunder.

## ARTICLE IX

### Miscellaneous

SECTION 9.01. Notices. (a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by fax, as follows:

(i) if to the Borrower, to it at United Technologies Corporation, One Financial Plaza, 25th Floor, Hartford, CT 06101, Attention of Treasurer (Fax No. (860) 728-7092);

(ii) if to the Administrative Agent, to JPMorgan Chase Bank, N.A., Loan and Agency Services Group, 1111 Fannin Street, Floor 10, Houston, Texas 77002-6925, Attention of Colton Rainey (Fax No. (713) 750-2938), with a copy to JPMorgan Chase Bank, N.A., 383 Madison Avenue, New York, New York 10179, Attention of Robert P. Kellas (Fax No. (212) 270-5100);

(iii) if to any other Lender, to it at its address (or fax number) set forth in its Administrative Questionnaire.

(A) Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by fax shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient); and notices delivered through electronic communications to the extent provided in paragraph (b) below shall be effective as provided in such paragraph.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications (including email and Internet and intranet websites) pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices under Article II to any Lender if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. Any notices or other communications to the Administrative Agent or the Borrower may be delivered or furnished by electronic communications pursuant to procedures expressly approved by the recipient thereof prior thereto; provided that approval of such procedures may be limited or rescinded by the Administrative Agent by notice to each other such Person and by the Borrower by notice to the Administrative Agent.

(c) Any party hereto may change its address or fax number for notices and other communications hereunder by notice to the other parties hereto.

SECTION 9.02. Waivers; Amendments. (a) No failure or delay by the Administrative Agent or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. All covenants, agreements, representations and warranties made by the Borrower in this Agreement and in the certificates delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto. Without limiting the generality of the foregoing, the execution and delivery of this Agreement or the making of a Loan shall not be construed as a waiver of any Default or Event of Default, regardless of whether the Administrative Agent, the Arrangers, the Syndication Agents, the Documentation Agents or any Lender may have had notice or knowledge of such Default at the time (it being the express intent of the parties hereto that the Lenders be able to exercise all rights and remedies provided for in Section 7.01 after the funding of the Loans on the Funding Date, whether or not any Event of Default entitling the exercise of such rights and remedies was a condition precedent to the making of the Loans on the Funding Date).

(b) None of this Agreement or any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing and signed by the Borrower, the Administrative Agent and the Required Lenders; provided that (i) any provision of this Agreement may be amended by an agreement in writing entered into by the Borrower and the Administrative Agent to cure any ambiguity, omission, defect or inconsistency so long as, in each case, the Lenders shall have received at least 10 Business Days' prior written notice thereof and the Administrative Agent shall not have received, within 10 Business Days of the date of such notice to the Lenders, a written notice from the Required Lenders stating that the Required Lenders object to such amendment and (ii) no such agreement shall (A) increase the Commitment of any Lender without the written consent of such Lender, (B) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (C) postpone the scheduled maturity date of any Loan, or any date for the payment of any interest or fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (D) change Section 2.15(b) in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender and (E) change any of the provisions of this Section or the percentage set forth in the definition of the term "Required Lenders" or any other provision of this Agreement specifying the number or percentage of Lenders required to waive, amend or modify any rights thereunder or make any determination or grant any consent thereunder, without the written consent of each Lender; provided further that no such agreement shall amend, modify, extend or otherwise affect the rights or obligations of the Administrative Agent without the prior written consent of the Administrative Agent. Notwithstanding the foregoing, (x) any amendment of the definition of the term "Applicable Rate" pursuant to the last sentence of such definition shall require only the written consent of the Borrower and the Administrative Agent and (y) no consent with respect to any amendment, waiver or other modification of this Agreement shall be required of any Defaulting Lender, except with respect to any amendment, waiver or other modification referred to in clause (ii)(A), (ii)(B) or (ii)(C) of the first proviso of this paragraph and then only in the event such Defaulting Lender shall be affected by such amendment, waiver or other modification.

(c) The Administrative Agent may, but shall have no obligation to, with the concurrence of any Lender, execute amendments, waivers or other modifications on behalf of such Lender. Any amendment, waiver or other modification effected in accordance with this Section 9.02 shall be binding upon each Person that is at the time thereof a Lender and each Person that subsequently becomes a Lender.

**SECTION 9.03. Expenses; Indemnity; Damage Waiver.** (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent, the Arrangers, the Syndication Agents, the Documentation Agents and their Affiliates, including the reasonable fees, charges and disbursements of one firm of outside counsel for the foregoing (and, if deemed reasonably necessary by such Persons, one firm of regulatory counsel and/or one firm of local counsel in each appropriate jurisdiction), in connection with the arrangement and syndication of the credit



facility provided for herein, including the preparation, execution and delivery of the Commitment Letter and the Fee Letters referred to therein, as well as the preparation, execution, delivery and administration of this Agreement or any amendments, modifications or waivers (to the extent such amendments, modifications or waivers are requested by the Borrower) of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses of the Administrative Agent in connection with the administration (other than routine administrative procedures and excluding costs and expenses relating to assignments and participations of lenders) of this Agreement and (iii) all reasonable out-of-pocket expenses incurred by the Administrative Agent, any Arranger or any Lender, including the fees, charges and disbursements of any counsel for any of the foregoing, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made hereunder, including all such reasonable out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) The Borrower shall indemnify the Administrative Agent, the Arrangers, each Lender and each Related Party of any of the foregoing Persons (each such Person being called an “Indemnatee”), against, and hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and expenses reasonably related thereto, including reasonable fees, charges and disbursements of one firm of outside counsel for Indemnitees (and, if deemed reasonably necessary by the Administrative Agent, one firm of regulatory counsel and/or one firm of local counsel in each appropriate jurisdiction, and, in the case of an actual or perceived conflict of interest for any Indemnatee, one firm of counsel (and, if deemed reasonably necessary by such Indemnatee, one firm of regulatory and/or one firm of local counsel in each appropriate jurisdiction) for such Indemnatee), incurred by or asserted against any Indemnatee arising out of, in connection with, or as a result of (i) the preparation, execution, delivery and (in the case of the Administrative Agent and its Related Parties only) administration of this Agreement or any other agreement or instrument contemplated hereby or the consummation of the Transactions or any other transactions contemplated hereby (including the Merger) or (ii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, and regardless of whether any Indemnatee is a party thereto (and regardless of whether such matter is initiated by the Borrower or any other Person); provided that such indemnity shall not, as to any Indemnatee, be available to the extent that such losses, claims, damages, liabilities or related expenses (A) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnatee or a material breach, including any such breach in bad faith, of the agreements by such Indemnatee set forth in this Agreement or (B) result from any claim, litigation, investigation or proceeding that does not involve an act or omission of the Borrower or any of its Affiliates and that is brought by an Indemnatee against any other Indemnatee (other than any claim, litigation, investigation or proceeding brought by an Indemnatee against the Administrative Agent or any Arranger in its capacity in fulfilling its role as an agent or arranger or any other similar role hereunder). The Borrower shall indemnify and hold harmless in accordance with the Commitment Letter the Persons entitled to the benefit of the indemnification

provisions set forth therein with respect to all matters expressly covered by such provisions in the Commitment Letter that are not expressly covered in this paragraph, and no such provision in the Commitment Letter shall, with respect to such matters, terminate as a result of the execution and delivery of this Agreement. No Indemnitee shall be liable for any damages arising from the use of information or other materials obtained through electronic, telecommunications or other information transmission systems, except to the extent any such damages are found by a final, non-appealable judgment of a court of competent jurisdiction to arise from the gross negligence or willful misconduct of such Indemnitee, and no party hereto shall be liable for any special, indirect, consequential or punitive damages in connection with the Loans, this Agreement or its activities related thereto; provided that nothing contained in this sentence will limit the Borrower's indemnity and reimbursement obligations set forth in this Section 9.03. This paragraph shall not apply with respect to Taxes other than any Taxes that represent losses, claims or damages arising from any non-Tax claim.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it under paragraph (a) or (b) of this Section to the Administrative Agent or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent or such Related Party, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent in its capacity as such or against any Related Party of any of the foregoing acting for the Administrative Agent in connection with such capacity. For purposes of this paragraph, a Lender's "pro rata share" shall be determined based upon its share of the aggregate Commitments in effect (or, after the Funding Date, of the aggregate principal amount of the Loans outstanding) at the time (or most recently in effect or outstanding, as the case may be).

(d) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 9.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that (i) the Borrower may not (except, after the Funding Date, as expressly provided in Section 6.02) assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants (to the extent provided in paragraph (c) of this Section), each Arranger, each Syndication Agent, each Documentation Agent and, to the extent expressly contemplated hereby, the Related Parties of any of the Administrative Agent, the Arrangers, the Syndication Agents, the Documentation Agents and any Lender) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of the Commitment or Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Borrower; provided that no consent of the Borrower shall be required (1) for an assignment to a Permitted Assignee or (2) after the Funding Date, for an assignment to a Lender (other than a Defaulting Lender), an Affiliate of a Lender or an Approved Fund; provided that any liability of the Borrower to an assignee that is an Approved Fund or Affiliate of the assigning Lender under Section 2.12 shall be limited to the amount, if any, that would have been payable hereunder by the Borrower in the absence of such assignment; and

(B) the Administrative Agent; provided that no consent of the Administrative Agent shall be required for an assignment to a Lender or an Affiliate of a Lender.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$1,000,000 unless otherwise agreed by the Borrower and the Administrative Agent;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement;

(C) the parties to each assignment shall (i) execute and deliver to the Administrative Agent (and, if its consent is required as set forth above, the Borrower), an Assignment and Assumption and (ii) pay to the Administrative Agent a processing and recordation fee of \$3,500; provided that only one such processing and recordation fee shall be payable in the event of simultaneous assignments from any Lender or its Approved Funds to one or more other Approved Funds of such Lender; and

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire in which the assignee designates one or more credit contacts to whom all syndicate-

level information (which may contain MNPI) will be made available and who may receive such information in accordance with the assignee's compliance procedures and applicable law, including Federal, State and foreign securities laws.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(v) of this Section, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.12, 2.13 and 2.14 (to the extent accrued for periods prior to it ceasing to be a party hereto) and Section 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section, provided that the requirements of such paragraph are met.

(iv) The Administrative Agent shall maintain at one of its offices in the United States a copy of each Assignment and Assumption delivered to it and records of the names and addresses of the Lenders, and the Commitment of, and principal amount (and stated interest) of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon receipt by the Administrative Agent of an Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder) and the processing and recordation fee referred to in this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register; provided that the Administrative Agent shall not be required to accept such Assignment and Assumption or so record the information contained therein if the Administrative Agent reasonably believes that such Assignment and Assumption lacks any written consent required by this Section or is otherwise not in proper form, it being acknowledged that the Administrative Agent shall have no duty or obligation (and shall incur no liability) with respect to obtaining (or confirming the receipt) of any such written consent or with respect to the form of (or any

defect in) such Assignment and Assumption, any such duty and obligation being solely with the assigning Lender and the assignee. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph, and following such recording, unless otherwise determined by the Administrative Agent (such determination to be made in the sole discretion of the Administrative Agent, which determination may be conditioned on the consent of the assigning Lender and the assignee), shall be effective notwithstanding any defect in the Assignment and Assumption relating thereto. Each assigning Lender and the assignee, by its execution and delivery of an Assignment and Assumption, shall be deemed to have represented to the Administrative Agent that all written consents required by this Section with respect thereto (other than the consent of the Administrative Agent) have been obtained and that such Assignment and Assumption is otherwise duly completed and in proper form, and each assignee, by its execution and delivery of an Assignment and Assumption, shall be deemed to have represented to the assigning Lender and the Administrative Agent that such assignee is an Eligible Assignee.

(c) (i) Any Lender may sell participations to one or more Eligible Assignees (a “Participant”) in all or a portion of such Lender’s rights and obligations under this Agreement (including all or a portion of its Commitment and Loans) (1) prior to the Funding Date, subject to obtaining the prior written consent of the Borrower (such consent not to be unreasonably withheld); provided that no such consent shall be required in the case of a participation to a Permitted Assignee so long as such Lender shall have given notice of such participation to the Borrower; and (2) after the Funding Date; provided that, in each case, (A) such Lender’s obligations under this Agreement (including its Commitment hereunder) shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender’s rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in subclauses (ii)(A), (ii)(B) or (ii)(C) of the first proviso to Section 9.02(b) that affects such Participant. The Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.12, 2.13 and 2.14 (subject to the requirements and limitations therein, including the requirements under Section 2.14(f) (it being understood that the documentation required under Section 2.14(f) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant (x) agrees to be subject to the provisions of Section 2.16 as if it were an assignee under paragraph (b) of this Section and (y) shall not be entitled to receive any greater payment under Section 2.12 or 2.14, with respect to any participation, than its participating Lender would have been entitled to receive (it being understood and agreed that such Participant shall not be entitled to the benefit of any other indemnity, expense reimbursement, yield protection or similar provision solely on account of becoming a Participant rather than being a party hereto).

(ii) Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other rights and obligations of such Lender under this Agreement (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any Commitments, Loans or other rights and obligations under this Agreement) to any Person except to the extent that such disclosure is necessary to establish that such Commitment, Loan or other right or obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining any Participant Register.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05. Survival. The provisions of Sections 2.12, 2.13, 2.14, 2.15(c), 2.16 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement constitutes the entire contract among the parties relating to the subject matter hereof and, upon the occurrence of the Effective Date, supersedes any and all previous agreements and understandings, oral or written, relating to the subject matter hereof, including the commitments of the Lenders and, if applicable, their Affiliates under the Commitment Letter and any commitment advices submitted by them (but do not supersede any other provisions of the Commitment Letter or the Fee Letters referred to therein (or any separate letter agreements with respect to fees payable to the Administrative Agent) that do not by the terms of such documents terminate upon the effectiveness of this Agreement, all of which

provisions shall remain in full force and effect). This Agreement shall become effective as provided in Section 4.01, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic imaging shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. [Reserved.]

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York; provided that the interpretation of the definition of the term “Acquired Company Merger Agreement Material Adverse Effect” as set forth in Article IV shall be construed in accordance with and governed by the law of the State of Delaware.

(b) Each party hereto hereby irrevocably and unconditionally submits, for itself and its property, to the jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims arising out of or relating to this Agreement brought by it or any of its Affiliates shall be brought, and shall be heard and determined, exclusively in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(c) Each of the parties hereto hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process made by registered or certified mail, return receipt requested, to the applicable party at its address provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), in accordance with its customary procedures for handling confidential information of this nature and in accordance with safe and sound banking practices, except that Information may be disclosed (a) to its Related Parties, including accountants and legal counsel, it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential, (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners) (it being understood that such regulatory authority will be informed of the confidential nature of such Information and, except where such regulatory authority would be required to keep such Information confidential as a matter of law, requested to keep such Information confidential), (c) to the extent required by applicable law or by any subpoena or similar legal process (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and, except where such Person would be required to keep such Information confidential as a matter of law, requested to keep such Information confidential), (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies under this Agreement or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and requested to keep such Information confidential), (f) subject to a written agreement with the Borrower containing confidentiality undertakings substantially the same as those in this Section, to any permitted assignee of or permitted Participant in, or any prospective permitted assignee of or permitted



Participant in, any of its rights or obligations under this Agreement, (g) with the written consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) is or becomes available to, or is independently developed by, the Administrative Agent, any Lender or any Affiliate of any of the foregoing on a nonconfidential basis from a source other than the Borrower. For purposes of this Section, “Information” means all information received from the Borrower, any of its Affiliates or any of the Borrower’s or such Affiliate’s Related Parties, including accountants and legal counsel, relating the Borrower or any of its Subsidiaries or their businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower, any of its Affiliates or any of the Borrower’s or such Affiliate’s Related Parties. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised no less than reasonable care and at least the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts that are treated as interest on such Loan under applicable law (collectively the “Charges”), shall exceed the maximum lawful rate (the “Maximum Rate”) that may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.14. USA PATRIOT Act Notice. Each Lender and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with such Act.

SECTION 9.15. No Fiduciary Relationship. The Borrower, on behalf of itself and its Subsidiaries, agrees that in connection with all aspects of the transactions contemplated hereby and any communications in connection therewith, the Borrower and its Subsidiaries and other Affiliates, on the one hand, and the Administrative Agent, the Lenders and their Affiliates, on the other hand, will have a business relationship that does not create, by implication or otherwise, any fiduciary duty on the part of the Administrative Agent, the Lenders or their Affiliates, and no such duty will be deemed to have arisen in connection with any such transactions or communications.

SECTION 9.16. Non-Public Information. Each of the Administrative Agent, the Arrangers and each Lender acknowledges that all Information will be syndicate-level information, which may contain MNPI. Each Lender represents to the Borrower and the Administrative Agent that (a) it has developed compliance procedures regarding the use of MNPI and that it will handle MNPI in accordance with such procedures and applicable law, including Federal, state and foreign securities laws, and (b) it has identified in its Administrative Questionnaire a credit contact who may receive information that may contain MNPI in accordance with its compliance procedures and applicable law, including Federal, state and foreign securities laws.

[Signature pages follow]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

UNITED TECHNOLOGIES  
CORPORATION,

By: /s/ T HOMAS I. R OGAN

Name: Thomas I. Rogan

Title: Vice President, Treasurer

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JPMORGAN CHASE BANK, N.A.,  
individually and as Administrative Agent,

By: /s/ ROBERT P. KELLAS

Name: Robert P. Kellas

Title: Executive Director

---

J.P. MORGAN SECURITIES LLC, as Joint  
Lead Arranger and Joint Bookrunner,

By: /s/ T HOMAS D. C ASSIN

Name: Thomas D. Cassin  
Title: Managing Director

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HSBC SECURITIES (USA) INC., as Joint  
Lead Arranger and Joint Bookrunner,

By: /s/ J A Y S C H W A R T Z

Name: Jay Schwartz  
Title: Managing Director

---

MERRILL LYNCH, PIERCE, FENNER &  
SMITH INCORPORATED, as Joint Lead  
Arranger and Joint Bookrunner,

By: /s/ C HRIS N EWTON

Name: Chris Newton

Title: Director

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SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

HSBC Bank USA, National Association:

By:       /s/ P AUL L. H ATTON        
Name: Paul L. Hatton  
Title: Managing Director



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SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

Name of Institution: BANK OF AMERICA, N.A., as Lender

By: /s/ G EORGE H LENTZAS

Name: George Hlentzas

Title: Vice President

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SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

BNP PARIBAS

By: /s/ CHRISTOPHER SKED

Name: Christopher Sked

Title: Director

By: /s/ JOHN T READWELL, JR.

Name: John Treadwell, Jr.

Title: Vice President

---

SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

Name of Institution: Citibank, N.A.

By: /s/ CAROLYN KEE  
Name: Carolyn Kee  
Title: Vice President

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SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

Name of Institution: DEUTSCHE BANK AG CAYMAN ISLANDS  
BRANCH

By: /s/ R OSS LEVITSKY  
Name: Ross Levitsky  
Title: Managing Director

By: /s/ DUSAN LAZAROV  
Name: Dusan Lazarov  
Title: Director

Name of Institution: DEUTSCHE BANK SECURITIES INC.

By: /s/ R OSS LEVITSKY  
Name: Ross Levitsky  
Title: Managing Director

By: /s/ WOLFGANG WINTER  
Name: Wolfgang Winter  
Title: Managing Director

---

SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

Name of Institution: GOLDMAN SACHS BANK USA

By: /s/ MARK WALTON

Name: Mark Walton

Title: Authorized Signatory

For any Lender requiring a second signature block:

By: \_\_\_\_\_

Name:

Title:

---

SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

Name of Institution: THE ROYAL BANK OF SCOTLAND PLC

By: /s/ L . PETER YETMAN

Name: L. PETER YETMAN

Title: DIRECTOR

---

SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

Name of Institution: Bayclays Bank PLC

By: /s/ DAVID BARTON

Name: David Barton  
Title: Director

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SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

Name of Institution: **COMMERZBANK AG, NEW YORK AND  
GRAND CAYMAN BRANCHES**

By: /s/ DIANE POCKAJ  
Name: Diane Pockaj  
Title: Managing Director

By: /s/ MICHAEL WEINERT  
Name: Michael Weinert  
Title: Assistant Vice President



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SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

INTESA SANPAOLO S.p.A.

By: /s/ JOHN J. MICHALISIN

Name: John J. Michalisin

Title: First Vice President

By: /s/ FRANCESCO DI MARIO

Name: Francesco Di Mario

Title: F.V.P. & Head of Credit

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SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

Name of Institution: ROYAL BANK OF CANADA

By: /s/ RICHARD SMITH

Name: Richard Smith

Title: Authorized Signatory

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SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

Name of Institution: SOVEREIGN BANK

By: /s/ CARLOS A . CALIXTO

Name: Carlos A. Calixto

Title: Vice President

For any Lender requiring a second signature block:

By: \_\_\_\_\_

Name:

Title:

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SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

Name of Institution: Standard Chartered Bank

By: /s/ JAMES H . RAMAGE

Name: James H. Ramage

Title: Managing Director

By: /s/ ANDREW Y . NG

Name: Andrew Y. Ng

Title: Director

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SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

**SUMITOMO MITSUI BANKING CORPORATION**

By: /s/ DAVID W . KEE  
Name: David W. Kee  
Title: Managing Director

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SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

Name of Institution: The Bank of New York Mellon

By: /s/ KENNETH P. SNEIDER, JR.  
Name: Kenneth P. Sneider, Jr.  
Title: Managing Director

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SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

Name of Institution: The Bank of Tokyo-Mitsubishi UFJ, Ltd.,  
New York Branch

By: /s/ MARIA IARRICCIO .

Name: Maria Iarriccio

Title: Vice President

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SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

Name of Institution: Bayerische Landesbank, New York  
Branch

By: /s/ M ATTHEW D E C ARLO

Name: Matthew DeCarlo

Title: First Vice President

For any Lender requiring a second signature block:

By: /s/ ELKE VIDE GAIN

Name: Elke Videgain

Title: Second Vice President



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SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

Name of Institution: Bank of China, New York Branch

By: /s/ SHIQIANG WU  
Name: Shiqiang Wu  
Title: General Manager

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SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

Name of Institution: Bank of Montreal, Chicago Branch

By: /s/ Y ACOUBA K ANE  
Name: Yacouba Kane  
Title: Vice - President

For any Lender requiring a second signature block:

By: \_\_\_\_\_  
Name:  
Title:

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SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

Name of Institution: Industrial and Commercial Bank of  
China Limited, New York Branch

By: /s/ VITO FERRARA

Name: Mr. Vito Ferrara

Title: Deputy General Manager

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SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

Name of Institution: UniCredit Bank AG, New York Branch

By: /s/ T HOMAS D USCH  
Name: Thomas Dusch  
Title: Managing Director

For any Lender requiring a second signature block:

By: /s/ PRANAV SURENDRANATH  
Name: Pranav Surendranath  
Title: Vice President

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SIGNATURE PAGE TO  
THE BRIDGE CREDIT AGREEMENT  
OF UNITED TECHNOLOGIES CORPORATION

Name of Institution: Westpac Banking Corporation

By: /s/ HENRIK JENSEN

Name: Henrik Jensen

Title: Director

## [FORM OF] ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the “ Assignment and Assumption ”) is dated as of the Effective Date set forth below and is entered into by and between the Assignor (as defined below) and the Assignee (as defined below). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (the “ Credit Agreement ”), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (a) all of the Assignor’s rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the credit facility provided for under the Credit Agreement and (b) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (a) above (the rights and obligations sold and assigned pursuant to clauses (a) and (b) above being referred to herein collectively as the “ Assigned Interest ”). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: \_\_\_\_\_
2. Assignee: \_\_\_\_\_  
[and is a Lender or an Affiliate/Approved Fund of [Identify Lender]] <sup>1</sup>
3. Borrower: United Technologies Corporation
4. Administrative Agent: JPMorgan Chase Bank, N.A., as the Administrative Agent under the Credit Agreement

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<sup>1</sup> Select as applicable.

5. Credit Agreement: The Bridge Credit Agreement dated as of November 8, 2011, among United Technologies Corporation, the Lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and J.P. Morgan Securities LLC, HSBC Securities (USA) Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers and joint bookrunners.
6. Assigned Interest: <sup>2</sup>

Interest Assigned	Aggregate Amount of [Commitments][Loans] of all Lenders	Amount of [Commitment] [Loans] Assigned	Percentage Assigned of [Commitments] [Loans] of all Lenders <sup>3</sup>
[Commitment] [Loans]	\$	\$	%

Effective Date: \_\_\_\_\_, 20 \_\_\_\_ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR].

***The Assignee, if not already a Lender, agrees to deliver to the Administrative Agent a completed Administrative Questionnaire in which the Assignee designates one or more credit contacts to whom all syndicate-level information (which may contain MNPI) will be made available and who may receive such information in accordance with the Assignee's compliance procedures and applicable law, including Federal, state and foreign securities laws.***

<sup>2</sup> Must comply with the minimum assignment amounts set forth in Section 9.04(b)(ii)(A) of the Credit Agreement, to the extent such minimum assignment amounts are applicable

<sup>3</sup>Set forth, to at least 9 decimals, as a percentage of the [Commitments][Loans] of all Lenders.

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The terms set forth in this Assignment and Assumption are hereby agreed to:

[NAME OF ASSIGNOR], as Assignor,

by

\_\_\_\_\_  
Name:

Title:

[NAME OF ASSIGNEE], as Assignee,

by

\_\_\_\_\_  
Name:

Title:



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[Consented to and] <sup>1</sup> Accepted:

JPMORGAN CHASE BANK, N.A., as  
Administrative Agent,

by

\_\_\_\_\_  
Name:  
Title:

[Consented to:

UNITED TECHNOLOGIES  
CORPORATION,

by

\_\_\_\_\_  
Name:  
Title:] <sup>2</sup>

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<sup>1</sup> To be included only if the consent of the Administrative Agent is required by Section 9.04(b)(i)(B) of the Credit Agreement

<sup>2</sup> To be included only if the consent of the Borrower is required by Section 9.04(b)(i)(A) of the Credit Agreement

STANDARD TERMS AND CONDITIONS FOR  
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement, other than the representations and warranties made by it herein, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, (iii) the financial condition of the Borrower, any of its Subsidiaries or other Affiliates or any other Person obligated in respect of the Credit Agreement or (iv) the performance or observance by the Borrower, any of its Subsidiaries or other Affiliates or any other Person of any of their respective obligations under the Credit Agreement.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Article V thereof (or, prior to the first such delivery, the financial statements referred to in Section 3.05 thereof), and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (v) attached to this Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement (including Section 2.14(f) thereof), duly completed and executed by the Assignee, and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of

principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to or on or after the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by facsimile or other electronic imaging shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be construed in accordance with and governed by the law of the State of New York.

## [FORM OF] BORROWING REQUEST

JPMorgan Chase Bank, N.A.  
as Administrative Agent  
Loan and Agency Services Group  
1111 Fannin Street, Floor 10  
Houston, Texas 77002-6925  
Attention: Colton Rainey  
Fax: (713) 750-2938

Copy to:

JPMorgan Chase Bank, N.A.  
as Administrative Agent  
383 Madison Avenue  
New York, New York 10179  
Attention: Robert P. Kellas  
Fax: (212) 270-5100

[Date]

Ladies and Gentlemen:

Reference is made to the Bridge Credit Agreement dated as of November 8, 2011 (as amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), among United Technologies Corporation, a Delaware corporation (the “Borrower”), the Lenders party thereto, JPMorgan Chase Bank, N.A., as the Administrative Agent, and J.P. Morgan Securities LLC, HSBC Securities (USA) Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers and joint bookrunners. Capitalized terms used but not otherwise defined herein shall have the meanings specified in the Credit Agreement.

This notice constitutes a Borrowing Request, and the Borrower hereby gives you notice, pursuant to Section 2.03 of the Credit Agreement, that it requests a Borrowing under the Credit Agreement, and in connection therewith specifies the following information with respect to such Borrowing:

- (B) Aggregate principal amount of Borrowing: <sup>1</sup>\$ \_\_\_\_\_
- (C) Date of Borrowing: <sup>2</sup>\_\_\_\_\_
- (D) Type of Borrowing: <sup>3</sup>\_\_\_\_\_

<sup>1</sup> Must comply with Section 2.02(c) of the Credit Agreement.

<sup>2</sup> Must be a Business Day.

<sup>3</sup> Specify ABR Borrowing or Eurodollar Borrowing.

(E) Interest Period: <sup>4</sup> \_\_\_\_\_

(F) Location and number of the account to which proceeds of the requested Borrowing are to be disbursed: [Name of Bank] (Account No.: \_\_\_\_\_)

Very truly yours,

UNITED TECHNOLOGIES  
CORPORATION

By: \_\_\_\_\_

Name:

Title:

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<sup>4</sup> Applicable to Eurodollar Borrowings only. Shall be subject to the definition of "Interest Period" and can be a period of one, two or three months.

## [FORM OF] INTEREST ELECTION REQUEST

JPMorgan Chase Bank, N.A.  
as Administrative Agent  
Loan and Agency Services Group  
1111 Fannin Street, Floor 10  
Houston, Texas 77002-6925  
Attention: Colton Rainey  
Fax: (713) 750-2938

Copy to:

JPMorgan Chase Bank, N.A.  
as Administrative Agent  
383 Madison Avenue  
New York, New York 10179  
Attention: Robert P. Kellas  
Fax: (212) 270-5100

[Date]

Ladies and Gentlemen:

Reference is made to the Bridge Credit Agreement dated as of November 8, 2011 (as amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), among United Technologies Corporation, a Delaware corporation (the “Borrower”), the Lenders party thereto, JPMorgan Chase Bank, N.A., as the Administrative Agent, and J.P. Morgan Securities LLC, HSBC Securities (USA) Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers and joint bookrunners. Capitalized terms used but not otherwise defined herein shall have the meanings specified in the Credit Agreement.

This notice constitutes an Interest Election Request and the Borrower hereby gives you notice, pursuant to Section 2.05 of the Credit Agreement, that it requests the conversion or continuation of a Borrowing under the Credit Agreement, and in that connection the Borrower specifies the following information with respect to such Borrowing and each resulting Borrowing:

1. Borrowing to which this request applies:

Principal Amount:

Type:

Interest Period <sup>1</sup>:

2. Effective date of this election <sup>2</sup>:

<sup>1</sup> In the case of a Eurodollar Borrowing, specify the last day of the current Interest Period therefor.

<sup>2</sup> Must be a Business Day.

3. Resulting Borrowing[s] <sup>3</sup>Principal Amount <sup>4</sup>:Type <sup>5</sup>:Interest Period <sup>6</sup>:

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Very truly yours,

UNITED TECHNOLOGIES CORPORATION

by

Name:

Title:

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<sup>3</sup> If different options are being elected with respect to different portions of the Borrowing, provide the information required by this item 3 for each resulting Borrowing. Each resulting Borrowing shall be subject to Section 2.02(c) of the Credit Agreement.

<sup>4</sup> Indicate the principal amount of the resulting Borrowing.

<sup>5</sup> Specify whether the resulting Borrowing is to be a ABR Borrowing or a Eurodollar Borrowing.

<sup>6</sup> Applicable only if the resulting Borrowing is to be a Eurodollar Borrowing. Shall be subject to the definition of "Interest Period" and can be a period of one, two or three months. Cannot extend beyond the Maturity Date.

## [FORM OF]

## U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Lenders that are not Partnerships for U.S. Federal Income Tax Purposes and Lenders that are Disregarded Entities for U.S. Federal Income Tax Purposes Whose Owner, for U.S. Federal Income Tax Purposes, is not a Partnership for U.S. Federal Income Tax Purposes)

Reference is hereby made to the Bridge Credit Agreement dated as of November 8, 2011 (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”), among United Technologies Corporation, the Lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and J.P. Morgan Securities LLC, HSBC Securities (USA) Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers and joint bookrunners.

Pursuant to the provisions of Section 2.14 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any promissory note(s) issued pursuant to Section 2.07(d) of the Credit Agreement evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with a duly completed and executed certificate of its non-U.S. Person status on IRS Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

In the case of a Lender that is a disregarded entity for U.S. federal income tax purposes, each of the above certifications and representations is given with respect to the person treated as such Lender’s owner for U.S. federal income tax purposes.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: \_\_\_\_\_

Name:

Title:

Date: \_\_\_\_\_, 201 \_\_\_\_



## [FORM OF]

## U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Participants that are not Partnerships for U.S. Federal Income Tax Purposes and Participants that are Disregarded Entities for U.S. Federal Income Tax Purposes Whose Owner, for U.S. Federal Income Tax Purposes, is not a Partnership for U.S. Federal Income Tax Purposes)

Reference is hereby made to the Bridge Credit Agreement dated as of November 8, 2011 (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”), among United Technologies Corporation, the Lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and J.P. Morgan Securities LLC, HSBC Securities (USA) Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers and joint bookrunners.

Pursuant to the provisions of Section 2.14 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with a duly completed and executed certificate of its non-U.S. Person status on IRS Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing, and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

In the case of a Participant that is a disregarded entity for U.S. federal income tax purposes, each of the above certifications and representations is given with respect to the person treated as such Participant’s owner for U.S. federal income tax purposes.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: \_\_\_\_\_

Name:

Title:

Date: \_\_\_\_\_, 201 \_\_\_\_

## [FORM OF]

## U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Participants that are partnerships for U.S. Federal Income Tax Purposes and Participants that are Disregarded Entities for U.S. Federal Income Tax Purposes Whose Owner, for U.S. Federal Income Tax Purposes, is a Partnership for U.S. Federal Income Tax Purposes)

Reference is hereby made to the Bridge Credit Agreement dated as of November 8, 2011 (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”), among United Technologies Corporation, the Lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and J.P. Morgan Securities LLC, HSBC Securities (USA) Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers and joint bookrunners.

Pursuant to the provisions of Section 2.14 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with duly completed and executed IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) a duly completed and executed IRS Form W-8BEN or (ii) a duly completed and executed IRS Form W-8IMY accompanied by a duly completed and executed IRS Form W-8BEN from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption, together with any other information required to be provided by IRS Form W-8IMY. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

In the case of a Participant that is a disregarded entity for U.S. Federal income Tax purposes, each of the above certifications and representations is given with respect to the person treated as such Participant's owner for U.S. federal income tax purposes.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By:

Name:

Title:

Date: \_\_\_\_\_, 201 \_\_\_\_

## [FORM OF]

## U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Lenders that are partnerships for U.S. Federal Income Tax Purposes and Lenders that are Disregarded Entities for U.S. Federal Income Tax Purposes Whose Owner, for U.S. Federal Income Tax Purposes, is a Partnership for U.S. Federal Income Tax Purposes)

Reference is hereby made to the Bridge Credit Agreement dated as of November 8, 2011 (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”), among United Technologies Corporation, the Lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and J.P. Morgan Securities LLC, HSBC Securities (USA) Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers and joint bookrunners.

Pursuant to the provisions of Section 2.14 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any promissory note(s) issued pursuant to Section 2.07(d) of the Credit Agreement evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such Loan(s) (as well as any promissory note(s) issued pursuant to Section 2.07(d) of the Credit Agreement evidencing such Loan(s)), (iii) with respect to the extension of credit pursuant to the Credit Agreement, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with a duly completed and executed IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) a duly completed and executed IRS Form W-8BEN or (ii) a duly completed and executed IRS Form W-8IMY accompanied by a duly completed and executed IRS Form W-8BEN from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption, together with any other information required to be provided by IRS Form W-8IMY. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

In the case of a Lender that is a disregarded entity for U.S. Federal Income Tax purposes, each of the above certifications and representations is given with respect to the person treated as such Lender's owner for U.S. federal income tax purposes.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By:

Name:

Title:

Date: \_\_\_\_\_, 201 \_\_\_\_

UNITED TECHNOLOGIES CORPORATION  
FINANCIAL OFFICER'S CERTIFICATE

[Date]

I the undersigned, [Name of Financial Officer], do hereby certify that I am the [Title] of United Technologies Corporation, a corporation duly organized and existing under the laws of the State of Delaware, having its principal office in Hartford, Connecticut (the “Company”). Capitalized terms used and not defined herein shall have the meaning assigned to such terms in the Credit Agreement (as defined below). Pursuant to Section 4.02(a) of the Credit Agreement dated as of November 8, 2011 (as the same may be amended, restated or otherwise modified from time to time, the “Credit Agreement”), among the Company, the Lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and J.P. Morgan Securities LLC, HSBC Securities (USA) Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers and joint bookrunners, I do hereby confirm, in my capacity as a Financial Officer and not in my individual capacity, on behalf of the Company, that: <sup>1</sup>

(a) The Merger has been consummated, or substantially concurrently with the making of Loans under the Credit Agreement will be consummated, pursuant to and on the terms set forth in the Merger Agreement (and all conditions precedent to the obligations of the Company and the Merger Sub to consummate the Merger have been satisfied on the terms set forth in the Merger Agreement), in each case without giving effect to amendments, waivers or consents by the Company or the Merger Sub (other than any waiver or consent to any interim operating covenants of the Acquired Company and its Subsidiaries not involving the incurrence of Debt or Liens or the disposition of assets) that are adverse in any material respect to the Lenders and that have not been approved by the Arrangers;

(b) Except as set forth in the Acquired Company Disclosure Letter or in the Acquired Company SEC Documents filed with the SEC and publicly available after January 1, 2011 and prior to the Signing Date (excluding any forward-looking statements, risk factors and other similar statements in the Acquired Company SEC Documents that are cautionary, nonspecific or predictive in nature), from January 1, 2011 through the Signing Date there has not been any event, circumstance, change, occurrence, state of facts or effect (including the incurrence of any liabilities of any nature, whether or not accrued, contingent or otherwise) that has had or would reasonably be expected to have, individually or in the aggregate, an Acquired Company Merger Agreement Material Adverse Effect;

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<sup>1</sup> Note to Exhibit: Certifications in clauses (b), (c) and, to the extent relating to the Acquired Company and its Subsidiaries, may be made by a Financial Officer of the Acquired Company.

(c) Since January 1, 2011, there shall not have been any event, circumstance, change, occurrence, state of facts or effect (including the incurrence of any liabilities of any nature, whether or not accrued, contingent or otherwise) that has had or would reasonably be expected to have, individually or in the aggregate, an Acquired Company Merger Agreement Material Adverse Effect;

(d) The Acquired Company Merger Agreement Representations and the Specified Representations are true and correct; and

(e) No event referred to in Section 7.01(d)(2) or 7.01(e) of the Credit Agreement (in each case, with respect to the Company) or Section 7.02(i) of the Credit Agreement has occurred and is continuing or would result from the making of the Loans on the date hereof.

[Remainder of the Page Intentionally Left Blank.]

IN WITNESS WHEREOF, I have duly executed this Certificate as of the date first written above.

By:

\_\_\_\_\_  
Name:

Title:

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

**STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS**

<u>(Dollars in millions, except per share amounts)</u>	<b>Full year</b>				
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Net income attributable to common shareowners	\$ 4,979	\$ 4,373	\$ 3,829	\$ 4,689	\$ 4,224
Basic earnings for period	\$ 4,979	\$ 4,373	\$ 3,829	\$ 4,689	\$ 4,224
Diluted earnings for period	\$ 4,979	\$ 4,373	\$ 3,829	\$ 4,689	\$ 4,224
Basic average number of shares outstanding during the period (thousands)	892,300	907,900	917,400	937,800	963,900
Stock awards (thousands)	14,500	14,800	11,400	18,600	24,900
Diluted average number of shares outstanding during the period (thousands)	906,800	922,700	928,800	956,400	988,800
Basic earnings per common share	\$ 5.58	\$ 4.82	\$ 4.17	\$ 5.00	\$ 4.38
Diluted earnings per common share	\$ 5.49	\$ 4.74	\$ 4.12	\$ 4.90	\$ 4.27

**UNITED TECHNOLOGIES CORPORATION  
AND SUBSIDIARIES**

**STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**

(Dollars in millions)	Full year				
	2011	2010	2009	2008	2007
<b>Fixed Charges:</b>					
Interest expense <sup>1</sup>	\$ 673	\$ 750	\$ 705	\$ 689	\$ 666
Interest capitalized	20	17	18	19	16
One-third of rents <sup>2</sup>	151	148	154	168	146
<b>Total fixed charges</b>	<b>\$ 844</b>	<b>\$ 915</b>	<b>\$ 877</b>	<b>\$ 876</b>	<b>\$ 828</b>
<b>Earnings:</b>					
Income before income taxes	\$7,605	\$6,538	\$5,760	\$6,936	\$6,384
Fixed charges per above	844	915	877	876	828
Less: capitalized interest	(20)	(17)	(18)	(19)	(16)
	824	898	859	857	812
Amortization of interest capitalized	17	17	17	9	8
<b>Total earnings</b>	<b>\$8,446</b>	<b>\$7,453</b>	<b>\$6,636</b>	<b>\$7,802</b>	<b>\$7,204</b>
<b>Ratio of earnings to fixed charges</b>	<b>10.01</b>	<b>8.15</b>	<b>7.57</b>	<b>8.91</b>	<b>8.70</b>

<sup>1</sup> Pursuant to the guidance in the Income Taxes Topic of the FASB ASC, interest related to unrecognized tax benefits recorded was approximately \$23 million, \$27 million, \$21 million, \$39 million and \$56 million for the years 2011, 2010, 2009, 2008 and 2007, respectively. The ratio of earnings to fixed charges would have been 10.29, 8.39, 7.75, 9.32 and 9.33 for the years 2011, 2010, 2009, 2008 and 2007, respectively, if such interest were excluded from the calculation.

<sup>2</sup> Reasonable approximation of the interest factor.



## FIVE-YEAR SUMMARY

(Dollars in millions, except per share amounts)	2011	2010	2009	2008	2007
<b>FOR THE YEAR</b>					
Net sales	\$ 58,190	\$ 54,326	\$ 52,425	\$ 59,119	\$ 54,876
Research and development	2,058	1,746	1,558	1,771	1,678
Restructuring costs	336	443	830	357	166
Net income	5,374	4,711	4,179	5,053	4,548
Net income attributable to common shareowners	4,979	4,373	3,829	4,689	4,224
Earnings per share:					
Basic:					
Net income attributable to common shareowners	5.58	4.82	4.17	5.00	4.38
Diluted:					
Net income attributable to common shareowners	5.49	4.74	4.12	4.90	4.27
Cash dividends per common share	1.87	1.70	1.54	1.35	1.17
Average number of shares of Common Stock outstanding:					
Basic	892	908	917	938	964
Diluted	907	923	929	956	989
Cash flow from operations	6,590	5,906	5,353	6,161	5,330
Capital expenditures	983	865	826	1,216	1,153
Acquisitions, including debt assumed <sup>4</sup>	372	2,797	703	1,448	2,336
Repurchases of Common Stock	2,175	2,200	1,100	3,160	2,001
Dividends paid on Common Stock <sup>1</sup>	1,602	1,482	1,356	1,210	1,080
<b>AT YEAR END</b>					
Working capital	\$ 7,142	\$ 5,778	\$ 5,281	\$ 4,665	\$ 4,602
Total assets <sup>4</sup>	61,452	58,493	55,762	56,837	54,888
Long-term debt, including current portion <sup>2</sup>	9,630	10,173	9,490	10,453	8,063
Total debt <sup>2</sup>	10,260	10,289	9,744	11,476	9,148
Total debt to total capitalization <sup>2</sup>	31%	32%	32%	41%	29%
Total equity <sup>2</sup>	22,820	22,332	20,999	16,681	22,064
Number of employees <sup>3, 4</sup>	199,900	208,200	206,700	223,100	225,600

**Note 1** Excludes dividends paid on Employee Stock Ownership Plan Common Stock.

**Note 2** The increase in the 2008 debt to total capitalization ratio, as compared to 2007, 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. The decrease in the 2009 debt to total capitalization ratio, as compared to 2008, reflects the reversal of unrealized losses in our pension plans of approximately \$1.1 billion, the beneficial impact of foreign exchange rate movement of approximately \$1.0 billion, and the reduction of approximately \$1.7 billion of total debt.

**Note 3** The decrease in 2011, as compared with 2010, includes the impact of divestitures primarily within the UTC Fire & Security and Carrier segments, as well as headcount reductions associated with restructuring actions across UTC.

**Note 4** The increase in 2010, as compared with 2009, includes the impact of acquisitions across the company, most notably the 2010 acquisition of the GE Security business within the UTC Fire & Security segment. The increase in the number of employees in 2010 associated with acquisition activity was partially offset by headcount reductions associated with restructuring actions across UTC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 for the periods presented herein 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." Certain reclassifications have been made to the prior year amounts to conform to the current year presentation.

On September 28, 2011, we announced a new organizational structure to better serve customers and to drive growth and achieve greater efficiencies through integration across certain product lines. This new structure combines Carrier and UTC Fire & Security into a new segment called UTC Climate, Controls & Security. Beginning with the first quarter of 2012, Carrier and UTC Fire & Security will report combined financial and operational results as part of this new segment. As part of this new organizational structure, we also created UTC Propulsion & Aerospace Systems, a new organization consisting of Pratt & Whitney and Hamilton Sundstrand. Pratt & Whitney and Hamilton Sundstrand will continue to report their financial and operational results as separate segments, which is consistent with how we will allocate resources and measure the financial performance of these businesses. We have reported our financial and operational results for the periods presented herein under the six principal segments noted above, consistent with how we have reviewed our business operations for decision-making purposes, resource allocation and performance assessment during 2011.

Our consolidated net sales were derived from the commercial and aerospace businesses as follows (sales from Hamilton Sundstrand's and Pratt & Whitney's industrial markets are included in "commercial and industrial"):

	2011	2010	2009
Commercial and industrial	58%	57%	58%
Military aerospace and space	20%	21%	21%
Commercial aerospace	22%	22%	21%
	100%	100%	100%

In each of 2011, 2010 and 2009, approximately 58% of our consolidated sales were original equipment and 42% were aftermarket parts and services.

Our worldwide operations can be affected by industrial, economic and political factors on both a regional and global level. To limit the impact of any one industry, or the economy of any single country on our consolidated operating results, our strategy has been, and continues to be, the maintenance of a balanced and diversified portfolio of businesses. Our

businesses include both commercial and aerospace operations, original equipment manufacturing (OEM) and extensive related aftermarket parts and services businesses, as well as the combination of shorter cycles at Carrier and in our commercial aerospace aftermarket businesses, and longer cycles at Otis and at our aerospace OEM businesses. Our customers include companies in the private sector and governments, and our businesses reflect an extensive geographic diversification that has evolved with the continued globalization of world economies. The composition of net sales from outside the United States, including U.S. export sales to these regions, in U.S. Dollars and as a percentage of total segment sales, is as follows:

(Dollars in millions)	2011	2010	2009	2011	2010	2009
Europe	\$12,601	\$11,957	\$12,216	22%	22%	23%
Asia Pacific	9,394	7,986	7,173	16%	15%	14%
Other Non-U.S.	5,380	5,374	4,991	9%	10%	9%
U.S. Exports	7,957	7,296	6,996	14%	13%	13%
International segment sales	\$35,332	\$32,613	\$31,376	61%	60%	59%

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, Mexico, Russia, South Africa and countries in the Middle East. At December 31, 2011, the net assets in any one of these countries did not exceed 7% of consolidated shareowners' equity.

Although the global economy improved in 2011 as compared with 2010, signs of recovery experienced early in 2011 began losing momentum later in the year, reflecting concerns about the deepening sovereign debt crisis in Europe and the political climate in Washington, D.C. As a result of persistent high unemployment in the United States (U.S.) and Europe, a weak U.S. housing market, government budget reduction plans, and the European sovereign debt crisis, growth within developed economies remains low. In 2011, world gross domestic product growth was approximately 3%, with growth led by emerging markets, and we expect emerging markets will continue growing in 2012, although at a moderating pace. Despite ongoing uncertainty in the world economy, global aerospace markets are trending favorably with commercial airline traffic, pricing, and capacity utilization increasing, and major airframe manufacturers expecting record delivery levels in 2012. Although we expect commercial construction in Europe to be flat in 2012 as compared with 2011, we are beginning to see a slight recovery in North America. Globally, construction markets remain generally weak, with the exception of some emerging markets. The European economy remains an uncertainty as we enter 2012, with continued volatility in the Euro. Although we do not have any significant direct exposure to European sovereign debt, we do generate approximately 26% of our net sales, including U.S. exports, from Europe. Therefore, continued economic decline in Europe could have a significant adverse impact on our financial results especially if coupled with further declines in the Euro or other foreign

currencies. As noted above, we generated approximately 61% of our sales from outside the U.S., including U.S. export sales, in 2011. Exchange rates therefore could have a significant impact on sales and operating profits as foreign currency results are translated into U.S. Dollars for financial reporting.

In line with the slowing world economy in 2011, our short cycle shipments and order rates were mixed across our businesses. In 2011, as compared with 2010, commercial aerospace spares orders at Pratt & Whitney increased 8% while Hamilton Sundstrand's commercial aerospace orders grew 22%. Conversely, Carrier's North American residential HVAC orders declined approximately 3% in 2011, yet within our longer cycle business, Otis' new equipment orders grew 15% in 2011 as compared with 2010, despite declines in North America and slower growth in China late in 2011. Although economies in China, India and Brazil have recently shown signs of slowing, growth rates in these and other emerging markets generally remain well above those of developed economies.

Led by strength in Carrier's transportation refrigeration business and improved aftermarket volume in the aerospace businesses, our sales grew 6% organically in 2011. We expect organic sales growth in 2012 to be 2% to 4% reflecting a strong opening backlog and continued strength in the aerospace businesses, tempered by generally lower order growth rates in our commercial businesses.

Although we expect an increase in organic growth, which, if realized, would contribute to operating profit growth, we also continue to invest in new platforms and new markets to position us for additional growth, while remaining focused on structural cost reduction, operational improvements and disciplined cash redeployment. These actions contributed to our earnings growth and operating profit margin expansion during 2011 and positioned us for future earnings growth as the global economy recovers. We undertook a significant restructuring initiative in early 2009 to reduce structural and overhead costs across all of our businesses in order to help mitigate the adverse volume impact that resulted from the global economic crisis. Restructuring costs totaled \$336 million, \$443 million and \$830 million in 2011, 2010 and 2009, respectively. As a result of these restructuring actions, continued focus on cost reductions and increasing sales volumes, segment operating margin increased 80 basis points from 14.6% in 2010 to 15.4% in 2011. This year-over-year increase includes a 30 basis point net benefit from lower restructuring charges and non-recurring items. While we expect to benefit in 2012 from cost reductions realized on the restructuring actions undertaken in prior years, we also expect an adverse impact on operating profits in 2012 from net commodity cost increases of approximately \$50 million and incremental research and development investment of approximately \$150 million.

As discussed below in "Results of Operations," operating profit in each of 2011 and 2010 includes the impact from non-recurring items such as the adverse effect of asset impairment charges, and the beneficial impact of gains from business divestiture activities, primarily those related to

Carrier's ongoing portfolio transformation. Our earnings growth strategy contemplates earnings from organic sales growth, including growth from new product development and product improvements, structural cost reductions, operational improvements, and incremental earnings from our investments in acquisitions. We invested \$372 million (including debt assumed of \$15 million) and \$2.8 billion (including debt assumed of \$39 million) in the acquisition of businesses across the entire company in 2011 and 2010, respectively. Acquisitions completed in 2011 consisted principally of a number of smaller acquisitions in both our aerospace and commercial businesses. Our investment in businesses in 2010 principally reflected the acquisitions of the General Electric (GE) Security business and Clipper Windpower Plc (Clipper).

On September 21, 2011, we announced an agreement to acquire Goodrich Corporation (Goodrich), a global supplier of systems and services to the aerospace and defense industry with 2010 sales of \$7 billion. Under the terms of the agreement, Goodrich shareholders will receive \$127.50 in cash for each share of Goodrich common stock they own at the time of the closing of the transaction. This equates to a total estimated enterprise value of \$18.4 billion, including \$1.9 billion in net debt to be assumed. The transaction is subject to customary closing conditions, including regulatory approvals and Goodrich shareholder approval. We expect that this acquisition will close in mid-2012. Goodrich products include aircraft nacelles and interior systems, actuation and landing systems, and electronic systems. Once the acquisition is complete, Goodrich and Hamilton Sundstrand will be combined to form a new segment named UTC Aerospace Systems. This segment and our Pratt & Whitney segment will be separately reportable segments although they will both be included within the UTC Propulsion & Aerospace Systems organizational structure. We expect the increased scale, financial strength and complementary products of the new combined business will strengthen our position in the aerospace and defense industry. Further, we expect that this acquisition will enhance our ability to support our customers with more integrated systems.

In connection with the pending acquisition of Goodrich, we are evaluating a number of financing structures that will likely include some level of short- and long-term debt, equity issuance and cash. We intend to maintain our strong existing credit rating and minimize future share count dilution on earnings per share by targeting the equity component to comprise no more than 25% of the total financing (excluding the amount of debt assumed). As part of this assessment, we are also evaluating the potential disposition of a number of our non-core businesses to generate cash and minimize the level of future debt or equity issuances. While certain potential disposition candidates have been identified, no actions have yet been committed to, and no businesses currently meet the "held-for-sale" criteria. However, during 2012, it is possible that management will commit to the disposition of one or more of these businesses which may result in impairment charges or gains/losses that are realized upon disposition. Any such gains or losses could be significant to UTC's results of operations during the period incurred.

On October 12, 2011, Pratt & Whitney and Rolls-Royce plc (Rolls-Royce), a participant in the IAE International Aero Engines AG (IAE) collaboration, announced an agreement to restructure their interests in IAE. Under the terms of the agreement, Rolls-Royce will sell its interests in IAE and license its V2500 intellectual property in IAE to Pratt & Whitney for \$1.5 billion plus an agreed payment contingent on each hour flown by V2500-powered aircraft in service at the closing date during the fifteen year period following closing of the transaction. Consummation of this restructuring is subject to regulatory approvals and other closing conditions. The acquisition of the additional interests in IAE will give Pratt & Whitney a controlling interest with approximately 66% ownership. Upon closing, we anticipate Pratt & Whitney will begin consolidating IAE. The acquisition of the additional interests in IAE and the intellectual property licenses will be reflected as intangible assets and amortized in relation to the economic benefits received over the projected remaining life of the V2500 program.

Also, on October 12, 2011, Pratt & Whitney and Rolls-Royce announced an agreement to form a new joint venture, in which each will hold an equal share, to develop new engines to power the next generation of 120 to 230 passenger mid-size aircraft that will replace the existing fleet of mid-size aircraft currently in service or in development. With this new joint venture, Pratt & Whitney and Rolls-Royce will focus on high-bypass ratio geared turbofan technology as well as collaborate on future studies of next generation propulsion systems. Pursuant to the agreement, the formation of this new venture is subject to regulatory approvals and other closing conditions, including completion of the restructuring of the parties' interests in IAE. We expect the restructuring of the parties' interests in IAE to be completed in mid-2012. The closing of the new joint venture may take a substantially longer period of time to complete.

Both acquisition and restructuring costs associated with a business combination are expensed as incurred. Depending on the nature and level of acquisition activity, earnings could be adversely impacted due to acquisition and restructuring actions initiated in connection with the integration of the acquisitions.

In addition to the foregoing, the combination of Carrier and UTC Fire & Security into a new segment to be called UTC Climate, Controls & Security, and the realignment of reporting units required by this combination, along with the potential disposition of certain businesses in connection with this combination, will necessitate a re-evaluation of goodwill allocations. Depending upon the resulting cash flows, including those generated from the disposition of any businesses, goodwill impairment charges could be incurred and could be significant to UTC's results of operations during the period incurred.

For additional discussion of acquisitions and restructuring, see "Liquidity and Financial Condition," "Restructuring Costs" and Notes 2 and 12 to the Consolidated Financial Statements.

## RESULTS OF OPERATIONS

### Net Sales

(Dollars in millions)	2011	2010	2009
Net sales	\$58,190	\$54,326	\$ 52,425
Percentage change year-over-year	7.1%	3.6%	(11.3)%

The 7% increase in consolidated net sales in 2011, as compared with 2010, reflects organic sales growth (6%), the beneficial impact of foreign currency translation (2%) and the adverse impact of net divestitures (1%) resulting from the portfolio transformation efforts undertaken at Carrier. As discussed above in the "Business Overview," all segments experienced organic sales growth during 2011, led by Sikorsky (10%), Hamilton Sundstrand (9%), and Carrier (9%). The organic sales growth at Sikorsky was primarily attributable to higher military OEM and aftermarket sales, while the organic sales growth at Hamilton Sundstrand was a result of higher volumes in both the aerospace and industrial businesses. Carrier's organic sales growth was driven primarily by the recovery in the transport refrigeration market. The organic sales growth in the remaining businesses reflected higher commercial sales and aftermarket volume at Pratt & Whitney, higher new equipment volumes in emerging markets for Otis, and strength within the products business at UTC Fire & Security.

The 4% increase in consolidated net sales in 2010, as compared with 2009, reflects organic sales growth (2%), the beneficial impact of foreign currency translation (1%) and the impact of net acquisitions (1%). The impact of net acquisitions primarily reflects the acquisition of the GE Security business at UTC Fire & Security, net of the impact of dispositions from the portfolio transformation efforts undertaken at Carrier. The organic sales increase was largely led by Carrier and Sikorsky. These organic increases were partially offset by organic sales contraction at both Otis and UTC Fire & Security. The organic sales growth at Carrier was driven by continuing strength in the transport refrigeration business, while Sikorsky's growth was primarily attributable to higher military sales. The organic contraction at Otis was due to a decline in new equipment sales as a result of continued commercial and residential market weakness. In addition, the decline at UTC Fire & Security reflected contraction in the service and install business as a result of weak economic conditions in principal markets.

### Cost of Products and Services Sold

(Dollars in millions)	2011	2010	2009
Cost of products sold	\$31,026	\$28,956	\$ 28,905
Percentage of product sales	75.1%	74.9%	77.4%
Cost of services sold	\$11,127	\$10,458	\$ 9,956
Percentage of service sales	65.8%	66.7%	66.0%
Total cost of products and services sold	\$42,153	\$39,414	\$ 38,861
Percentage change year-over-year	6.9%	1.4%	(10.9)%

The factors contributing to the total percentage change year-over-year in total cost of products and services sold are as follows:

	2011	2010
Organic volume	6 %	1 %
Foreign currency translation	2 %	1 %
Acquisitions and divestitures, net	(1)%	—
Restructuring	—	(1)%
Total % Change	7 %	1 %

Total cost of products and services sold increased organically (6%) at a rate consistent with organic sales growth (6%). The beneficial impact of cost reductions and productivity gains were partially offset by higher commodity, pension, and warranty costs in 2011.

Both total cost of products and services sold and overall sales volumes increased in 2010, as compared with 2009, as a result of higher year-over-year sales volumes. Total cost of products and services sold increased organically (1%) at a rate lower than organic sales growth of 2% reflecting the beneficial impact from operational improvements, cost savings and restructuring actions taken.

#### Gross Margin

(Dollars in millions)	2011	2010	2009
Gross margin	\$16,037	\$14,912	\$13,564
Percentage of net sales	27.6%	27.4%	25.9%

Gross margin as a percentage of sales increased 20 basis points, in 2011 as compared with 2010, driven primarily by increased volumes and lower cost of sales resulting from continued focus on cost reductions, savings from previously initiated restructuring actions and net operational efficiencies. The beneficial impacts of the absence of asset impairment charges (10 basis points) recorded at Carrier and Hamilton Sundstrand in 2010 and lower year-over-year restructuring charges (20 basis points) were partially offset by higher warranty costs at Hamilton Sundstrand in 2011.

Gross margin as a percentage of sales increased 150 basis points in 2010 relative to 2009. The increase was driven primarily by higher volumes and lower cost of sales resulting from continued focus on cost reductions, savings from previously initiated restructuring actions and net operational efficiencies. Gross margin as a percentage of sales in 2010 also reflects the benefits of the shift in mix from new equipment sales to higher margin service sales at Otis, the increase in higher margin aerospace aftermarket sales at the aerospace businesses, and the beneficial impact from net acquisition/disposition activity. The beneficial impact of lower year-over-year restructuring charges (20 basis points) was offset by the adverse impact of asset impairment charges (20 basis points) recorded in 2010, related to disposition activity at Carrier and Hamilton Sundstrand.

#### Research and Development

(Dollars in millions)	2011	2010	2009
Company-funded	\$2,058	\$1,746	\$1,558
Percentage of net sales	3.5%	3.2%	3.0%
Customer-funded	\$1,768	\$1,890	\$2,095
Percentage of net sales	3.0%	3.5%	4.0%

Research and development spending is subject to the variable nature of program development schedules and, therefore, year-over-year variations in spending levels are expected. The majority of the company-funded spending is incurred by the aerospace businesses and relates largely to the next generation product family at Pratt & Whitney, the Boeing 787 program at Hamilton Sundstrand, and various programs at Sikorsky. The year-over-year increase in company-funded research and development in 2011, compared with 2010, primarily reflects increases at Pratt & Whitney associated with the next generation product family. The increase in company-funded research and development in 2010, compared with 2009, principally reflects increases at Pratt & Whitney associated with the next generation product family, increases at both Hamilton Sundstrand and Sikorsky as they continue to ramp up new product development programs, and an increase at UTC Fire & Security related to the acquisition in 2010 of the GE Security business.

Company-funded research and development spending for 2012 is expected to increase by approximately \$150 million from 2011 levels as a result of our continued focus on developing new technologies, led by Pratt & Whitney.

The decrease in customer-funded research and development in both 2011 and 2010, as compared with prior years, was primarily driven by a decrease at Pratt & Whitney related to a reduction in development spending on the Joint Strike Fighter program.

#### Selling, General and Administrative

(Dollars in millions)	2011	2010	2009
Selling, general and administrative	\$ 6,464	\$ 6,024	\$ 6,036
Percentage of net sales	11.1%	11.1%	11.5%

The increase in selling, general and administrative expenses in 2011, as compared with 2010, is due primarily to the impact of acquisitions completed over the year, including the acquisition of the GE Security business in March 2010 and the acquisition of Clipper in December 2010, adverse foreign exchange translation, and higher pension related costs.

The decrease in selling, general and administrative expenses in 2010, as compared with 2009, is due primarily to a continued focus on cost reduction and the impact from restructuring and cost saving initiatives undertaken in 2009 in anticipation of adverse economic conditions. These improvements were partially offset by the impact of recent acquisitions. As a percentage of sales, the 40 basis point year-over-year decrease primarily reflects the impact of lower restructuring costs.

**Other Income, Net**

(Dollars in millions)	2011	2010	2009
Other income, net	\$ 584	\$ 44	\$ 407

Other income, net includes the operational impact of equity earnings in unconsolidated entities, royalty income, foreign exchange gains and losses as well as other ongoing and non-recurring items. The year-over-year change in other income, net in 2011, as compared with 2010, largely reflects an approximately \$55 million net year-over-year increased gain resulting from Carrier's ongoing portfolio transformation, \$41 million gain from the sale of an equity investment at Pratt & Whitney, a \$73 million gain on the contribution of a Sikorsky business into a new venture in the United Arab Emirates, a \$123 million increase in income from joint ventures, \$79 million in other, net gains from divestitures, as well as the absence of the \$159 million other-than-temporary impairment charge of our equity investment in Clipper, all of which was partially offset by \$66 million other-than-temporary impairment charge on an equity investment at UTC Fire & Security, and \$45 million of reserves established for legal matters.

The year-over-year change in other income, net in 2010, as compared with 2009 largely reflects a \$159 million other-than-temporary impairment charge recorded in 2010 on our then equity investment in Clipper in order to bring the investment to market value, the absence of an approximately \$60 million gain recognized in 2009 from the contribution of the majority of Carrier's U.S. Residential Sales and Distribution business into a new venture, the absence of a \$52 million gain recognized in 2009 at Otis on the re-measurement to fair value of an interest in a joint venture as well as the absence of gains from 2009 related to business divestiture activity across the company. The decline in other income, net year-over-year also reflects the adverse impact from an approximately \$30 million valuation allowance charge recorded in 2010 related to an unconsolidated foreign venture at Carrier, equity losses associated with our recently acquired Clipper business, and costs associated with the early extinguishment of debt in 2010. These adverse impacts were partially offset by a \$21 million non-taxable gain recognized in the fourth quarter of 2010 on the re-measurement to fair value of our previously held equity interest in Clipper resulting from the purchase of a controlling interest.

**Interest Expense, Net**

(Dollars in millions)	2011	2010	2009
Interest expense	\$ 673	\$ 750	\$ 705
Interest income	(179)	(102)	(88)
Interest expense, net	\$ 494	\$ 648	\$ 617
Average interest expense rate during the year on:			
Short-term borrowings	2.0%	1.8%	3.1%
Total debt	5.6%	5.6%	5.8%

Interest expense decreased in 2011, as compared with 2010, primarily as a result of the full year absence of interest associated with the repayment and early redemptions of long-term debt in 2010 and the absence of interest expense on long-term debt that was redeemed early in 2011, partially offset by the full year interest incurred on long-term debt issued in 2010. Interest expense on our long-term debt decreased as a result of the repayment at maturity in May 2010 of our \$600 million of 4.375% notes due 2010, the early redemption in June 2010 of the entire \$500 million outstanding principal amount of our 7.125% notes that would have otherwise been due November 2010, and the early redemption in September 2010 of the entire \$500 million outstanding principal amount of our 6.350% notes that would have otherwise been due March 2011, and as a result of the early redemption in December 2011 of the entire \$500 million outstanding principal amount of our 6.100% notes that would otherwise have been due May 15, 2012. This impact was partially offset by the full year impact from the issuance of two series of fixed rate long-term notes totaling \$2.25 billion in February 2010. Lower interest charges related to our deferred compensation plan and lower interest accrued on unrecognized tax benefits also contributed to the overall interest expense decline. Interest income increased in 2011, as compared with 2010, as a result of favorable pre-tax interest adjustments of approximately \$89 million related to the settlement of U.S. federal income tax refund claims for years prior to 2004, partially offset by the absence of a favorable pre-tax interest adjustment of approximately \$24 million associated with the resolution of an uncertain temporary tax item in the second quarter of 2010.

The increase in interest expense in 2010, as compared with 2009, largely reflects the impact of long-term debt issuances during the course of the year, partially offset by the absence of interest associated with the early redemption and repayment of long-term debt in 2010. Interest expense on our long-term debt increased as a result of the issuance of two series of fixed rate long-term notes totaling \$2.25 billion in February 2010 (see further discussion in the "Liquidity and Financial Condition" section). This impact was partially offset by the absence of interest associated with the repayment at maturity in May 2010 of our \$600 million of 4.375% notes due 2010, the early redemption in June 2010 of the entire \$500 million outstanding principal amount of our 7.125% notes that would have otherwise been due November 2010, and the early redemption in September 2010 of the entire \$500 million outstanding principal amount of our 6.350% notes that would have otherwise been due March 2011. Aside from the impact of debt repayments and redemptions noted above, the additional interest associated with the issuance of the long-term debt in February 2010 was also partially offset by the absence of interest related to the repayment in June 2009 of our \$400 million 6.500% notes due 2009. Interest expense also reflects the lower cost associated with our commercial paper borrowings. Interest income in 2010 includes a favorable pre-tax interest adjustment of approximately \$24 million associated with the resolution of an uncertain temporary tax item in the second quarter.



The weighted-average interest rate applicable to debt outstanding at December 31, 2011 was 1.5% for short-term borrowings and 5.6% for total debt as compared to 6.3% and 5.9%, respectively, at December 31, 2010. The decline in the weighted-average interest rates for short-term borrowings was due to the \$455 million of commercial paper borrowings outstanding at December 31, 2011, which carries favorable interest rates. There were no commercial paper borrowings outstanding at December 31, 2010. The three month LIBOR rate as of December 31, 2011 was 0.6% and 0.3% as of both December 31, 2010 and 2009.

#### Income Taxes

	2011	2010	2009
Effective income tax rate	29.3%	27.9%	27.4%

The effective income tax rates for 2011, 2010 and 2009 reflect tax benefits associated with lower tax rates on international earnings, which we intend to permanently reinvest outside the United States. The 2011 effective income tax rate increased as compared to 2010, due to the absence of the repatriation of highly taxed dividends which had a net favorable impact in 2010. The 2011 effective tax rate reflects approximately \$63 million of favorable income tax adjustments related to the settlement of two refund claims for years prior to 2004, as well as a favorable tax impact of \$17 million related to a U.K. tax rate reduction enacted in 2011. These favorable tax adjustments are partially offset by non-deductible charges accrued in 2011.

The 2010 effective income tax rate reflects a non-recurring tax expense reduction associated with management's decision to repatriate additional high tax dividends from 2010 earnings to the U.S. as a result of U.S. tax legislation enacted in 2010. This was partially offset by the non-deductibility of impairment charges, the adverse impact from the health care legislation related to the Medicare Part D program and other increases to UTC's effective income tax rate.

The 2009 effective income tax rate reflects approximately \$38 million of tax expense reductions relating to re-evaluation of our liabilities and contingencies based on global examination activity during the year including the Internal Revenue Service's (IRS) completion of 2004 and 2005 examination fieldwork and our related protest filing. As a result of the global examination activity, we recognized approximately \$18 million of associated pre-tax interest income adjustments during 2009.

We estimate our full year annual effective income tax rate in 2012, excluding the impact of the acquisition of Goodrich, to be approximately 29.5%, absent one-time adjustments and contingent upon the release of valuation allowances resulting from potential internal reorganizations. These internal reorganizations are separate from the creation of the UTC Climate, Controls & Security and the UTC Propulsion & Aerospace Systems organizations as described above and are a component of our ongoing efforts to improve business efficiency. We anticipate variability in the tax rate quarter to

quarter with lower rates likely to occur in the second half of 2012, primarily due to the realization of tax benefits associated with these potential internal reorganizations, which, if completed, would be recognized in the second half of 2012.

For additional discussion of income taxes, see "Critical Accounting Estimates—Income Taxes" and Note 10 to the Consolidated Financial Statements.

#### Net Income and Earnings Per Share

(Dollars in millions, except per share amounts)	2011	2010	2009
Net income	\$5,374	\$4,711	\$4,179
Less: Noncontrolling interest in subsidiaries' earnings	395	338	350
Net income attributable to common shareowners	\$4,979	\$4,373	\$3,829
Diluted earnings per share	\$ 5.49	\$ 4.74	\$ 4.12

Foreign currency translation, inclusive of the net hedging impact at Pratt & Whitney Canada (P&WC) generated a net positive impact of \$.11 per diluted share on our operational performance in 2011. At P&WC, the weakness of the U.S. Dollar against the Canadian Dollar during 2011 generated an adverse foreign currency translation impact as the majority of P&WC's sales 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. As a result of hedging programs currently in place, P&WC's 2012 full year operating results are expected to include a net adverse impact of foreign currency translation and hedging of approximately \$50 million. In 2010, foreign currency generated a net positive impact on our operational results of \$.12 per diluted share while in 2009, foreign currency had an adverse impact of \$.22 per diluted share. For additional discussion of foreign currency exposure, see "Market Risk and Risk Management—Foreign Currency Exposures."

Diluted earnings per share for 2011 include a net charge of \$.04 per share from net restructuring and non-recurring items. Besides the restructuring charges of \$336 million, non-recurring items included approximately \$152 million of favorable pre-tax interest and income tax adjustments related to the settlement of U.S. federal income tax refund claims for years prior to 2004, approximately \$109 million of net gains resulting from Carrier's ongoing portfolio transformation, approximately \$73 million gain recognized from the contribution of a business into a new venture in the United Arab Emirates at Sikorsky, approximately \$66 million of other-than-temporary impairment charges on an equity investment at UTC Fire & Security, approximately \$45 million of reserves established for legal matters, a gain of approximately \$41 million recognized from the sale of an equity investment at Pratt & Whitney, and a favorable tax benefit of approximately \$17 million as a result of a U.K. tax rate reduction enacted in July 2011.

**RESTRUCTURING COSTS**

We recorded net pre-tax restructuring costs totaling \$336 million in 2011 and \$443 million in 2010 for new and ongoing restructuring actions. We recorded these charges in the segments as follows:

(Dollars in millions)	2011	2010
Otis	\$ 73	\$ 83
Carrier	46	75
UTC Fire & Security	80	78
Pratt & Whitney	67	138
Hamilton Sundstrand	16	37
Sikorsky	53	14
Eliminations and other	1	18
<b>Total</b>	<b>\$336</b>	<b>\$443</b>

The 2011 charges consist of \$180 million in cost of sales, \$154 million in selling, general and administrative expenses and \$2 million in other income, net, and, as described below, primarily relate to actions initiated during 2011 and 2010. The 2010 charges consist of \$283 million in cost of sales, \$159 million in selling, general and administrative expenses and \$1 million in other income, net. The 2010 restructuring costs reflected in Eliminations and other largely reflect curtailment charges required under our domestic pension plans due to the significant headcount reductions associated with the various restructuring actions. The 2010 charges relate principally to actions initiated during 2010 and 2009.

Restructuring actions are an essential component of our operating margin improvement efforts and relate to both existing operations and those recently acquired. We expect to incur additional restructuring costs in 2012 of at least \$150 million to \$200 million, including trailing costs related to prior actions, associated with our continuing cost reduction efforts and to the integration of acquisitions. The expected adverse impact on earnings in 2012 from anticipated additional restructuring costs is expected to be offset by the beneficial impact from non-recurring items. Although no specific plans for 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.

**2011 Actions.** During 2011, we initiated restructuring actions relating to ongoing cost reduction efforts, including workforce reductions and consolidation of field operations. We recorded net pre-tax restructuring charges totaling \$286 million as follows: Otis \$76 million, Carrier \$31 million, UTC Fire & Security \$62 million, Pratt & Whitney \$52 million, Hamilton Sundstrand \$13 million, Sikorsky \$51 million and Eliminations and other \$1 million. The charges consist of \$136 million in cost of sales, \$147 million in selling, general and administrative expenses and \$3 million in other income, net. Those costs consist of \$259 million for severance and related employee termination costs, \$4 million for asset write-downs and \$23 million for facility exit, lease termination and other related costs.

We expect the actions initiated in 2011, once fully complete, to result in net workforce reductions of approximately 5,000 hourly and salaried employees, the exiting of approximately 2 million net square feet of facilities and the disposal of assets associated with the exited facilities. As of December 31, 2011, we have completed, with respect to the actions initiated in 2011, net workforce reductions of approximately 2,200 employees, and 50,000 net square feet of facilities have been exited. We are targeting to complete in 2012 the majority of the remaining workforce and facility related cost reduction actions initiated in 2011.

Approximately 85% of the total pre-tax charge will require cash payments, which we have and expect to continue to fund with cash generated from operations. During 2011, we had cash outflows of approximately \$102 million related to the 2011 actions. We expect to incur additional restructuring and other charges of \$82 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 \$300 million annually, of which approximately \$59 million was realized in 2011.

**2010 Actions.** During 2011, we recorded net pre-tax restructuring charges of \$55 million for actions initiated in 2010. The 2010 actions relate to ongoing cost reduction efforts, including workforce reductions and the consolidation of field operations. We recorded the charges in 2011 as follows: Carrier \$19 million, UTC Fire & Security \$23 million, Pratt & Whitney \$8 million, Hamilton Sundstrand \$3 million, and Sikorsky \$2 million. The charges consist of \$36 million in cost of sales and \$19 million in selling, general and administrative expenses. Those costs consisted of \$9 million for severance and related employee termination costs, \$11 million for asset write-downs and \$35 million for facility exit, lease termination and other related costs.

We expect the actions initiated in 2010, once fully completed, to result in net workforce reductions of approximately 5,000 hourly and salaried employees, the exiting of approximately 3.9 million net square feet of facilities and the disposal of assets associated with the exited facilities. As of December 31, 2011, we have completed, with respect to the actions initiated in 2010, net workforce reductions of approximately 4,000 employees and exited 2.5 million net square feet of facilities. We are targeting to complete in 2012 the majority of the remaining workforce and all facility related cost reduction actions initiated in 2010. Approximately 80% of the total pre-tax charge will require cash payments, which we have and expect to continue to fund with cash generated from operations. During 2011, we had cash outflows of approximately \$194 million related to the 2010 actions. We expect to incur additional restructuring charges of \$21 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 \$350 million annually.

For additional discussion of restructuring, see Note 12 to the Consolidated Financial Statements.



## SEGMENT REVIEW

(Dollars in millions)	NET SALES			OPERATING PROFITS			OPERATING PROFIT MARGIN		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Otis	\$12,437	\$11,579	\$11,723	\$2,815	\$2,575	\$2,447	22.6%	22.2%	20.9%
Carrier	11,969	11,386	11,335	1,520	1,062	740	12.7%	9.3%	6.5%
UTC Fire & Security	6,895	6,490	5,503	692	714	493	10.0%	11.0%	9.0%
Pratt & Whitney	13,430	12,935	12,392	1,999	1,987	1,835	14.9%	15.4%	14.8%
Hamilton Sundstrand	6,150	5,608	5,560	1,082	918	857	17.6%	16.4%	15.4%
Sikorsky	7,355	6,684	6,287	840	716	608	11.4%	10.7%	9.7%
Total segment	58,236	54,682	52,800	8,948	7,972	6,980	15.4%	14.6%	13.2%
Eliminations and other	(46)	(356)	(375)	(430)	(409)	(255)			
General corporate expenses	—	—	—	(419)	(377)	(348)			
Consolidated	\$58,190	\$54,326	\$52,425	\$8,099	\$7,186	\$6,377	13.9%	13.2%	12.2%

## 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, 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, particularly in the face of uneven economic growth. During 2011, we saw strong but moderating growth in the emerging markets, with combined orders in Brazil, Russia, India and China increasing 19% in 2011 as compared with 2010, and tapering to 8% in the fourth quarter of 2011, as compared to the same period in

2010. Otis' new equipment orders in China were strong for the year (28%), but slowed during the fourth quarter to 13%. Organic sales growth within our commercial businesses was led by Carrier (9%) in 2011, principally on strength in the transport refrigeration markets.

In 2011, 72% of total commercial business sales were generated outside the United States, including U.S. export sales, as compared to 71% in 2010. The following table shows sales generated outside the U.S., including U.S. export sales, for each of the commercial business segments:

	2011	2010
Otis	83%	82%
Carrier	58%	56%
UTC Fire & Security	77%	78%

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 and repair 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 through sales representatives and distributors.

TOTAL CHANGE YEAR-OVER-YEAR FOR:							
(Dollars in millions)	2011 Compared with 2010				2010 Compared with 2009		
	2011	2010	2009	\$	%	\$	%
Net Sales	\$12,437	\$11,579	\$11,723	\$ 858	7%	\$ (144)	(1)%
Cost of Sales	8,090	7,540	7,830	550	7%	(290)	(4)%
	4,347	4,039	3,893				
Operating Expenses and Other	1,532	1,464	1,446				
Operating Profits	\$ 2,815	\$ 2,575	\$ 2,447	\$ 240	9%	\$ 128	5 %

## FACTORS CONTRIBUTING TO TOTAL % CHANGE YEAR-OVER-YEAR IN:

	2011			2010		
	Net Sales	Cost of Sales	Operating Profits	Net Sales	Cost of Sales	Operating Profits
Organic / Operational	2%	2%	2%	(3)%	(5)%	6 %
Foreign currency translation	4%	4%	5%	1 %	1 %	(1)%
Acquisitions and divestitures, net	1%	1%	—	1 %	1 %	—
Restructuring costs	—	—	—	—	(1)%	3 %
Other	—	—	2%	—	—	(3)%
Total % change	7%	7%	9%	(1)%	(4)%	5 %

## 2011 Compared with 2010

The organic sales increase (2%) in the year was due to higher new equipment sales volume in China, Russia and Brazil (combined 3%), partially offset by declines in North America (1%). Increased contractual maintenance and repair volume across all regions was offset by a decline in modernization volume in Europe. New equipment orders improved 15% versus the prior year, led by strong order growth in China. Selling prices remained under pressure.

The operational profit improvement (2%) in the period was due to higher new equipment volume, increases in contractual maintenance and repair services, and the benefits of ongoing cost reduction initiatives, partially offset by lower pricing, the impact of higher commodity costs, and lower modernization volume in Europe.

## 2010 Compared with 2009

The organic sales decline (3%) was due to a decrease in new equipment sales volume as a result of lower opening backlog entering the year, partially offset by a strong volume rebound in China. The decrease in new equipment sales was partially offset by continued growth in the contractual maintenance business. New equipment orders improved 7% versus the prior year, led by strong order growth in China. Selling prices remained under pressure in most markets.

Operational profit improvement (6%) resulted from higher maintenance volume and ongoing cost reduction activities, which more than offset the impact of lower new equipment volume and pricing. Ongoing cost reduction activities also contributed to the 5% reduction in cost of sales. The decrease contributed by "Other" primarily reflects the absence of a \$52 million gain recognized in 2009 on the re-measurement to fair value of a previously held equity interest in a joint venture resulting from the purchase of a controlling interest.

**Carrier** is the leading provider of HVAC and refrigeration solutions, including controls for residential, commercial, industrial and transportation applications. In 2011, Carrier continued to execute the business transformation strategy it began in 2008 by completing divestitures of several non-core businesses and taking noncontrolling equity interests in various ventures. This included taking a noncontrolling equity interest in a new South American venture in exchange for the contribution of Carrier's existing HVAC operations in Brazil, Argentina and Chile to the new venture, which manufactures and distributes HVAC products in those countries. 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. The principal incentive program provides reimbursements to distributors for offering promotional pricing on Carrier products. We account for incentive payments made as a reduction to sales.

In September 2011, to better serve customers and to drive growth and achieve efficiencies through greater integration across certain product lines, we announced a new organizational structure which combines Carrier with UTC Fire & Security into a new segment called UTC Climate, Controls & Security. This new segment will report combined financial and operational results beginning with the first quarter of 2012.

## TOTAL CHANGE YEAR-OVER-YEAR FOR:

CHANGE YEAR OVER YEAR FOR:							
		2011 Compared with 2010				2010 Compared with 2009	
(Dollars in millions)	2011	2010	2009	\$	%	\$	%
Net Sales	\$11,969	\$11,386	\$11,335	\$ 583	5%	\$ 51	— %
Cost of Sales	9,246	8,850	8,923	396	4%	(73)	(1)%
	2,723	2,536	2,412				
Operating Expenses and Other	1,203	1,474	1,672				
Operating Profits	\$ 1,520	\$ 1,062	\$ 740	\$ 458	43%	\$ 322	44 %

## FACTORS CONTRIBUTING TO TOTAL % CHANGE YEAR-OVER-YEAR IN:

2011			2010		
		Operating			Operating
Net Sales	Cost of Sales	Profits	Net Sales	Cost of Sales	Profits
Organic / Operational	9 %	27 %	6 %	6 %	39 %
Foreign currency translation	2 %	3 %	1 %	1 %	—
Acquisitions and divestitures, net	(6)%	(4)%	(7)%	(8)%	3 %
Restructuring costs	—	3 %	—	—	18 %
Other	—	(1)%	—	—	(16)%
Total % change	5 %	43 %	—	(1)%	44 %

## 2011 Compared with 2010

Organic sales growth was 9%, with the recovery in the transport refrigeration market providing the most significant contribution. The 6% decrease in "Acquisitions and divestitures, net" reflects the net impact from acquisitions and the business transformation actions completed in the preceding twelve months as part of Carrier's ongoing portfolio transformation initiative.

The operational profit improvement of 27% was driven by strong conversion on organic sales growth, particularly in the higher margin transport refrigeration business, lower bad debt expense, and earnings improvement in Carrier's joint venture in Japan (4%). This was partially offset by higher net commodity costs (9%). The 14% increase in "Other" primarily reflects the year-over-year impact of net gains associated with Carrier's ongoing portfolio transformation. This includes an approximately \$80 million gain recorded in 2011 as a result of the contribution of Carrier's heating, ventilating, and air-conditioning operations in Brazil, Argentina, and Chile into a new venture controlled by Midea Group of China. Also included in "Other" is the absence of an asset impairment charge in 2010 of approximately \$58 million, reflected in cost of sales, associated with the disposition of a business.

## 2010 Compared with 2009

Organic sales growth of 6% was driven primarily by improvement in the transport refrigeration and Asian and Latin America HVAC markets, partially offset by a decline in the European commercial HVAC equipment markets. The 7% decrease contributed by "Acquisitions and divestitures, net" in 2010 primarily reflects the net year-over-year impact from the disposition of businesses and the global formation of non-controlling ventures as part of Carrier's ongoing portfolio transformation initiative.

Incremental profits resulting from sales of higher margin products, particularly in the transport refrigeration business, combined with the carry-over benefits of operating cost reduction and restructuring (combined 54%), were partially offset by increased commodity costs and adverse pricing (17%) to contribute to the high operational profit improvement of 39%. The decrease contributed by "Other" primarily reflects the year-over-year net impact of gains and losses resulting from dispositions associated with Carrier's ongoing portfolio transformation. This includes an approximately \$58 million asset impairment charge in 2010 associated with disposition activity as well as the absence of an approximately \$60 million gain recognized in 2009 from the contribution of the majority of Carrier's U.S. Residential Sales and Distribution business into a new venture formed with Watsco, Inc.

**UTC Fire & Security** is a global provider of security and fire safety products and services. UTC Fire & Security provides electronic security products such as intruder alarms, access control systems, and video surveillance systems and designs and manufactures a wide range of fire safety products including specialty hazard detection and fixed suppression products, portable fire extinguishers, fire detection and life safety systems, and other firefighting equipment. Services provided to the electronic security and fire safety industries include systems integration, video surveillance, installation, maintenance and inspection services. 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 products and services are used by governments, financial institutions, architects, building owners and developers, security and fire consultants, homeowners 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.

In 2010, we completed the acquisition of the GE Security business from GE. With the acquisition of GE Security, UTC strengthened its portfolio of security and fire safety technologies for commercial and residential applications, including fire detection and life safety systems, intrusion alarms, video surveillance and access control systems, while also significantly enhancing UTC Fire & Security's North American presence. In 2011, we continued to exit non-core businesses including the divestiture of our U.K. and Singapore guarding businesses.

In September 2011, to better serve customers and to drive growth and achieve efficiencies through greater integration across certain product lines, we announced a new organizational structure which combines UTC Fire & Security with Carrier into a new segment called UTC Climate, Controls & Security. This new segment will report combined financial and operational results beginning with the first quarter of 2012.

TOTAL CHANGE YEAR-OVER-YEAR FOR:							
2011 Compared with 2010						2010 Compared with 2009	
(Dollars in millions)	2011	2010	2009	\$	%	\$	%
Net Sales	\$6,895	\$6,490	\$5,503	\$405	6 %	\$987	18%
Cost of Sales	4,603	4,308	3,831	295	7 %	477	12%
	2,292	2,182	1,672				
Operating Expenses and Other	1,600	1,468	1,179				
Operating Profits	\$ 692	\$ 714	\$ 493	\$(22)	(3)%	\$221	45%

FACTORS CONTRIBUTING TO TOTAL % CHANGE YEAR-OVER-YEAR IN:					
2011			2010		
		Operating			Operating
Net Sales	Cost of Sales	Profits	Net Sales	Cost of Sales	Profits
Organic / Operational	2 %	(8)%	(3)%	(4)%	2%
Foreign currency translation	4 %	4 %	2 %	1 %	2%
Acquisitions and divestitures, net	1 %	—	19 %	15 %	34%
Restructuring costs	—	—	—	—	7%
Other	(1)%	1 %	—	—	—
Total % change	6 %	(3)%	18 %	12 %	45%

#### 2011 Compared with 2010

Organically, the 2% growth in sales was driven by increased volumes in the products businesses, while the service and install businesses remained flat. Geographically, the organic growth was driven by stronger volume in the product businesses, partially offset by declines in the U.K. and U.S. service businesses.

The operational profit decline (8%) reflects lower margins on projects and unfavorable sales mix, led by the U.K. on lower sales and productivity, with a partial offset from the benefits from higher sales volume and cost reductions. The increase contributed by "Other" was primarily related to the favorable resolution of litigation and gains on the dispositions of U.K. security businesses, which were largely offset by a \$66 million other-than-temporary impairment charge recorded on an equity investment in Asia in 2011.

#### 2010 Compared with 2009

Organically, the 3% sales contraction was driven by declines in the service and install businesses, while the products businesses were flat year-over-year. Geographically, the service and install businesses experienced weakness in Europe and the Americas in 2010 as a result of poor economic conditions, partially offset by growth in Asia. The increase contributed by "Acquisitions and divestitures, net" reflects the net year-over-year impact from acquisition and divestitures completed in the preceding twelve months, led by the acquisition in March 2010 of the GE Security business.

The organic cost of sales decline (4%) exceeded the organic sales decline (3%), generating incremental profits from the benefits of integrating operations, productivity initiatives, and the benefits of prior restructuring actions taken, which were partially offset by the impact of organic volume contraction. The increase contributed by "Acquisitions and divestitures, net" primarily reflects the acquisition in March 2010 of the GE Security business.

**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 aerospace 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 development programs and 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 commercial airline industry rebounded in 2010 and remained strong through 2011. Airline traffic, as measured by revenue passenger miles (RPMs), grew in 2011, as compared with 2010, and we expect RPMs will continue to grow between 4% and 6% in 2012. Although airlines have generally returned to profitability, high fuel prices continue to challenge the airlines to consider the need for more fuel efficient aircraft. We incurred significant investment in engineering and development in 2011 and expect continued significant investment in 2012, primarily at Pratt & Whitney as we continue to develop four separate geared turbofan platforms to meet demand for new engines which are fuel efficient and have reduced noise levels and exhaust emissions. We also saw a favorable trend in commercial aftermarket growth

during 2011 as airlines were adding capacity to their fleets, leading to additional overhaul and repair maintenance requirements. Orders of short cycle commercial aerospace spares grew year-over-year, with 8% growth in Pratt & Whitney's large commercial spares orders and a 22% increase in Hamilton Sundstrand's commercial spares orders. These increases in order rates have led to a corresponding increase in commercial aerospace aftermarket volume at both Pratt & Whitney and Hamilton Sundstrand. Accordingly, consolidated commercial aerospace aftermarket sales increased 13% in 2011, as compared to 2010. We do not expect the aftermarket sales growth rates seen in 2011 to continue in 2012. The overall business jet market has begun to recover during 2011, particularly within the long-range large business aircraft market. The small to mid-size business jet market recovery has been slow but is expected to continue to improve during 2012.

Sales growth at Sikorsky during 2011, compared with 2010 was driven by higher international military aircraft shipments and aftermarket support activity. Sikorsky continued to benefit from U.S. government spending, with approximately 85% of Sikorsky's 2011 helicopter deliveries based on military platforms. Commercial helicopter aftermarket sales volumes increased 18%, which were partially offset by lower commercial deliveries in 2011, compared with 2010. We have seen a renewed interest in helicopter demand in support of oil operations and have taken orders for more than 20 S-92 helicopters during the fourth quarter of 2011.

Deficit reduction measures considered by the U.S. government are expected to pressure the U.S. Department of Defense budget in the coming years, resulting in a decline in U.S. Department of Defense spending. Total sales to the U.S. government of \$9.8 billion in 2011, \$9.9 billion in 2010, and \$9.3 billion in 2009 were 17% of total UTC sales in 2011 and 18% both 2010 and 2009. 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 2011 and is expected to continue to benefit results in 2012.

**Pratt & Whitney** is among the world's leading suppliers of aircraft engines for the commercial, military, business jet and general aviation markets. Pratt & Whitney 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 market and fighter and transport aircraft in the military market. P&WC is a world leader in the production of engines powering business, regional, light jet, utility and military airplanes and helicopters and provides related maintenance, repair and overhaul services, including sale of spare parts, as well as fleet management services. Pratt & Whitney Rocketdyne (PWR) is a leader in the design, development and manufacture of sophisticated space propulsion systems for military and commercial applications. Pratt & Whitney Power Systems sells aero-derivative engines for industrial applications. 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 development, production and support programs, creates 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.

Pratt & Whitney is currently developing technology intended to enable it to power proposed and future aircraft, including the PurePower PW1000G Geared TurboFan engine. The PurePower PW1000G engine targets a significant reduction in fuel burn and noise levels with lower environmental emissions and operating costs than current production engines. In December 2010,

Airbus announced that it will offer a version of the PurePower PW1000G engine as a new engine option to power its A320neo family of aircraft scheduled to enter service in 2015. Additionally, PurePower PW1000G engine models have been selected by Bombardier to power the new CSeries passenger aircraft and by Mitsubishi Aircraft Corporation to power the new Mitsubishi Regional Jet (MRJ), scheduled to enter into service in 2013 and 2014, respectively. Irkut Corporation of Russia has also selected the PurePower PW1000G engine to power the proposed new Irkut MC-21 passenger aircraft, which is scheduled to enter into service in 2016. The success of these aircraft and the PurePower PW1000G family of engines is dependent upon many factors including technological challenges, aircraft demand, and regulatory approval. Based on these factors, as well as the level of success of aircraft program launches by aircraft manufacturers and other conditions, additional investment in the PurePower program is expected in 2012 and beyond.

In view of the risks and costs associated with developing new engines, Pratt & Whitney has entered into collaboration arrangements in which sales, costs and risks are shared. In September 2011, Pratt & Whitney announced a new collaboration with Japan Aero Engines Corporation (JAEC) and MTU Aero Engines AG (MTU) to collaborate to provide the PurePower PW1100G-JM engine for the Airbus A320neo program. At December 31, 2011, the interests of third party participants in Pratt & Whitney-directed commercial jet engine programs ranged from 14 percent to 48 percent. In addition, Pratt & Whitney has interests in other engine programs, including the IAE collaboration, which sells and supports V2500 engines for the Airbus A320 family of aircraft. On October 12, 2011, Pratt & Whitney and Rolls-Royce, a participant in the IAE collaboration, announced an agreement to restructure their interests in IAE. Under the terms of the agreement, Rolls-Royce will sell its interests in IAE and license its V2500 intellectual property in IAE to Pratt & Whitney for \$1.5 billion plus an agreed payment contingent on each hour flown by V2500-powered aircraft in service at the closing date during the fifteen year period following closing of the transaction. Consummation of this restructuring is subject to regulatory approvals and closing conditions. Also, on October 12, 2011, Pratt & Whitney and Rolls-Royce announced an agreement to form a new joint venture, in which each will hold an equal share, to develop new engines to power the next generation of 120 to 230 passenger mid-size aircraft that will replace the existing fleet of mid-size aircraft currently in service or in development. With this new joint venture, Pratt & Whitney and Rolls-Royce will focus on high-bypass ratio geared turbofan technology as well as collaborate on future studies of next generation propulsion systems. Pursuant to the agreement, the formation of this new venture is subject to regulatory approvals and closing conditions, including completion of the restructuring of the parties' interests in IAE. We expect the restructuring of the parties' interests in IAE to be completed in mid-2012. The closing of the new joint venture may take a substantially longer period of time to complete. Pratt & Whitney also has a 50 percent ownership interest in the Engine Alliance (EA), a joint venture with GE Aviation, which markets and manufactures the GP7000 engine for the Airbus A380 aircraft. Pratt & Whitney has entered into risk and revenue sharing arrangements with third parties for 40 percent of the content that Pratt & Whitney is responsible for providing to the EA. Pratt & Whitney accounts for its interests in the EA joint venture under the equity method of accounting. Pratt & Whitney continues to pursue additional collaboration partners.

In September 2011, to better serve customers and to drive growth and achieve efficiencies through greater integration across certain product lines, we announced a new organizational structure. As part of this new structure, we created UTC Propulsion & Aerospace Systems, a new organization consisting of Pratt & Whitney and Hamilton Sundstrand. Pratt & Whitney and Hamilton Sundstrand will continue to report their financial and operational results as separate segments.

TOTAL CHANGE YEAR-OVER-YEAR FOR:							
			2011 Compared with 2010		2010 Compared with 2009		
(Dollars in millions)	2011	2010	2009	\$	%	\$	%
Net Sales	\$13,430	\$12,935	\$12,392	\$ 495	4%	\$ 543	4%
Cost of Sales	9,805	9,622	9,342	183	2%	280	3%
	3,625	3,313	3,050				
Operating Expenses and Other	1,626	1,326	1,215				
Operating Profits	\$ 1,999	\$ 1,987	\$ 1,835	\$ 12	1%	\$ 152	8%

FACTORS CONTRIBUTING TO TOTAL % CHANGE YEAR-OVER-YEAR IN:						
2011			2010			
Net Sales	Cost of Sales	Operating Profits	Net Sales	Cost of Sales	Operating Profits	
Organic* / Operational*	5 %	(3)%	—	2%	(3)%	
Foreign currency (including P&WC net hedging)*	(1)%	1%	4%	1%	9 %	
Restructuring costs	—	1%	4 %	—	3 %	
Other	—	2 %	—	—	(1)%	
Total % change	4 %	2%	4%	3%	8 %	

\* As discussed further in the "Business Overview" and "Results of Operations" sections, for Pratt & Whitney only, the transactional impact of foreign exchange hedging at P&WC has been netted against the translational foreign exchange impact for presentation purposes in the above table. For all other segments, these foreign exchange transactional impacts are included within the organic sales/operational operating profit caption in their respective tables. Due to its significance to Pratt & Whitney's overall operating results, we believe it is useful to segregate the foreign exchange transactional impact in order to clearly identify the underlying financial performance.

**2011 Compared with 2010**

Organic sales growth (5%) was driven by growth in the large commercial engine business (5%), higher spares volume across the business (combined 2%), and higher industrial volume at Pratt & Whitney Power Systems (1%). These increases were partially offset by lower military engine sales. The impact from foreign currency reflects the unfavorable transactional impact of foreign exchange hedging at P&WC (1%).

The operational profit decline (3%) primarily reflects higher year-over-year research and development costs (11%), unfavorable commercial engine business mix and fewer military engine business deliveries (combined 6%), partially offset by higher commercial spares volume (10%). Additionally, gains recorded on contract settlements and contract close-outs were offset, in part, by losses incurred as a result of increased airline industry exposures during the year (combined 4%). The 2% contributed by "Other" primarily reflects the gain on a sale of an equity investment.

**2010 Compared with 2009**

Organic sales were essentially flat year-over-year. Growth in the large commercial engine business (4%), driven by higher commercial spares and aftermarket sales volumes, and an increase in the military engine business (1%) on higher engine deliveries, were mostly offset by lower sales at P&WC (2%) due to decreased engine sales volume and a decline at Pratt & Whitney Power Systems (2%) from lower industrial sales volumes. The impact from foreign currency (4%) reflects the beneficial transactional impact of foreign exchange hedging at P&WC.

The operational profit decline (3%) primarily reflects higher year-over-year research and development costs. Lower profits at P&WC (9%) driven by decreased engine sales volumes were offset by higher profit contribution from the large commercial engine business (6%) driven by higher commercial spares and aftermarket sales volumes and an increase in the military engine business (3%).

**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 control 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 military ground vehicle, 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 heavy duty process pumps, serve industries involved with chemical and hydrocarbon processing, oil and gas production, water and wastewater treatment and construction. 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.

In September 2011, to better serve customers and drive to growth and achieve efficiencies through greater integration across certain product lines, we announced a new organizational structure. As part of this new structure, we created UTC Propulsion & Aerospace Systems, a new organization consisting of Pratt & Whitney and Hamilton Sundstrand. Pratt & Whitney and Hamilton Sundstrand will continue to report their financial and operational results as separate segments.

TOTAL CHANGE YEAR-OVER-YEAR FOR:						
2011 Compared with 2010						
2010 Compared with 2009						
(Dollars in millions)	2011	2010	2009	\$	%	\$
						%
Net Sales	\$6,150	\$5,608	\$5,560	\$ 542	10%	\$ 48
Cost of Sales	4,292	3,881	3,893	411	11%	(12)
	1,858	1,727	1,667			
Operating Expenses and Other	776	809	810			
Operating Profits	\$1,082	\$ 918	\$ 857	\$ 164	18%	\$ 61
						7%

FACTORS CONTRIBUTING TO TOTAL % CHANGE YEAR-OVER-YEAR IN:						
2011			2010			
Net Sales	Cost of Sales	Operating Profits	Net Sales	Cost of Sales	Operating Profits	
Organic / Operational	9%	12 %	1%	—	8 %	
Foreign currency translation	1%	1 %	—	(1)%	(1)%	
Acquisitions and divestitures, net	—	(1)%	—	—	—	
Restructuring costs	—	—	—	—	6 %	
Other	—	(1)%	—	1 %	(6)%	
Total % change	10%	11 %	1%	—	7 %	

**2011 Compared with 2010**

The organic sales growth (9%) reflects higher volumes in both the aerospace (6%) and the industrial (3%) businesses. The increase within aerospace was driven by higher aftermarket volume (5%), primarily commercial spares. The industrial businesses increase was led by the compressor business as a result of volume increases in the manufacturing and energy sectors, particularly in the U.S. and Asia. The organic cost of sales growth (12%) exceeded the organic sales growth due largely to adverse mix within aerospace OEM and higher warranty costs.

The increase in operational profit (12%) reflects an increase in both the aerospace (7%) and the industrial (5%) businesses. The growth within aerospace reflects higher commercial spares volume, partially offset by adverse mix within OEM, including a reduction in military ground vehicle volumes and an increase in volume of lower margin commercial programs. Also, operational profit growth reflects the benefit of lower research and development costs (3%), offset by higher warranty costs (4%). The increase within the industrial businesses reflect the benefit of higher volume and cost reduction initiatives. The increase contributed by "Other" primarily reflects the absence of approximately \$28 million of asset impairment charges recorded in the second quarter of 2010. These charges related primarily to the disposition of an aerospace business as part of Hamilton Sundstrand's efforts to implement low cost sourcing initiatives.

**2010 Compared with 2009**

The organic sales growth (1%) reflects higher volumes in the industrial business (2%), partially offset by a decline in the aerospace business (1%). The industrial business increase was led by the compressor business attributable to general increases in infrastructure and industrial spending particularly in the U.S. and Asia. The decline within the aerospace business reflects lower OEM sales volume (2%) partially offset by an increase in the aftermarket business (1%) primarily as a result of higher commercial spares and repair volume.

The 8% improvement in operational profit reflects an increase in the industrial business (7%), reflecting the benefit from higher volumes and cost reduction initiatives, and an increase within the aerospace business (1%). The 1% improvement within aerospace reflects favorable net operating performance, including the benefit of ongoing cost reduction initiatives, and volume growth from higher margin commercial aftermarket sales partially offset by the impact from adverse mix within OEM sales (net combined 8%). This 8% improvement was mostly offset by higher year-over-year research and development costs (7%). The decrease contributed by "Other" primarily reflects the impact of an asset impairment charge recorded in 2010 related to the disposition of an aerospace business. The decrease in "Other" for operating profit also reflects the absence of a gain from the sale of a business in 2009.

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**Sikorsky** is one of the world's largest helicopter companies. Sikorsky manufactures military and commercial helicopters and also provides aftermarket helicopter and aircraft parts and services. In December 2007, the U.S. government and Sikorsky signed a five-year multi-service contract for 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. Upon completion of the contract in 2013, Sikorsky expects to have delivered approximately 690 aircraft. Sikorsky is in negotiations with the U.S. government for a new five-year multi-service contract for H-60 helicopters. Sikorsky is also developing the CH-53K next generation heavy lift helicopter for the U.S. Marine Corps and the CH-148 derivative of the H-92 helicopter, a military variant of the S-92 helicopter, for the Canadian government. The latter is being developed under a fixed-price contract that provides for the development and production of 28 helicopters, and related logistical support through March 2028. The current contract value is estimated to be \$4.5 billion, and is subject to changes in underlying variables such as future flight hours as well as fluctuations in foreign currency exchange rates. This is the largest and most expansive fixed-price development contract in Sikorsky's history. As previously disclosed, in June 2010 Sikorsky and the Canadian government signed contract amendments that revised the delivery schedule and contract specifications, and established the requirements for the first six interim aircraft to enable initial operational test and evaluation activities. The amendments also included modifications to the liquidated damages schedule, readjustment of payment schedules, resolution of open disputes and other program enhancements. Sikorsky recognized revenue in 2011 upon completing a significant milestone for work related to four interim configuration helicopters. Delivery of the final configuration aircraft is scheduled to begin in 2012. These aircraft will require further software testing and upgrades before full mission capability can be achieved. Sikorsky is in discussions with the Canadian government concerning the need for additional interim aircraft, schedules to complete remaining work, and the resolution of open disputes.

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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 principally made to the U.S. and foreign governments, and commercial helicopter operators. Sikorsky is increasingly engaging in logistics support programs and partnering with its government and commercial customers to manage and provide logistics, maintenance and repair services.

FACTORS CONTRIBUTING TO TOTAL % CHANGE YEAR-OVER-YEAR IN:					
2011			2010		
Net Sales	Cost of Sales	Operating Profits	Net Sales	Cost of Sales	Operating Profits
Organic / Operational	10%	12 %	6%	4%	17 %
Acquisitions and divestitures, net	—	—	—	—	(1)%
Restructuring costs	—	(5)%	—	—	(1)%
Other	—	10 %	—	—	3 %
Total % change	10%	17 %	6%	4%	18 %

The increase in organic sales (10%) was primarily attributable to higher military aircraft sales including higher international development aircraft sales and favorable military aircraft configuration mix (8% combined), which more than offset a decrease from commercial operations (2%) due to fewer aircraft deliveries. Net sales from aftermarket support increased (4%) primarily driven by higher spares volume.

weakness. Sales from aftermarket support increased (2%) primarily driven by higher military sales volume and aircraft modernizations.

Gross margin and operational profit improvement were primarily attributable to increased military aircraft sales (15%), partially offset by a decline in commercial operations (2%) due to unfavorable aircraft configuration mix and fewer deliveries as a result of continued commercial market weakness. Improvement in aftermarket support (4%) was driven by higher military sales and aircraft modernizations. The remainder of the operational profit change was driven by higher year-over-year research and development costs, which were substantially offset by favorable gross margin from lower manufacturing costs. The 3% increase contributed by "Other" primarily reflects the absence of prior year costs associated with a union contract ratified in 2009.

Eliminations and other reflects the elimination of sales, other income and operating profit transacted between segments, as well as the operating results of certain smaller businesses such as UTC Power and Clipper. The change in sales in 2011, as compared with 2010, primarily reflects the acquisition of Clipper. The change in the operating profit elimination in 2011, as compared with 2010, primarily reflects the impact from the acquisition of Clipper and costs associated with the pending acquisition of Goodrich, partially offset by the absence of the \$159 million other-than-temporary impairment charge on our investment in Clipper, which was recorded during the third quarter of 2010.

The organic sales growth (6%) was primarily attributable to higher military aircraft sales (6%), partially offset by the impact of fewer aircraft deliveries from commercial operations (2%) due to continued commercial market

## LIQUIDITY AND FINANCIAL CONDITION

(Dollars in millions)	2011	2010
Cash and cash equivalents	\$ 5,960	\$ 4,083
Total debt	10,260	10,289
Net debt (total debt less cash and cash equivalents)	4,300	6,206
Total equity	22,820	22,332
Total capitalization (total debt plus total equity)	33,080	32,621
Net capitalization (total debt plus total equity less cash and cash equivalents)	27,120	28,538
Total debt to total capitalization	31%	32%
Net debt to net capitalization	16%	22%

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 attributable to common shareowners. 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.

Although the global economy improved in 2011, as compared with 2010, and there have been some recent signs that economic recovery may be gaining traction in the U.S., there continues to be significant overall uncertainty with regard to the future direction of the world economy. High unemployment and a weak housing sector in the U.S. continue to dampen consumer sentiment domestically, while concerns over the European debt crisis and the deficit debate in Washington, D.C. continue to adversely impact financial markets and constrain government spending in certain countries. In light of these circumstances, we continue to assess our current business and closely monitor the impact on our customers and suppliers, and have determined that overall there has not been a significant impact on our financial position, results of operations or liquidity during 2011.

Our domestic pension funds experienced a positive return on assets of approximately 7% and 15% during 2011 and 2010, respectively. Approximately 88% of our domestic pension plans are invested in readily-liquid investments, including equity, fixed income, asset-backed receivables and structured products. The balance of our domestic pension plans (12%) is invested in less-liquid but market-valued investments, including real estate and private equity. The continued recognition of prior pension losses and the impact of a lower discount rate, partially offset by additional funding and the positive returns experienced during 2011, are expected to result in increased pension expense in 2012 of approximately \$250 million as compared to 2011.

Our strong debt ratings and financial position have historically enabled us to issue long-term debt at favorable market rates, including our issuance of \$2.25 billion of long-term debt in February 2010. Our ability to obtain debt

financing at comparable risk-based interest rates is partly a function of our existing debt-to-total-capitalization level as well as our current credit standing.

The purchase price for our pending acquisition of Goodrich for \$127.50 per share in cash equates to a total estimated enterprise value of \$18.4 billion, including \$1.9 billion in net debt to be assumed. We expect to finance the total \$16.5 billion to be paid to Goodrich shareholders at the closing of the acquisition through a combination of short- and long-term debt, equity issuance and cash. We intend to maintain our strong existing credit rating and minimize future share count dilution on earnings per share by targeting the equity component to comprise no more than 25% of the total financing (excluding the amount of Goodrich net debt to be assumed). We are also evaluating the potential disposition of a number of our non-core businesses to generate cash and minimize the level of future debt or equity issuances. To manage the cash flow and liquidity impacts of these actions, we are suspending future share repurchases until at least September 30, 2012, and will significantly reduce repurchases for two years thereafter. In addition, we will reduce our budgeted acquisition spending for the next few years, which for 2012 we expect to approximate \$500 million excluding spending for our pending acquisitions of Goodrich and Rolls-Royce's interests in IAE.

On November 8, 2011, we entered into a bridge credit agreement with various financial institutions that provides for a \$15 billion unsecured bridge loan facility, available to pay a portion of the cash consideration for the Goodrich acquisition, and to finance certain related transactions and pay related fees and expenses. Any funding under the bridge credit agreement would substantially occur concurrently with the consummation of the Goodrich acquisition, subject to customary conditions for acquisition financings of this type. Any loans made pursuant to the bridge credit agreement would mature on the date that is 364 days after the funding date.

At December 31, 2011, we had revolving credit agreements with various banks permitting aggregate borrowings of up to \$4.0 billion pursuant to a \$2.0 billion revolving credit agreement and a \$2.0 billion multicurrency revolving credit agreement, both of which expire in November 2016. These revolving credit agreements were signed on November 4, 2011 and replaced our previous revolving credit agreements executed in 2010 which had permitted aggregate borrowings of up to \$3.0 billion. As of December 31, 2011 and 2010, there were no borrowings under either of these revolving credit agreements. The undrawn portions of our revolving credit agreements are also available to serve as backup facilities for the issuance of commercial paper. In November 2011, our maximum commercial paper borrowing authority was increased from \$3 billion to \$4 billion.

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 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.

Given our extensive international operations, most of our cash is denominated in foreign currencies. We manage our worldwide cash requirements by reviewing 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 or be subject to capital controls; however, those balances are generally available without legal restrictions to fund ordinary business operations. As discussed in Note 10, with few exceptions, U.S. income taxes have not been provided on undistributed earnings of international subsidiaries. Our intention is to reinvest these earnings permanently or to repatriate the earnings only when it is tax effective to do so.

As also discussed in Note 10, in 2010 management decided to repatriate additional high tax dividends from the current year to the U.S. as a result of U.S. tax legislation enacted at the time. The favorable tax benefit generated by these dividends was substantially offset by the tax cost related to the repatriation of other current year earnings. As a result, approximately \$2.5 billion of foreign subsidiary cash was repatriated to the U.S. during 2010, primarily through receipt of dividends from current year earnings, the tax free return of capital, and intercompany loans. These funds were largely used to repay commercial paper borrowings.

On occasion, we are required to maintain cash deposits with certain banks with respect to contractual obligations related to acquisitions or divestitures or other legal obligations. As of December 31, 2011 and 2010, the amount of such restricted cash was approximately \$37 million and \$75 million, respectively. At both December 31, 2011 and 2010, all restricted cash is included in current assets.

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 or appropriate.

#### Cash Flow from Operating Activities

(Dollars in millions)	2011	2010
Net cash flows provided by operating activities	\$6,590	\$5,906

The increase in net cash flows provided by operating activities in 2011 as compared with 2010 was due largely to the increase in net income attributable to common shareowners as a result of higher sales volumes and to lower global pension cash contributions. These benefits were partially offset by higher working capital cash requirements. During 2011, the net increase in working capital resulted in a cash outflow of \$418 million compared to a cash inflow of

\$525 million during 2010. This increase of \$943 million in working capital was primarily driven by higher accounts receivable due to increased sales volumes, as well as reduced advances by customers to Sikorsky.

The funded status of our defined benefit 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 our global defined benefit pension plans were \$551 million and \$1.3 billion during 2011 and 2010, respectively. During 2011 and 2010, we also contributed \$450 million and \$250 million, respectively, in UTC common stock to our defined benefit pension plans. As of December 31, 2011, the total investment by the domestic defined benefit pension plans in our securities was approximately 5% of total plan assets. We expect to make contributions of approximately \$100 million to our foreign defined benefit pension plans in 2012. Although our domestic defined benefit pension plans are approximately 87% funded on a projected benefit obligation basis and we are not required to make additional contributions through the end of 2012, we may elect to make discretionary contributions in 2012. Contributions to our global defined benefit pension plans in 2012 are expected to meet or exceed the current funding requirements.

#### Cash Flow from Investing Activities

(Dollars in millions)	2011	2010
Net cash flows used in investing activities	\$(707)	\$(3,187)

The decrease in net cash flows used in investing activities was largely a result of a \$2.4 billion decrease in our cash investment in businesses in 2011, as compared with 2010. The cash investment in businesses across all of our operations in 2011 was \$357 million and consisted of a number of small acquisitions in both our commercial and aerospace businesses. Cash investment in businesses across all of our operations in 2010 was approximately \$2.8 billion and primarily reflects the acquisition of the GE Security business for approximately \$1.8 billion and the acquisition of Clipper for approximately \$350 million. The remainder consisted of a number of small acquisitions in both our aerospace and commercial businesses. Excluding spending for our pending acquisitions of Goodrich and Rolls-Royce's interests in IAE, we expect cash investments in businesses in 2012 to approximate \$500 million; however, actual acquisition spending may vary depending upon the timing, availability and appropriate value of acquisition opportunities. Capital expenditures increased \$118 million in 2011 primarily at Carrier and Hamilton Sundstrand, which included expenditures related to new product launches and investment in low-cost manufacturing facilities.

Customer financing activities were a net source of cash of \$50 million in 2011, compared to a net use of cash of \$55 million in 2010. While we expect that 2012 customer financing activity will be a net use of funds, actual funding is subject to

usage under existing customer financing commitments during the year. We may also arrange for third-party investors to assume a portion of our commitments. We had commercial aerospace financing and other contractual commitments of approximately \$2.3 billion and \$2.0 billion related to commercial aircraft and certain contractual rights to provide product on new aircraft platforms at December 31, 2011 and 2010, respectively, of which as much as \$131 million may be required to be disbursed during 2012. 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

(Dollars in millions)	2011	2010
Net cash flows used in financing activities	<b>\$(4,005)</b>	<b>\$(3,153)</b>

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. We had \$455 million of commercial paper outstanding at December 31, 2011. During the fourth quarter of 2010, the cash that management decided to repatriate to the U.S., as a result of U.S. tax law changes, was largely used to repay all commercial paper outstanding. As a result, we had no commercial paper outstanding at December 31, 2010.

In December 2011, we redeemed the entire \$500 million outstanding principal amount of our 6.100% notes that would otherwise have been due May 15, 2012. In February 2010, we issued \$2.25 billion of long-term debt. We used the net proceeds from these issuances primarily to fund a portion of the acquisition of the GE Security business and to repay commercial paper borrowings. In May 2010, we repaid the entire \$600 million outstanding principal amount of our 4.375% notes at maturity. In June 2010, we redeemed the entire \$500 million outstanding principal amount of our 7.125% notes that would otherwise have been due November 15, 2010 and in September 2010, we redeemed the entire \$500 million outstanding principal amount of our 6.350% notes that would otherwise have been due March 1, 2011.

Financing cash outflows for 2011 and 2010 included the repurchase of 26.9 million and 31.0 million shares of our common stock, respectively, for approximately \$2.2 billion during each year under a 60 million share repurchase program. On March 10, 2010, the Board of Directors authorized a new 60 million common share repurchase program that replaced the previous program, approved in June 2008, which was nearing completion. Approximately 4.9 million of the shares repurchased during 2010 were repurchased under the previous program and approximately 26.1 million 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, 2011, management had authority to repurchase approximately 7 million shares under the previously announced share repurchase program. Our share repurchases vary depending upon various factors including the level of other investing activities. As a result of our pending acquisition of Goodrich, on September 30, 2011 we suspended additional share repurchases until at least September 30, 2012, and will significantly reduce repurchases for two years thereafter.

We paid aggregate dividends on Common Stock for 2011 of approximately \$1.6 billion, comprised of dividends of \$0.425 per share in the first quarter of 2011 totaling \$368 million, \$0.48 per share in the second quarter of 2011 totaling \$413 million, \$0.48 per share in the third quarter of 2011 totaling \$411 million, and \$0.48 per share in the fourth quarter of 2011 totaling \$410 million. During 2010, an aggregate \$1.5 billion of cash dividends were paid to Common Stock shareholders.

#### 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 and/or service 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, as appropriate, 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 except for certain requirements contracts under which losses are recorded based upon receipt of the purchase order. 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 generally recognize losses on shipment to the extent that inventoriable manufacturing costs, estimated warranty costs and product performance guarantee costs, as appropriate, 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 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 changes in contract estimates using the cumulative catch-up method in accordance with the Revenue Recognition Topic of the FASB ASC.

**Income Taxes.** The future tax benefit arising from net deductible temporary differences and tax carryforwards was \$4.0 billion at December 31, 2011 and \$3.6 billion at December 31, 2010. 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 an increase to tax expense 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 a decrease to tax expense in the period in which that determination is made.

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 10 to the Consolidated Financial Statements for further discussion.

**Goodwill and Intangible Assets.** Our investments in businesses in 2011 totaled \$372 million, including approximately \$15 million of debt assumed through acquisitions. 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. Intangible assets consist of service portfolios, patents and trademarks, customer relationships and other intangible assets. Included within other intangible assets are commercial aerospace payments made to secure certain contractual rights to provide product on new aircraft platforms. Payments made on these contractual commitments are to be amortized as the related units are delivered.

Goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to annual impairment testing. We early-adopted the FASB's Accounting Standards Update ("ASU") No. 2011-08, "Testing Goodwill for Impairment," in connection with the performance of our annual goodwill impairment test. Under ASU 2011-08, entities are provided with the option of first performing a qualitative assessment on none, some, or all of its reporting units to determine whether further quantitative impairment testing is necessary. An entity may also bypass the qualitative assessment for any reporting unit in any period and proceed directly to the quantitative impairment test. We completed our annual impairment testing as of July 1, 2011 and determined that no significant adjustments to the carrying value of goodwill or indefinite lived intangible assets were necessary based on the results of the impairment tests. Although no significant goodwill impairment has been recorded to date, there can be no assurances that future goodwill impairments will not occur. 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 15 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, have settled some allegations and continue to litigate certain cases. 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 17 to the Consolidated Financial Statements for further discussion. We recorded sales to the U.S. government of \$9.8 billion in 2011, \$9.9 billion in 2010, and \$9.3 billion in 2009.

**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 annual periodic cost to a 25 basis point change in the discount rate as of December 31, 2011.

	Increase in Discount Rate	Decrease in Discount Rate
(Dollars in millions)	of 25 bps	of 25 bps
<b>Pension plans</b>		
Projected benefit obligation	\$(776)	\$812
Net periodic pension cost	(65)	66
<b>Other postretirement benefit plans</b>		
Accumulated postretirement benefit obligation	(13)	13
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 2011 pension expense by approximately \$58 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 is then compared to high-quality bond indices for reasonableness. Global market interest rates have decreased in 2011 as compared with 2010 and, as a result, the weighted-average discount rate used to measure pension liabilities decreased from 5.4% in 2010 to 4.7% in 2011. In December 2009, we amended the salaried retirement plans (qualified and non-qualified) to change the retirement formula effective January 1, 2015. At that time, final average earnings (FAE) and credited service will stop under the formula applicable for hires before July 1, 2002. Employees hired after 2009 are not eligible for any defined benefit pension plan and will instead receive an enhanced benefit under the UTC Savings Plan. The continued recognition of prior pension losses and the impact of a lower discount rate, partially offset by additional funding and the positive returns experienced during 2011, are expected to increase pension expense in 2012 by approximately \$250 million as compared to 2011. See Note 11 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 the adequacy of 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, 2011 and 2010, we had \$884 million and \$799 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 indemnities for representations and warranties and 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 include 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, 2011 is as follows:

PAYMENTS DUE BY PERIOD					
(Dollars in millions)	Total	2012	2013 – 2014	2015 – 2016	Thereafter
Long-term debt—principal	\$ 9,630	\$ 129	\$ 46	\$ 1,231	\$ 8,224
Long-term debt—future interest	8,172	554	1,109	1,047	5,462
Operating leases	1,883	515	696	299	373
Purchase obligations	12,486	7,305	2,807	853	1,521
Other long-term liabilities	5,786	1,322	1,192	1,815	1,457
Total contractual obligations	\$37,957	\$9,825	\$ 5,850	\$ 5,245	\$ 17,037

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 20% 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 customary contract termination clauses.

Other long-term liabilities primarily include those amounts on our December 31, 2011 balance sheet representing obligations under product service and warranty policies, performance and operating cost guarantees, estimated environmental remediation costs and expected contributions under employee benefit programs. 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 \$946 million, the timing of which is uncertain, except for approximately \$131 million that may become payable during 2012. Refer to Note 10 to the Consolidated Financial Statements for additional discussion on unrecognized tax benefits.

**COMMERCIAL COMMITMENTS**

AMOUNT OF COMMITMENT EXPIRATION PER PERIOD					
(Dollars in millions)	Committed	2012	2013 – 2014	2015 – 2016	Thereafter
Commercial aerospace financing and other contractual commitment	\$ 2,270	\$131	\$ 679	\$ 574	\$ 886
IAE financing arrangements*	989	284	448	183	74
Commercial aerospace financing arrangement	323	49	7	107	160
Unconsolidated subsidiary debt guarantees	239	147	—	—	92
Performance guarantees	33	33	—	—	—
Total commercial commitments	\$ 3,854	\$644	\$ 1,134	\$ 864	\$ 1,212

\* Represents IAE's gross obligation; at December 31, 2011 and 2010 our proportionate share of IAE's obligations was 33%. Refer to the Segment Review for additional discussion of our agreement with Rolls-Royce to restructure the IAE interests.

Refer to Notes 4, 15, and 17 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, 2011, 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 13 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 sales, 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 sales 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 sales 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 32 months on the U.S. Dollar sales exposure as represented by the excess of U.S. Dollar sales 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 sales 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, 2011.

#### **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 597 locations, mostly in the United States, at which we may have some liability for remediating contamination. We have resolved our liability at 250 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 91% of our accrued environmental remediation reserve.

We have been identified as a potentially responsible party under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA or Superfund) at 106 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.

At December 31, 2011 and 2010, we had \$617 million and \$605 million reserved for environmental remediation, respectively. Cash outflows for environmental remediation were \$54 million in 2011, \$44 million in 2010 and \$49 million in 2009. We estimate that ongoing environmental remediation expenditures in each of the next two years will not exceed approximately \$60 million.



**GOVERNMENT MATTERS**

As described in "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 U.S. 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 its 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. In September 2008, both the DOJ and UTC appealed the decision to the Sixth Circuit Court of Appeals. In November 2010, the Sixth Circuit affirmed Pratt & Whitney's liability under the False Claims Act and remanded the case to the U.S. District Court for further proceedings on the question of damages. Should the government ultimately prevail, the outcome of this matter could result in a material 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.

As previously disclosed, in December 2008, the U.S. 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 claims that Sikorsky's liability is approximately \$92 million (including interest through December 2011). We believe this claim is without merit, and Sikorsky filed an appeal in December 2009 with the U.S. Court of Federal Claims, which is pending. We do not believe the resolution of this matter will have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

A significant portion of our activities are subject to export control regulation by the U.S. Department of State (State Department) under the U.S. Arms Export Control Act and International Traffic in Arms Regulations (ITAR). From time to time, we identify, investigate, remediate and voluntarily disclose to the State Department's Office of Defense Trade Controls Compliance (DTCC) potential violations of the ITAR. DTCC administers the State Department's authority under the ITAR to impose civil penalties and other administrative sanctions for violations, including debarment from engaging in the export of defense articles or defense services. Most of our voluntary disclosures are resolved without the imposition of penalties or other sanctions. However, in November 2011, DTCC informed us that it considers certain of our voluntary disclosures filed since 2005 to reflect deficiencies warranting penalties and sanctions. We are currently in discussions with DTCC to reach a consent agreement, which we anticipate will provide for a payment by the Company and commitments regarding additional remedial compliance efforts.

The voluntary disclosures that we anticipate will be addressed in the consent agreement currently under discussion include 2006 and 2007 disclosures regarding the export by Hamilton Sundstrand to P&WC of certain modifications to dual-use electronic engine control software, and the re-export by P&WC of those software modifications and subsequent P&WC-developed patches to China during the period 2002-2004 for use in the development of the Z-10 Chinese military helicopter. The DOJ has also separately conducted a criminal investigation of the matters addressed in these disclosures, as well as the accuracy and adequacy of the disclosures. We have been cooperating with the DOJ's investigation. Since November 2011, we have been in discussions with the DOJ to resolve this matter.

We continue to evaluate the range of possible outcomes of these separate but related export compliance matters, and have recognized a potential liability at December 31, 2011 of \$45 million. We are currently unable to predict the precise timing or outcome of the discussions. We do not believe the ultimate resolution of these matters, individually or collectively, will have a material adverse effect on 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, 15 and 17 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 2011 (2011 Form 10-K).

#### **NEW ACCOUNTING PRONOUNCEMENTS**

In May 2011, the FASB issued ASU No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." This ASU clarifies the concepts related to highest and best use and valuation premise, blockage factors and other premiums and discounts, the fair value measurement of financial instruments held in a portfolio and of those instruments classified as a component of shareowners' equity. The ASU includes enhanced disclosure requirements about recurring Level 3 fair value measurements, the use of nonfinancial assets, and the level in the fair value hierarchy of assets and liabilities not recorded at fair value. The provisions of this ASU are effective prospectively for interim and annual periods beginning on or after December 15, 2011. Early application is prohibited. This ASU is not expected to have an impact currently on our financial statements or disclosures as there are presently no recurring Level 3 fair value measurements.

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income." This ASU is aimed at enhancing comparability and transparency of other comprehensive income components. The guidance provides an option to present total comprehensive income, the components of net income and the components of other comprehensive income in a single continuous statement or two separate but

consecutive statements. This ASU eliminates the option to present other comprehensive income components as part of the statement of changes in shareowners' equity. The provisions of this ASU will be applied retrospectively for interim and annual periods beginning after December 15, 2011. Early application is permitted. We will adopt the provisions of this ASU in the first quarter 2012.

In December 2011, the FASB issued ASU No. 2011-11, "Disclosures about Offsetting Assets and Liabilities." This ASU is intended to enhance a financial statement user's ability to understand the effects of netting arrangements on an entity's financial statements, including financial instruments and derivative instruments that are either offset or subject to an enforceable master netting or similar arrangement. The scope of this ASU includes derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. This ASU includes enhanced disclosure requirements, including both gross and net information about instruments and transactions eligible for offset or subject to an agreement similar to a master netting arrangement. The provisions of this ASU will be applied retrospectively for interim and annual periods beginning on or after January 1, 2013. We are currently evaluating the impact of this new ASU.

**CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS**

This 2011 Annual Report to Shareowners (2011 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," "expectations," "plans," "strategy," "prospects," "estimate," "project," "target," "anticipate," "will," "should," "see," "guidance," "confident" and other words of similar meaning in connection with a discussion of future operating or financial performance. Forward-looking statements may include, among other things, statements relating to future sales, earnings, cash flow, results of operations, uses of cash and other measures of financial performance. All forward-looking statements involve risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. Such risks, uncertainties and other factors include, without limitation:

- the effect of economic conditions in the markets in which we operate in the United States and globally and any changes therein, including financial market conditions, fluctuations in commodity prices, interest rates and foreign currency exchange rates, levels of end market demand in construction and in both the commercial and defense segments of the aerospace industry, levels of air travel, financial difficulties (including bankruptcy) of commercial airlines, the impact of weather conditions and natural disasters and the financial condition of our customers and suppliers;
- in respect of our recently announced agreement to acquire Goodrich Corporation (Goodrich) and Pratt & Whitney's recently announced transactions with Rolls-Royce, the satisfaction of conditions precedent to, and consummation of, the proposed transactions, the timing of consummation of the proposed transactions, the timing and consummation of proposed financing in connection with the proposed transactions, and the ability of the parties to secure regulatory approvals, and in the case of the Goodrich transaction, the approval of Goodrich's shareholders, in a timely manner;
- in respect of our recently announced agreement to acquire Goodrich, our ability to integrate the acquired operations and to realize synergies and opportunities for growth and innovation;
- our ability to realize the intended benefits of recently announced organizational changes;
- future levels of indebtedness and capital spending and research and development spending;
- future availability of credit and factors that may affect such availability, including credit market conditions and our capital structure;
- delays and disruption in delivery of materials and services from suppliers;
- new business opportunities;
- cost reduction efforts and restructuring costs and savings and other consequences thereof;
- the scope, nature or impact of other acquisition and divestiture activity, including integration of acquired businesses into our existing businesses;
- the development, production, delivery, support, performance and anticipated benefits 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 and labor disputes;
- the outcome of legal proceedings and other contingencies;
- future repurchases of our common stock;
- pension plan assumptions and future contributions; and
- the effect of changes in tax, environmental and other laws and regulations or political conditions in the United States and other countries in which we operate.

In addition, our Annual Report on Form 10-K for 2011 includes important information as to risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. See the "Notes to Consolidated Financial Statements" under the heading "Contingent Liabilities," the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the headings "Business Overview," "Critical Accounting Estimates," "Results of Operations," and "Liquidity and Financial Condition," and the section titled "Risk Factors." Our Annual Report on Form 10-K for 2011 also includes important information as to these factors 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 "Legal Proceedings" section. Additional important information as to these factors is included in this 2011 Annual Report in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the headings "Environmental Matters" and "Restructuring Costs." The forward-looking statements speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. Additional information as to factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements are disclosed from time to time in our other filings with the SEC.

**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, 2011. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its *Internal Control—Integrated Framework*, released in 1992. Management concluded that based on its assessment, UTC's internal control over financial reporting was effective as of December 31, 2011. The effectiveness of UTC's internal control over financial reporting, as of December 31, 2011, 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**  
Chairman & Chief Executive Officer

/s/ Gregory J. Hayes  
**Gregory J. Hayes**  
Senior Vice President and Chief Financial Officer

/s/ Peter F. Longo  
**Peter F. Longo**  
Vice President, Controller

**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 equity present fairly, in all material respects, the financial position of United Technologies Corporation and its subsidiaries at December 31, 2011 and December 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 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, 2011, 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 the 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.

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 9, 2012



## CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars in millions, except per share amounts; shares in millions)	2011	2010	2009
<b>Net Sales:</b>			
Product sales	\$41,289	\$38,641	\$37,332
Service sales	16,901	15,685	15,093
	58,190	54,326	52,425
<b>Costs and Expenses:</b>			
Cost of products sold	31,026	28,956	28,905
Cost of services sold	11,127	10,458	9,956
Research and development	2,058	1,746	1,558
Selling, general and administrative	6,464	6,024	6,036
	50,675	47,184	46,455
Other income, net	584	44	407
Operating profit	8,099	7,186	6,377
Interest expense, net	494	648	617
Income before income taxes	7,605	6,538	5,760
Income tax expense	2,231	1,827	1,581
Net income	5,374	4,711	4,179
Less: Non-controlling interest in subsidiaries' earnings	395	338	350
Net income attributable to common shareowners	\$ 4,979	\$ 4,373	\$ 3,829
<b>EARNINGS PER SHARE OF COMMON STOCK:</b>			
Basic	\$ 5.58	\$ 4.82	\$ 4.17
Diluted	\$ 5.49	\$ 4.74	\$ 4.12
Dividends Per Share of Common Stock	\$ 1.865	\$ 1.700	\$ 1.540
Weighted average number of shares outstanding:			
Basic shares	892.3	907.9	917.4
Diluted shares	906.8	922.7	928.8

See accompanying Notes to Consolidated Financial Statements

## CONSOLIDATED BALANCE SHEET

(Dollars in millions, except per share amounts; shares in thousands)

	2011	2010
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,960	\$ 4,083
Accounts receivable (net of allowance for doubtful accounts of \$394 and \$402)	9,546	8,925
Inventories and contracts in progress, net	7,797	7,766
Future income tax benefits, current	1,662	1,623
Other assets, current	793	1,113
<b>Total Current Assets</b>	<b>25,758</b>	<b>23,510</b>
Customer financing assets	1,035	1,118
Future income tax benefits	2,387	1,970
Fixed assets, net	6,201	6,280
Goodwill	17,943	17,721
Intangible assets, net	3,918	4,060
Other assets	4,210	3,834
<b>Total Assets</b>	<b>\$ 61,452</b>	<b>\$ 58,493</b>
<b>LIABILITIES AND EQUITY</b>		
Short-term borrowings	\$ 630	\$ 116
Accounts payable	5,570	5,206
Accrued liabilities	12,287	12,247
Long-term debt currently due	129	163
<b>Total Current Liabilities</b>	<b>18,616</b>	<b>17,732</b>
Long-term debt	9,501	10,010
Future pension and postretirement benefit obligations	5,007	3,592
Other long-term liabilities	5,150	4,510
<b>Total Liabilities</b>	<b>38,274</b>	<b>35,844</b>
Commitments and contingent liabilities (Notes 4 and 17)		
Redeemable non-controlling interest	358	317
Shareowners' Equity:		
Capital Stock:		
Preferred Stock, \$1 par value; 250,000 shares authorized; None issued or outstanding	—	—
Common Stock, \$1 par value; 4,000,000 shares authorized; 1,400,212 and 1,393,297 shares issued	13,445	12,597
Treasury Stock—492,990 and 472,028 common shares at cost	(19,410)	(17,468)
Retained earnings	33,487	30,191
Unearned ESOP shares	(152)	(166)
Accumulated other comprehensive income (loss):		
Foreign currency translation	206	366
Other	(5,696)	(4,135)
<b>Total Accumulated other comprehensive loss</b>	<b>(5,490)</b>	<b>(3,769)</b>
<b>Total Shareowners' Equity</b>	<b>21,880</b>	<b>21,385</b>
<b>Non-controlling interest</b>	<b>940</b>	<b>947</b>
<b>Total Equity</b>	<b>22,820</b>	<b>22,332</b>
<b>Total Liabilities and Equity</b>	<b>\$ 61,452</b>	<b>\$ 58,493</b>

See accompanying Notes to Consolidated Financial Statements



## CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in millions)	2011	2010	2009
<b>Operating Activities:</b>			
Net income attributable to common shareowners	\$ 4,979	\$ 4,373	\$ 3,829
Non-controlling interest in subsidiaries' earnings	395	338	350
Net income	5,374	4,711	4,179
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation and amortization	1,347	1,356	1,258
Deferred income tax provision	331	413	451
Stock compensation cost	229	154	153
Change in:			
Accounts receivable	(729)	(319)	955
Inventories and contracts in progress	(314)	(244)	695
Other current assets	7	(17)	(3)
Accounts payable and accrued liabilities	618	1,105	(582)
Global pension contributions	(551)	(1,299)	(1,270)
Other operating activities, net	278	46	(483)
Net cash flows provided by operating activities	6,590	5,906	5,353
<b>Investing Activities:</b>			
Capital expenditures	(983)	(865)	(826)
Increase in customer financing assets	(42)	(217)	(171)
Decrease in customer financing assets	92	162	80
Investments in businesses	(357)	(2,758)	(703)
Dispositions of businesses	497	208	158
Other investing activities, net	86	283	358
Net cash flows used in investing activities	(707)	(3,187)	(1,104)
<b>Financing Activities:</b>			
Issuance of long-term debt	59	2,362	37
Repayment of long-term debt	(616)	(1,751)	(1,012)
Increase (decrease) in short-term borrowings, net	556	(141)	(762)
Common Stock issued under employee stock plans	226	386	342
Dividends paid on Common Stock	(1,602)	(1,482)	(1,356)
Repurchase of Common Stock	(2,175)	(2,200)	(1,100)
Other financing activities, net	(453)	(327)	(340)
Net cash flows used in financing activities	(4,005)	(3,153)	(4,191)
Effect of foreign exchange rate changes on cash and cash equivalents	(1)	68	64
Net increase (decrease) in cash and cash equivalents	1,877	(366)	122
Cash and cash equivalents, beginning of year	4,083	4,449	4,327
Cash and cash equivalents, end of year	\$ 5,960	\$ 4,083	\$ 4,449
<b>Supplemental Disclosure of Cash Flow Information:</b>			
Interest paid, net of amounts capitalized	\$ 642	\$ 753	\$ 704
Income taxes paid, net of refunds	\$ 1,432	\$ 1,222	\$ 1,396
<b>Non-cash investing and financing activities include:</b>			
Contributions of UTC Common Stock to domestic defined benefit pension plans	\$ 450	\$ 250	\$ —

See accompanying Notes to Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Comprehensive	
(Dollars in millions)	Income (Loss)	Common Stock
<b>BALANCE AT DECEMBER 31, 2008</b>		<b>\$ 11,179</b>
Comprehensive income (loss):		
Net income	\$ 4,179	
Redeemable non-controlling interest in subsidiaries' earnings		
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	1,023	
Change in pension and post-retirement benefit plans, net of income taxes of \$569	1,073	
Unrealized gain on available-for-sale securities, net of income taxes of \$66	99	
Change in unrealized cash flow hedging, net of income taxes of \$106	255	
Total other comprehensive income, net of tax	2,450	
Comprehensive income	\$ 6,629	
Common Stock issued under employee plans (11.9 million shares), net of tax benefit of \$50		634
Common Stock repurchased (19.1 million shares)		
Dividends on Common Stock		
Dividends on ESOP Common Stock		
Dividends attributable to non-controlling interest		
Redeemable non-controlling interest accretion		
Purchase of subsidiary shares from non-controlling interest		(67)
Acquired non-controlling interest		
Other changes in non-controlling interest		
<b>BALANCE AT DECEMBER 31, 2009</b>		<b>\$ 11,746</b>
Comprehensive income (loss):		
Net income	\$ 4,711	
Redeemable non-controlling interest in subsidiaries' earnings		
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(18)	
Change in pension and post-retirement benefit plans, net of tax benefit of \$224	(336)	
Unrealized gain on available-for-sale securities, net of income taxes of \$61	96	
Change in unrealized cash flow hedging, net of tax benefit of \$18	(29)	
Total other comprehensive loss, net of tax	(287)	
Comprehensive income	\$ 4,424	
Common Stock issued under employee plans (11.8 million shares), net of tax benefit of \$94		746
Common Stock contributed to defined benefit pension plans (3.8 million shares)		117
Common Stock repurchased (31.0 million shares)		
Dividends on Common Stock		
Dividends on ESOP Common Stock		
Dividends attributable to non-controlling interest		
Redeemable non-controlling interest accretion		
Purchase of subsidiary shares from non-controlling interest		(12)
Sale of subsidiary shares in non-controlling interest		—
Other changes in non-controlling interest		
<b>BALANCE AT DECEMBER 31, 2010</b>		<b>\$ 12,597</b>
Comprehensive income (loss):		
Net income	\$ 5,374	
Redeemable non-controlling interest in subsidiaries' earnings		
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(163)	
Change in pension and post-retirement benefit plans, net of tax benefit of \$796	(1,485)	
Unrealized gain on available-for-sale securities, net of income taxes of \$21	30	
Change in unrealized cash flow hedging, net of tax benefit of \$36	(106)	
Total other comprehensive loss, net of tax	(1,724)	
Comprehensive income	\$ 3,650	
Common Stock issued under employee plans (7.2 million shares), net of tax benefit of \$81		672
Common Stock contributed to defined benefit pension plans (5.7 million shares)		227
Common Stock repurchased (26.9 million shares)		
Dividends on Common Stock		
Dividends on ESOP Common Stock		
Dividends attributable to non-controlling interest		
Redeemable non-controlling interest accretion		
Purchase of subsidiary shares from non-controlling interest		(54)
Sale of subsidiary shares in non-controlling interest		3
Other changes in non-controlling interest		
<b>BALANCE AT DECEMBER 31, 2011</b>		<b>\$ 13,445</b>

See accompanying Notes to Consolidated Financial Statements

SHAREOWNERS' EQUITY

Treasury Stock	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Equity	Redeemable Non-controlling Interest
<b>\$(14,316)</b>	<b>\$ 25,034</b>	<b>\$ (200)</b>	<b>\$ (5,934)</b>	<b>\$ 918</b>	<b>\$16,681</b>	<b>\$ 245</b>
	3,829			350	4,179	
				(17)	(17)	17
			1,020	8	1,028	(5)
			1,073		1,073	
			99		99	
			255		255	
8	(43)	19			618	
(1,100)					(1,100)	
	(1,356)				(1,356)	
	(59)				(59)	
				(329)	(329)	(17)
	(9)				(9)	9
				(25)	(92)	(3)
				36	36	143
				(8)	(8)	
<b>\$(15,408)</b>	<b>\$ 27,396</b>	<b>\$ (181)</b>	<b>\$ (3,487)</b>	<b>\$ 933</b>	<b>\$20,999</b>	<b>\$ 389</b>
	4,373			338	4,711	
				(24)	(24)	24
			(13)	—	(13)	(5)
			(336)		(336)	
			96		96	
			(29)		(29)	
7	(43)	15			725	
133					250	
(2,200)					(2,200)	
	(1,482)				(1,482)	
	(62)				(62)	
				(338)	(338)	(19)
	9				9	(9)
				(12)	(24)	(65)
				38	38	
				12	12	2
<b>\$(17,468)</b>	<b>\$ 30,191</b>	<b>\$ (166)</b>	<b>\$ (3,769)</b>	<b>\$ 947</b>	<b>\$22,332</b>	<b>\$ 317</b>
	4,979			395	5,374	
				(25)	(25)	25
			(160)	(6)	(166)	3
			(1,485)		(1,485)	
			30		30	
			(106)		(106)	
10	(9)	14			687	
223					450	
(2,175)					(2,175)	
	(1,602)				(1,602)	
	(63)				(63)	
				(363)	(363)	(15)
	(9)				(9)	9
				(19)	(73)	(2)
				23	26	—
				(12)	(12)	21
<b>\$(19,410)</b>	<b>\$ 33,487</b>	<b>\$ (152)</b>	<b>\$ (5,490)</b>	<b>\$ 940</b>	<b>\$22,820</b>	<b>\$ 358</b>

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 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. Certain reclassifications have been made to prior year amounts to conform to current year presentation.

**Consolidation.** The Consolidated Financial Statements include the accounts of United Technologies Corporation (UTC) and its 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 with respect to contractual obligations related to acquisitions or divestitures or other legal obligations. As of December 31, 2011 and 2010, the amount of such restricted cash was approximately \$37 million and \$75 million, respectively. At both December 31, 2011 and 2010, all restricted cash is included in current assets.

**Accounts Receivable.** Current and long-term accounts receivable include retainage of \$154 million and \$165 million and unbilled receivables of \$1,060 million and \$862 million as of December 31, 2011 and 2010, 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 Carrier entities 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 \$144 million and \$137 million at December 31, 2011 and 2010, 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 recorded over the fixed assets' useful lives using the straight-line method.

**Goodwill and 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 the Intangibles – Goodwill and Other Topic of the FASB ASC. This testing compares carrying values to fair values and, when appropriate, the carrying value of these assets is reduced to fair value. We early adopted the FASB ASU No. 2011-08, "Testing Goodwill for Impairment," in connection with the performance of our annual goodwill impairment test. Under ASU 2011-08, entities are provided with the option of first performing a qualitative assessment on none, some, or all of its reporting units to determine whether further quantitative impairment testing is necessary. An entity may also bypass the qualitative assessment for any reporting unit in any period and proceed directly to the quantitative impairment test. During 2011, 2010, and 2009, we were not required to record any significant impairments to the carrying value of goodwill or indefinite-lived intangible assets.

Intangible assets 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 generally range from 3 to 40 years. Estimated useful lives of customer relationships and other assets generally 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. Included within other intangible assets are commercial aerospace payments made to secure certain contractual rights to provide product on new aircraft platforms. Payments made on these contractual commitments are to be amortized as the related units are delivered.

**Other Long-Lived Assets.** We evaluate the potential impairment of other long-lived assets when appropriate. If the carrying value of other long-lived assets exceeds the sum of the undiscounted expected future cash flows, the carrying value is written down to fair value. During the years ended December 31, 2011 and 2010, we had certain non-recurring measurements resulting in impairment charges of \$66 million and \$245 million, respectively. See Note 13 to the Consolidated Financial Statements for additional information.

**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 expense has also been recognized. We recognize accrued interest 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 for elevators, escalators, installation and modernization contracts are accounted for under the percentage-of-completion method.

**Losses, if any, on long-term 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, as appropriate, 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 except for certain requirements contracts under which losses are recorded upon receipt of the purchase order. 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 generally recognized on shipment to the extent that inventoriable manufacturing costs, estimated warranty costs and product performance guarantee costs, as appropriate, 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 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. We record changes in contract estimates using the cumulative catch-up method in accordance with the Revenue Recognition Topic of the FASB ASC.

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.

Sales generated from engine programs, spare parts sales, and aftermarket business under collaboration arrangements are recorded as earned in our financial statements. Amounts attributable to our collaborative partners for their share of revenues are recorded as an expense in our financial statements based upon the terms and nature of the arrangement. Costs associated with engine programs under collaborative arrangements are expensed as incurred. Under these arrangements, collaborators contribute their program share of engine parts, incur their own production costs and make certain payments to Pratt & Whitney for shared or joint program costs. The reimbursement of a collaborator's 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 included as a contract cost and reported as a component of cost of products sold when revenue from such contracts is recognized.

**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 help 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.

Additional information pertaining to foreign currency forward contracts is included in Note 13 to the Consolidated Financial Statements.

**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,

2011 and 2010, the outstanding liability for asset retirement obligations was \$164 million and \$189 million, respectively.

**Pension and Postretirement Obligations.** Guidance under the Compensation—Retirement Benefits Topic of the FASB ASC requires balance sheet recognition of the overfunded or underfunded status of pension and postretirement benefit plans. Under this guidance, 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 other comprehensive income, net of tax effects, until they are amortized as a component of net periodic benefit cost.

## **NOTE 2: BUSINESS ACQUISITIONS, DISPOSITIONS, GOODWILL AND INTANGIBLE ASSETS**

**Business Acquisitions and Dispositions.** Our investments in businesses in 2011, 2010 and 2009 totaled \$372 million (including debt assumed of \$15 million), \$2.8 billion (including debt assumed of \$39 million) and \$703 million, respectively.

Our 2011 investments consisted of a number of smaller acquisitions in both the aerospace and commercial businesses. As a result of Sikorsky's contribution of a business into a new venture in the United Arab Emirates, we recognized a gain of approximately \$73 million in the second quarter of 2011.

In November 2011, Carrier formed a venture controlled by Midea Group of China (Midea) for the manufacture and distribution of heating, ventilating, and air-conditioning (HVAC) products in Brazil, Argentina, and Chile. The venture is comprised of Carrier's existing HVAC operations in the three countries and Midea's distribution entity. Midea owns 51% of the venture and Carrier 49%. This joint venture strengthens Carrier's global strategic relationship with Midea and expands the manufacturing and distribution of residential and light commercial HVAC systems in Brazil, Argentina, and Chile. Carrier recognized a gain of approximately \$80 million in 2011 as a result of this transaction.

On October 12, 2011, Pratt & Whitney and Rolls-Royce plc (Rolls-Royce), a participant in the IAE collaboration, announced an agreement to restructure their interests in IAE. Under the terms of the agreement, Rolls-Royce will sell its interests in IAE and license its V2500 intellectual property in IAE to Pratt & Whitney for \$1.5 billion plus an agreed payment contingent on each hour flown by V2500-powered aircraft in service at the closing date during the fifteen year period following closing of the transaction. Consummation of this restructuring is subject to regulatory approvals and other closing conditions. The acquisition of the additional interests in IAE will give Pratt & Whitney a controlling interest with approximately 66% ownership. Upon closing, we anticipate Pratt & Whitney will begin consolidating IAE. The acquisition of the additional interests in IAE and the intellectual property licenses will be reflected as intangible assets and amortized in relation to the economic benefits received over the projected remaining life of the V2500 program.

Also, on October 12, 2011, Pratt & Whitney and Rolls-Royce announced an agreement to form a new joint venture, in which each will hold an equal share, to develop new engines to power the next generation of 120 to 230 passenger mid-size aircraft that will replace the existing fleet of mid-size aircraft currently in service or in development. With this new joint venture, Pratt & Whitney and Rolls-Royce will focus on high-bypass ratio geared turbofan technology as well as collaborate on future studies of next generation propulsion systems. Pursuant to the agreement, the formation of this new venture is subject to regulatory approvals and other closing conditions, including completion of the restructuring of the parties' interests in IAE. We expect the restructuring of the parties' interests in IAE to be completed in mid-2012. The closing of the new joint venture may take a substantially longer period of time to complete.

On September 21, 2011, we announced an agreement to acquire Goodrich Corporation (Goodrich), a global supplier of systems and services to the aerospace and defense industry with 2010 sales of \$7 billion. Under the terms of the agreement, Goodrich shareholders will receive \$127.50 in cash for each share of Goodrich common stock they own at the time of the closing of the transaction. This equates to a total estimated enterprise value of \$18.4 billion, including \$1.9 billion in net debt to be assumed. We expect to finance the total \$16.5 billion to be paid to Goodrich shareholders at the closing of the acquisition through a combination of short and long term debt, equity issuance and cash. We intend to maintain our strong existing credit rating and minimize future share count dilution on earnings per share by targeting the equity component to comprise no more than 25% of the total financing (excluding the amount of Goodrich net debt to be assumed). We are also evaluating the potential disposition of a number of our non-core businesses to generate cash and minimize the level of future debt or equity issuances. The transaction is subject to customary closing conditions, including regulatory approvals and Goodrich shareholder approval. We expect that this acquisition will close in mid-2012. Goodrich products include aircraft nacelles and interior systems, actuation and landing systems, and electronic systems. Once the acquisition is complete, Goodrich and Hamilton Sundstrand will be combined to form a new segment named UTC Aerospace Systems. This segment and our Pratt & Whitney segment will be separately reportable segments although they will both be included within the UTC Propulsion & Aerospace Systems organizational structure. We expect the increased scale, financial strength and complementary products of the new combined business will strengthen our position in the aerospace and defense industry. Further, we expect that this acquisition will enhance our ability to support our customers with more integrated systems.

During 2011, we recorded other-than-temporary impairment charges totaling \$66 million on an equity investment held by UTC Fire & Security, in order to write-down our investment to market value as of December 31, 2011. This impairment is recorded within "Other income, net" on our Consolidated Statement of Operations.

On March 1, 2010, we completed the acquisition of the GE Security business for approximately \$1.8 billion, including debt assumed of \$32 million. The GE Security business supplies security and fire safety technologies for commercial and residential applications through a broad product portfolio that includes fire detection and life safety systems, intrusion alarms, and video surveillance and access control systems. This business, which has been integrated into our UTC Fire & Security segment, enhanced UTC Fire & Security's geographic diversity through GE Security's strong North American presence, while increasing total product and technology offerings. In connection with the acquisition of GE Security, we recorded approximately \$600 million of identifiable intangible assets and \$1.1 billion of goodwill. The goodwill recorded reflects synergies expected to be realized through the combination of GE Security's products, resources and management talent with those of the existing UTC Fire & Security business to enhance competitiveness, accelerate the development of certain product offerings, drive improved operational performance and secure additional service channels. Additionally, the combined business has provided the opportunity for significant improvements to the cost structure through the rationalization of general and administrative expenditures as well as research and development efforts.

During 2010, we completed the acquisition of Clipper Windpower Plc (Clipper), a publicly-held California-based wind turbine manufacturer. This investment is intended to expand our power generation portfolio and allow us to enter the wind power market by leveraging our expertise in blade technology, turbines and gearbox design. In the first half of 2010, we acquired a 49.9% equity stake in Clipper. In December 2010, we completed the acquisition of all the remaining shares of Clipper. The total cost of our investment in Clipper is approximately \$385 million. In connection with this transaction, we recorded approximately \$650 million of goodwill and identifiable intangible assets. Prior to the December 2010 purchase of the remaining shares of Clipper, we accounted for this investment under the equity method of accounting. During the quarter ended September 30, 2010, we recorded a \$159 million other-than-temporary impairment charge on our investment in Clipper, in order to write-down our investment to market value as of September 30, 2010. This impairment is recorded within "Other income, net" on our Consolidated Statement of Operations. In December 2010, as a result of the acquisition of a controlling interest and the remaining shares of Clipper, we recorded a \$21 million gain from the re-measurement to fair value of our previously held equity interest. The financial results of Clipper are included within the "Eliminations and other" category in the segment financial data in Note 18 to the Consolidated Financial Statements.

During 2010, we recorded approximately \$86 million of asset impairment charges, for assets that have met the "held-for-sale" criteria, related to disposition activity within both Carrier and Hamilton Sundstrand. These asset impairment charges are recorded within Cost of products sold on our Consolidated Statement of Operations. The asset

impairment charges consist of an approximately \$58 million charge associated with Carrier's ongoing portfolio transformation to a higher returns business and an approximately \$28 million charge at Hamilton Sundstrand related to the disposition of an aerospace business as part of Hamilton Sundstrand's efforts to implement low cost sourcing initiatives.

In August 2009, we completed the acquisition of the remaining 71% interest in GST Holdings Limited (GST), a fire alarm provider in China, for approximately \$250 million bringing our total investment in GST to approximately \$360 million. We recorded over \$200 million of goodwill and approximately \$100 million of identified intangible assets in connection with GST. With the acquisition of the remaining 71% of GST, UTC Fire & Security further strengthened its presence in the Chinese fire safety industry.

In July 2009, Carrier and Watsco, Inc. (Watsco) formed Carrier Enterprise, LLC, a joint venture to distribute Carrier, Bryant, Payne and Totaline residential and light commercial HVAC products in the U.S. sunbelt region and selected territories in the Caribbean and Latin America. As part of the transaction, Carrier contributed its distribution businesses located in these regions into the new venture. In consideration of its contribution, Carrier received approximately 3 million shares of common stock of Watsco and a 40% non-controlling interest in the new venture, which included a business contributed by Watsco. Watsco owns a 60% interest in the venture with options to purchase an additional 20% interest from Carrier in future years. Carrier recognized a gain of approximately \$60 million in 2009 as a result of its contribution of the majority of its U.S. residential sales and distribution businesses in this new venture.

The assets and liabilities of 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 \$432 million in 2011, \$1.7 billion in 2010, and \$630 million in 2009. The results of operations of acquired businesses have been included in the Consolidated Statement of Operations beginning as of the effective date of acquisition.

Goodwill. The changes in the carrying amount of goodwill, by segment, are as follows:

	Balance as of January 1, 2011	Goodwill resulting from business combinations	Foreign currency translation and other	Balance as of December 31, 2011
(Dollars in millions)				
Otis	\$ 1,470	\$ 62	\$ (16)	\$ 1,516
Carrier	3,171	52	(121)	3,102
UTC Fire & Security	6,646	58	(48)	6,656
Pratt & Whitney	1,224	—	(1)	1,223
Hamilton Sundstr	4,491	(8)	(8)	4,475
Sikorsky	330	24	(6)	348
Total	17,332	188	(200)	17,320
Eliminations and other	389	244	(10)	623
Total	\$ 17,721	\$ 432	\$ (210)	\$ 17,943

For 2011, we recorded an additional \$244 million of goodwill, reflected within "Eliminations and other" in the above table, related to the finalization of purchase accounting associated with the December 2010 acquisition of Clipper.

Intangible Assets. Identifiable intangible assets are comprised of the following:

	2011		2010	
(Dollars in millions)	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Amortized:				
Service portfolios	\$ 2,036	\$ (1,060)	\$ 1,950	\$ (942)
Patents and tradema	463	(183)	441	(153)
Other, principally customer relationships	3,329	(1,429)	3,229	(1,222)
	5,828	(2,672)	5,620	(2,317)
Unamortized:				
Trademarks and other	762	—	757	—
Total	\$ 6,590	\$ (2,672)	\$ 6,377	\$ (2,317)

Amortization of intangible assets in 2011 and 2010 was \$398 million and \$387 million, respectively. Amortization of these intangible assets for 2012 through 2016 is expected to approximate \$325 million per year.

### NOTE 3: EARNINGS PER SHARE

(Dollars in millions, except per share amounts; shares in millions)	2011	2010	2009
Net income attributable to common shareowners	\$4,979	\$4,373	\$3,829
Basic weighted average shares outstanding	892.3	907.9	917.4
Stock awards	14.5	14.8	11.4
Diluted weighted average shares outstanding	906.8	922.7	928.8
Earnings Per Share of Common Stock:			
Basic	\$ 5.58	\$ 4.82	\$ 4.17
Diluted	\$ 5.49	\$ 4.74	\$ 4.12

The computation of diluted earnings per share excludes the effect of the potential exercise of stock awards, including stock appreciation rights and stock options when the average market price of the common stock is lower than the exercise price of the related stock awards during the period. These outstanding stock awards are not included in the computation of diluted earnings per share because the effect would have been anti-dilutive. For 2011, there were no anti-dilutive stock awards excluded from the computation. For 2010 and 2009, the number of stock awards excluded from the computation was 11.4 million and 20.2 million, respectively.

### NOTE 4: COMMERCIAL AEROSPACE INDUSTRY ASSETS AND COMMITMENTS

We have receivables and other financing assets with commercial aerospace industry customers totaling \$3,736 million and \$3,384 million at December 31, 2011 and 2010, respectively. Customer financing assets related to



commercial aerospace industry customers consist of products under lease of \$665 million and notes and leases receivable of \$365 million. The notes and leases receivable are scheduled to mature as follows: \$37 million in 2012, \$57 million in 2013, \$26 million in 2014, \$30 million in 2015, \$30 million in 2016, and \$185 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 may also lease aircraft and subsequently sublease the aircraft to customers under long-term non-cancelable 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. We also have other contractual commitments, including commitments to secure certain contractual rights to provide product on new aircraft platforms. Payments made on these contractual commitments are included within other intangible assets and are to be amortized as the related units are delivered.

Our commercial aerospace financing and other contractual commitments as of December 31, 2011 were \$2,270 million and are exercisable as follows: \$131 million in 2012, \$252 million in 2013, \$427 million in 2014, \$206 million in 2015, \$368 million in 2016, and \$886 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 \$323 million as of December 31, 2011.

We have long-term aftermarket maintenance contracts with commercial aerospace industry customers for which revenue is recognized in proportion to actual costs incurred relative to total expected costs to be incurred over the respective contract periods. Billings, however, are typically based on factors such as engine flight hours. The timing differences between the billings and the maintenance costs incurred generates both deferred assets and deferred revenues. Deferred assets under these long-term aftermarket contracts totaled \$235 million and \$290 million at December 31, 2011 and 2010, respectively, and are included in Other assets in the accompanying Consolidated Balance Sheets. Deferred revenues generated totaled \$1,708 million and \$1,474 million at December 31, 2011 and 2010, respectively, and are included in Accrued liabilities and Other long-term liabilities in the accompanying Consolidated Balance Sheet.

As of December 31, 2011, we held a 33% interest in 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, 2011, IAE had financing commitments of \$728 million and asset value guarantees of \$50 million. Our share of IAE's financing commitments and asset value guarantees was approximately \$252 million at December 31, 2011. In addition, IAE had lease obligations under long-term non-cancelable leases of approximately \$211 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 aerospace receivables and financing assets were \$169 million and \$133 million at December 31, 2011 and 2010, respectively. Reserves related to financing commitments and guarantees were \$73 million and \$38 million at December 31, 2011 and 2010, respectively.

#### NOTE 5: INVENTORIES & CONTRACTS IN PROGRESS

(Dollars in millions)	2011	2010
Raw materials	\$ 1,321	\$ 1,221
Work-in-process	3,175	3,259
Finished goods	3,078	3,026
Contracts in progress	6,899	6,340
	<b>14,473</b>	<b>13,846</b>
Less:		
Progress payments, secured by lien, on U.S. Government contracts	(422)	(275)
Billings on contracts in progress	(6,254)	(5,805)
	<b>\$ 7,797</b>	<b>\$ 7,766</b>

Raw materials, work-in-process and finished goods are net of valuation reserves of \$884 million and \$799 million as of December 31, 2011 and 2010, respectively. As of December 31, 2011 and 2010, inventory also includes capitalized contract development costs of \$776 million and \$804 million, respectively, related to certain aerospace programs. These capitalized costs will be liquidated as production units are delivered to the customer. The capitalized contract 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 both December 31, 2011 and 2010, approximately 75% 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

(Dollars in millions)	Estimated Useful Lives	2011	2010
Land		\$ 335	\$ 342
Buildings and improvements	12-40 years	4,885	4,908
Machinery, tools and equipment	3-20 years	9,994	10,010
Other, including under construction		766	654
		15,980	15,914
Accumulated depreciation		(9,779)	(9,634)
		\$ 6,201	\$ 6,280

Depreciation expense was \$890 million in 2011, \$900 million in 2010 and \$852 million in 2009.

#### NOTE 7: ACCRUED LIABILITIES

(Dollars in millions)	2011	2010
Advances on sales contracts and service billings	\$ 5,028	\$ 5,203
Accrued salaries, wages and employee benefits	1,910	1,918
Service and warranty accruals	702	449
Income taxes payable	547	504
Litigation and contract matters	535	577
Interest payable	325	294
Accrued restructuring costs	248	358
Accrued workers compensation	215	210
Accrued property, sales and use taxes	197	209
Other	2,580	2,525
	\$12,287	\$12,247

#### NOTE 8: BORROWINGS AND LINES OF CREDIT

(Dollars in millions)	2011	2010
Short-term borrowings:		
Commercial paper	\$455	\$ —
Other borrowings	175	116
Total short-term borrowings	\$630	\$116

The weighted-average interest rates applicable to short-term borrowings outstanding at December 31, 2011 and 2010 were 1.5% and 6.3%, respectively. The decline in the weighted-average interest rates for short-term borrowings was due to the commercial paper borrowings outstanding at December 31, 2011, which carry favorable interest rates. At December 31, 2011, approximately \$1.3 billion was available under short-term lines of credit with local banks at our various domestic and international subsidiaries. In November 2011, our maximum commercial paper borrowing authority

was increased from \$3 billion to \$4 billion. We generally use our commercial paper borrowings for general corporate purposes, including the funding of potential acquisitions and repurchases of our common stock.

At December 31, 2011, we had revolving credit agreements with various banks permitting aggregate borrowings of up to \$4.0 billion pursuant to a \$2.0 billion revolving credit agreement and a \$2.0 billion multicurrency revolving credit agreement, both of which expire in November 2016. These revolving credit agreements were signed on November 4, 2011 and replaced our previous revolving credit agreements executed in 2010 which had permitted aggregate borrowings of up to \$3.0 billion. As of December 31, 2011, there were no borrowings under either of these revolving credit agreements. The undrawn portions of our revolving credit agreements are also available to serve as backup facilities for the issuance of commercial paper.

On November 8, 2011, we entered into a bridge credit agreement with various financial institutions that provides for a \$15 billion unsecured bridge loan facility, available to pay a portion of the cash consideration for the Goodrich acquisition, and to finance certain related transactions and pay related fees and expenses. Any funding under the bridge credit agreement would occur substantially concurrently with the consummation of the Goodrich acquisition, subject to customary conditions for acquisition financings of this type. Any loans made pursuant to the bridge credit agreement would mature on the date that is 364 days after the funding date.

Our long-term debt consists of the following:

(Dollars in millions)	2011	2010
6.100% notes due 2012*	\$ —	\$ 500
4.875% notes due 2015*	1,200	1,200
5.375% notes due 2017*	1,000	1,000
6.125% notes due 2019*	1,250	1,250
8.875% notes due 2019	272	272
4.500% notes due 2020*	1,250	1,250
8.750% notes due 2021	250	250
6.700% notes due 2028	400	400
7.500% notes due 2029*	550	550
5.400% notes due 2035*	600	600
6.050% notes due 2036*	600	600
6.125% notes due 2038*	1,000	1,000
5.700% notes due 2040*	1,000	1,000
Project financing obligations	127	141
Other (including capitalized leases)	131	160
Total long-term debt	9,630	10,173
Less current portion	(129)	(163)
Long-term portion	\$9,501	\$10,010

\* We may redeem the above 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 10-50 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 December 2011, we redeemed the entire \$500 million outstanding principal amount of our 6.100% notes that would otherwise have been due May 15, 2012. In February 2010, we issued two series of fixed rate notes that pay interest semiannually, in arrears, on April 15 and October 15 of each year beginning October 15, 2010. The \$1.25 billion principal amount of fixed rate notes bears interest at a rate equal to 4.500% per year and matures on April 15, 2020. The \$1.0 billion principal amount of fixed rate notes bears interest at a rate equal to 5.700% per year and matures on April 15, 2040. The proceeds from these notes were used primarily to fund a portion of the acquisition of the GE Security business, and to repay commercial paper borrowings.

The project financing obligations noted above are associated with the sale of rights to unbilled revenues related to the ongoing activity of an entity owned by Carrier. The percentage of total short-term borrowings and long-term debt at variable interest rates was 7% and 2% at December 31, 2011 and 2010, respectively. Interest rates on our commercial paper borrowings are considered variable due to their short-term duration and high-frequency of turnover.

The schedule of principal payments required on long-term debt for the next five years and thereafter is:

(Dollars in millions)

2012	\$ 129
2013	20
2014	26
2015	1,221
2016	10
Thereafter	8,224
<b>Total</b>	<b>\$9,630</b>

We have an existing universal shelf registration statement filed with the Securities and Exchange Commission (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: EQUITY

Changes in non-controlling interests that do not result in a change of control, and where there is a difference between fair value and carrying value, are accounted for as equity transactions. A summary of these changes in ownership interests in subsidiaries and the pro-forma effect on Net income attributable to common shareowners had they been recorded through net income is provided below:

(Dollars in millions)	2011	2010	2009
Net income attributable to common shareowners	\$4,979	\$4,373	\$3,829
Transfers to non-controlling interests:			
Increase in common stock for sale of subsidiary shares	3	—	—
Decrease in common stock for purchase of subsidiary shares	(54)	(12)	(67)
Net income attributable to common shareowners after transfers to non-controlling interests	\$4,928	\$4,361	\$3,762

#### NOTE 10: INCOME TAXES

The income tax expense (benefit) for the years ended December 31, consisted of the following components:

(Dollars in millions)	2011	2010	2009
<b>Current:</b>			
United States:			
Federal	\$ 428	\$ 122	\$ 239
State	99	128	54
Foreign	1,373	1,164	837
	1,900	1,414	1,130
<b>Future:</b>			
United States:			
Federal	528	461	370
State	27	—	41
Foreign	(224)	(48)	40
	331	413	451
<b>Income tax expense</b>	<b>\$2,231</b>	<b>\$1,827</b>	<b>\$1,581</b>
Attributable to items credited (charged) to equity and goodwill	\$ 864	\$ 276	\$ (782)

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. 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, 2011 and 2010 are as follows:

(Dollars in millions)	2011	2010
<b>Future income tax benefits:</b>		
Insurance and employee benefits	\$2,579	\$1,986
Other asset basis differences	(569)	(540)
Other liability basis differences	1,046	958
Tax loss carryforwards	723	729
Tax credit carryforwards	1,247	1,371
Valuation allowances	(977)	(911)
	\$4,049	\$3,593
<b>Future income taxes payable:</b>		
Fixed assets	\$ 667	\$ 647
Other items, net	248	190
	\$ 915	\$ 837

Valuation allowances have been established primarily for tax credit carryforwards, tax loss carryforwards, and certain foreign temporary differences to reduce the future income tax benefits to expected realizable amounts.

It is reasonably possible that over the course of 2012, the amount of valuation allowances may decrease within a range of \$150 million to \$200 million resulting from potential internal reorganizations that may occur in 2012. These internal reorganizations are separate from the creation of the UTC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Climate, Controls & Security and the UTC Propulsion & Aerospace Systems organizations as described above and are a component of our ongoing efforts to improve business efficiency.

The sources of income before income taxes are:

(Dollars in millions)	2011	2010	2009
United States	\$3,293	\$2,655	\$2,584
Foreign	4,312	3,883	3,176
	<b>\$7,605</b>	<b>\$6,538</b>	<b>\$5,760</b>

With few exceptions, 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 outside the U.S. 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 rate are as follows:

	2011	2010	2009
Statutory U.S. federal income tax rate	35.0 %	35.0 %	35.0 %
Tax on international activities	(4.3)%	(7.6)%	(6.9)%
Tax audit settlements	(0.8)%	—	(0.7)%
Other	(0.6)%	0.5 %	—
Effective income tax rate	<b>29.3 %</b>	<b>27.9 %</b>	<b>27.4 %</b>

The 2011 effective tax rate increased as compared to 2010 due to the absence of the repatriation of high taxed dividends which had a net favorable impact in 2010. The 2011 effective tax rate reflects approximately \$63 million of favorable income tax adjustments related to the settlement of two refund claims for years prior to 2004, as well as a favorable tax impact of \$17 million related to a U.K. tax rate reduction enacted in 2011. These favorable tax adjustments are partially offset by non-deductible charges accrued in 2011.

The 2010 effective tax rate reflects a non-recurring tax expense reduction associated with management's decision to repatriate additional high tax dividends from the current year to the U.S. in 2010 as a result of U.S. tax legislation enacted at the time. This is partially offset by the non-deductibility of impairment charges, the adverse impact from the health care legislation related to the Medicare Part D program and other increases to our effective tax rate.

The 2009 effective tax rate reflects approximately \$38 million of tax expense reductions relating to re-evaluation of our liabilities and contingencies based on global examination activity, including the IRS's completion of 2004 and 2005 examination fieldwork and our related protest filing. As a result of the global examination activity, we recognized approximately \$18 million of associated pre-tax interest income adjustments during 2009.

At December 31, 2011, tax credit carryforwards, principally state and federal, and tax loss carryforwards, principally state and foreign, were as follows:

(Dollars in millions)	Tax Credit Carryforwards	Tax Loss Carryforwards
Expiration period:		
2012-2016	\$ 22	\$ 523
2017-2021	164	125
2022-2031	308	397
Indefinite	753	2,157
Total	<b>\$ 1,247</b>	<b>\$ 3,202</b>

At December 31, 2011, we had gross tax-effected unrecognized tax benefits of \$946 million, all of which, if recognized, would impact the effective tax rate. A reconciliation of the beginning and ending amounts of unrecognized tax benefits and interest expense related to unrecognized tax benefits for the years ended December 31, 2011, 2010, and 2009 is as follows:

(Dollars in millions)	2011	2010	2009
Balance at January 1	<b>\$891</b>	\$793	\$ 773
Additions for tax positions related to the current year	71	115	90
Additions for tax positions of prior years	71	80	174
Reductions for tax positions of prior years	(24)	(81)	(20)
Settlements	(63)	(16)	(224)
Balance at December 31	<b>\$946</b>	\$891	\$ 793
Gross interest expense related to unrecognized tax benefits	<b>\$ 23</b>	\$ 27	\$ 21
Total accrued interest balance at December 31	<b>\$165</b>	\$144	\$ 142

Included in the balance at December 31, 2009 was \$57 million of tax positions whose tax characterization was highly certain but for which there was uncertainty about the timing of tax return inclusion. During 2010, the uncertainty was removed as a result of an accounting method change approved by the Internal Revenue Service (IRS).

During 2011, we reached final resolution with the IRS on two refund claims that had been pending with respect to pre-2004 tax years and refunds were received in accordance with the resolutions. A reduction in tax expense in the amount of \$63 million and pretax interest income in the amount of \$89 million was recognized during 2011 associated with the resolution of these claims.

Tax years 2004 – 2005 are currently before the Appeals Division of the IRS for resolution discussions regarding certain proposed tax adjustments with which we do not agree. Tax years 2006 – 2008 are currently under review by the Examination Division of the IRS. It is possible that both the 2004 – 2005 appeals activity as well as 2006 – 2008 examination activity may conclude before the end of the second quarter of 2012. The Company expects the IRS to commence their review of the 2009 and 2010 tax years in the first quarter of 2012.

We expect that certain adjustments proposed by the IRS in the course of its examination of tax years 2006 – 2008 and with which we do not agree will further proceed to the Appeals Division of the IRS for resolution discussions. Any discussions with the IRS Appeals Division related to the 2006 – 2008 tax years is likely to continue beyond 2012.

We conduct business globally and, as a result, UTC or one or more of our subsidiaries files 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, Belgium, 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 a net reduction within a range of \$160 million to \$260 million of unrecognized tax benefits may occur over the course of 2012 as a result of additional worldwide uncertain tax positions, the revaluation of current uncertain tax positions arising from developments in examinations, in appeals, or in the courts, or the closure of tax statutes. Not included in the range is € 198 million (approximately \$258 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 was appealed to the European Court of Justice (ECJ) to determine if the underlying German tax law is violative of European Union (EU) principles. On September 17, 2009 the ECJ issued an opinion in this case that is generally favorable to the other taxpayer and referred the case back to the German Federal Tax Court for further consideration of certain related issues. In May 2010, the German Federal Tax Court released its decision, in which it resolved certain tax issues that may be relevant to our audit and remanded the case to a lower court for further development. After consideration of the ECJ decision and the latest German Federal Tax Court decision, we continue to believe 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 we continue to monitor developments related to this matter, it may become necessary for us to accrue tax expense and related interest.

As a result of expected tax examination activity and associated re-evaluation of tax related liabilities and contingencies, it is possible that we may recognize non-cash gains, principally tax, in the range of \$225 million to \$350 million within the first half of 2012.

#### NOTE 11: EMPLOYEE BENEFIT PLANS

We sponsor numerous domestic and foreign employee benefit plans, which are discussed below.

**Employee Savings Plans.** We sponsor various employee savings plans. Our contributions to employer sponsored defined contribution plans were \$218 million, \$200 million and \$192 million for 2011, 2010 and 2009, respectively. Effective January 1, 2010, newly hired non-union domestic employees receive all of their retirement benefits through the defined contribution savings plan.

Our non-union domestic employee savings plan uses an Employee Stock Ownership Plan (ESOP) for employer contributions. External borrowings were used by the ESOP to fund a portion of its purchase of ESOP stock from us. The external borrowings have been extinguished and only re-amortized loans remain between the company and the ESOP Trust. 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.

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. Common stock allocated to ESOP participants is included in the average number of common shares outstanding for both basic and diluted earnings per share. At December 31, 2011, 33.6 million common shares had been allocated to employees, leaving 18.8 million unallocated common shares in the ESOP Trust, with an approximate fair value of \$1.4 billion.

Pension Plans. We sponsor both funded and unfunded domestic and foreign defined benefit pension plans that cover the majority of our employees. Our plans use a December 31 measurement date consistent with our fiscal year.

(Dollars in millions)	2011	2010
<b>CHANGE IN BENEFIT OBLIGATION:</b>		
Beginning balance	\$ 24,445	\$ 22,271
Service cost	444	396
Interest cost	1,298	1,287
Actuarial loss	2,185	1,625
Total benefits paid	(1,233)	(1,216)
Net settlement and curtailment loss (gain)	1	(37)
Plan amendments	21	121
Other	6	(2)
Ending balance	\$ 27,167	\$ 24,445
<b>CHANGE IN PLAN ASSETS:</b>		
Beginning balance	\$ 22,384	\$ 19,377
Actual return on plan assets	1,320	2,635
Employer contributions	1,060	1,621
Benefits paid from plan assets	(1,233)	(1,216)
Other	11	(33)
Ending balance	\$ 23,542	\$ 22,384
<b>FUNDED STATUS:</b>		
Fair value of plan assets	\$ 23,542	\$ 22,384
Benefit obligations	(27,167)	(24,445)
Funded status of plan	\$ (3,625)	\$ (2,061)
<b>AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEET CONSIST OF:</b>		
Noncurrent assets	\$ 552	\$ 637
Current liability	(64)	(58)
Noncurrent liability	(4,113)	(2,640)
Net amount recognized	\$ (3,625)	\$ (2,061)
<b>AMOUNTS RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE LOSS CONSIST OF:</b>		
Net actuarial loss	\$ 9,436	\$ 7,223
Prior service credit	(152)	(184)
Transition obligation	6	6
Net amount recognized	\$ 9,290	\$ 7,045

The amounts included in "Other" in the preceding table reflect the impact of foreign exchange translation, primarily for plans in the U.K. and Canada.

Qualified domestic pension plan benefits comprise approximately 76% 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. Effective January 1, 2015, this formula will change to the existing cash balance formula that 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. This plan change resulted in a \$623 million reduction in the projected benefit obligation as of December 31, 2009. Certain foreign plans, which comprise approximately 23% 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 made \$156 million of cash contributions and contributed \$450 million in UTC common stock to our domestic defined benefit pension plans and made \$395 million of cash contributions to our foreign defined benefit pension plans in 2011. In 2010, we made \$1,001 million of cash contributions and contributed \$250 million in UTC common stock to our domestic defined benefit pension plans and made \$298 million of cash contributions to our foreign defined benefit pension plans.

Information for pension plans with accumulated benefit obligation in excess of plan assets:

(Dollars in millions)	2011	2010
Projected benefit obligation	\$24,091	\$21,556
Accumulated benefit obligation	23,198	20,562
Fair value of plan assets	19,949	18,885

The accumulated benefit obligation for all defined benefit pension plans was \$26.0 billion and \$23.2 billion at December 31, 2011 and 2010, respectively.

The components of the net periodic pension cost are as follows:

(Dollars in millions)	2011	2010	2009
<b>Pension Benefits:</b>			
Service cost	\$ 444	\$ 396	\$ 429
Interest cost	1,298	1,287	1,285
Expected return on plan assets	(1,834)	(1,735)	(1,634)
Amortization of prior service (credits) costs	(12)	(18)	56
Amortization of unrecognized net transition obligation	1	1	1
Recognized actuarial net loss	462	285	226
Net settlement and curtailment loss	16	2	102
Net periodic pension cost—employer	\$ 375	\$ 218	\$ 465

Other changes in plan assets and benefit obligations recognized in other comprehensive loss in 2011 are as follows:

(Dollars in millions)	
Current year actuarial loss	\$2,700
Amortization of actuarial loss	(462)
Current year prior service cost	21
Amortization of prior service credit	12
Amortization of transition obligation	(1)
Other	(1)
<b>Total recognized in other comprehensive loss</b>	<b>\$2,269</b>
<b>Net recognized in net periodic pension cost and other comprehensive loss</b>	<b>\$2,644</b>



The estimated amount that will be amortized from accumulated other comprehensive loss into net periodic pension cost in 2012 is as follows:

(Dollars in millions)

Net actuarial loss	<b>\$722</b>
Prior service credit	<b>(12)</b>
Transition obligation	<b>1</b>
	<b>\$711</b>

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		
	2011	2010	2011	2010	2009
Discount rate	<b>4.7%</b>	5.4%	<b>5.4%</b>	5.9%	6.1%
Salary scale	<b>4.3%</b>	4.4%	<b>4.4%</b>	4.4%	4.4%
Expected return on plan assets	—	—	<b>7.9%</b>	8.0%	8.2%

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 capital market assumptions. Return projections are also

validated using a simulation model that incorporates yield curves, credit spreads and risk premiums to project long-term prospective returns.

The plan's investment 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 overall investment strategy targets a mix of 65% growth seeking assets and 35% income generating assets using a wide diversification of asset types, fund strategies and investment managers. The growth seeking allocation consists of global public equities in developed and emerging countries, private equity, real estate and balanced market risk strategies. Within public equities, 9% of the portfolio is an enhanced equity strategy that invests in publicly traded equity and fixed income securities, derivatives and foreign currency. Investments in private equity are primarily via limited partnership interests in buy-out strategies with smaller allocations in distressed debt funds. The real estate strategy is principally concentrated in directly held U.S. core investments with some smaller investments in international, value-added and opportunistic strategies. Within the income generating assets, the fixed income portfolio consists of a broadly diversified portfolio of corporate bonds, global government bonds and U.S. Treasury STRIPS. These investments are designed to hedge 40% of the interest rate sensitivity of the pension plan liabilities.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The fair values of pension plan assets at December 31, 2011 and 2010 by asset category are as follows:

(Dollars in millions)	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>ASSET CATEGORY:</b>				
Public Equities				
Global Equities	\$ 5,210	\$ 4	\$ —	\$ 5,214
Global Equity Commingled Funds (a)	—	2,981	—	2,981
Enhanced Global Equities (b)	44	1,590	239	1,873
Private Equities (c)	—	—	1,159	1,159
Fixed Income Securities				
Governments	1,564	1,199	—	2,763
Corporate Bonds	—	5,167	110	5,277
Structured Products (d)	—	67	—	67
Real Estate (e)	—	16	1,364	1,380
Other (f)	—	1,869	—	1,869
Cash & Cash Equivalents (g)	—	359	—	359
Subtotal	\$ 6,818	\$ 13,252	\$ 2,872	22,942
Other Assets & Liabilities (h)	—	—	—	600
<b>TOTAL AT DECEMBER 31, 2011</b>				<b>\$23,542</b>
Public Equities				
Global Equities	\$ 5,332	\$ 7	\$ 1	\$ 5,340
Global Equity Commingled Funds (a)	—	3,200	—	3,200
Enhanced Global Equities (b)	57	1,662	245	1,964
Private Equities (c)	—	—	1,134	1,134
Fixed Income Securities				
Governments	691	1,149	—	1,840
Corporate Bonds	21	5,424	—	5,445
Structured Products (d)	—	76	—	76
Real Estate (e)	—	26	944	970
Other (f)	—	1,517	—	1,517
Cash & Cash Equivalents (g)	—	293	—	293
Subtotal	\$ 6,101	\$ 13,354	\$ 2,324	21,779
Other Assets & Liabilities (h)	—	—	—	605
<b>TOTAL AT DECEMBER 31, 2010</b>				<b>\$22,384</b>

(a) Represents commingled funds that invest primarily in common stocks.

(b) Represents enhanced equity separate account and commingled fund portfolios. A portion of the portfolio may include long-short market neutral and relative value strategies that invest in publicly traded, equity and fixed income securities, as well as derivatives of equity and fixed income securities and foreign currency.

(c) Represents limited partner investments with general partners that primarily invest in debt and equity.

(d) Represents mortgage and asset-backed securities.

(e) Represents investments in real estate including commingled funds and directly held properties.

(f) Represents insurance contracts and global balanced risk commingled funds consisting mainly of equity, bonds and some commodities.

(g) Represents short-term commercial paper, bonds and other cash or cash-like instruments.

(h) Represents trust receivables and payables that are not leveled.

Derivatives in the plan are primarily used to manage risk and gain asset class exposure while still maintaining liquidity. Derivative instruments mainly consist of equity futures, interest rate futures, interest rate swaps and currency forward contracts.

Our common stock represents approximately 4% and 3% of total plan assets at December 31, 2011 and 2010, 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. We employ a broadly diversified investment manager structure that includes diversification by active and passive management, style, capitalization, country, sector, industry and number of investment managers.



The fair value measurement of plan assets using significant unobservable inputs (Level 3) changed due to the following:

	Global Equities	Enhanced Global Equities	Private Equities	Corporate Bonds	Real Estate	Total
(Dollars in millions)						
Balance, December 31, 2009	\$ —	\$ 11	\$ 1,045	\$ —	\$ 715	\$1,771
Realized gains (losses)	—	—	157	—	(6)	151
Unrealized gains relating to instruments still held in the reporting period	—	9	51	—	63	123
Purchases, sales, and settlements, net	1	225	(119)	—	150	257
Transfers in, net	—	—	—	—	22	22
Balance, December 31, 2010	1	245	1,134	—	944	2,324
Realized (losses) gains	—	(1)	108	—	(6)	101
Unrealized (losses) gains relating to instruments still held in the reporting period	—	(1)	17	6	137	159
Purchases, sales, and settlements, net	(1)	(4)	(100)	104	289	288
<b>BALANCE, DECEMBER 31, 2011</b>	<b>\$ —</b>	<b>\$ 239</b>	<b>\$ 1,159</b>	<b>\$ 110</b>	<b>\$1,364</b>	<b>\$2,872</b>

Quoted market prices are used to value investments when available. Investments in securities traded on exchanges, including listed futures and options, are valued at the last reported sale prices on the last business day of the year or, if not available, the last reported bid prices. Fixed income securities are primarily measured using a market approach pricing methodology, where observable prices are obtained by market transactions involving identical or comparable securities of issuers with similar credit ratings. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar investments. Investment contracts are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations. Real estate investments are valued on a quarterly basis using discounted cash flow models which consider long-term lease estimates, future rental receipts and estimated residual values. Valuation estimates are supplemented by third-party appraisals on an annual basis.

Private equity limited partnerships are valued quarterly using discounted cash flows, earnings multiples and market multiples. Valuation adjustments reflect changes in operating results, financial condition, or prospects of the applicable portfolio company. Over-the-counter securities and government obligations are valued at the bid prices or the average of the bid and ask prices on the last business day of the year from published sources or, if not available, from other sources considered reliable, generally broker quotes. Temporary cash investments are stated at cost, which approximates fair value.

#### ESTIMATED FUTURE CONTRIBUTIONS AND BENEFIT PAYMENTS

We expect to make contributions of approximately \$100 million to our foreign defined benefit pension plans in 2012. Although we are not required to make contributions to our domestic defined benefit pension plans through the end of 2012, we may elect to make discretionary contributions in 2012. 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: \$1,356 million in 2012, \$1,378 million in 2013, \$1,433 million in 2014, \$1,493 million in 2015, \$1,556 million in 2016, and \$8,788 million from 2017 through 2021.

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 84% of the benefit obligation. The postretirement plans are primarily unfunded. Assets in funded plans are primarily invested in cash and cash equivalents.

(Dollars in millions)	2011	2010
<b>CHANGE IN BENEFIT OBLIGATION:</b>		
Beginning balance	\$ 832	\$ 876
Service cost	3	2
Interest cost	39	46
Actuarial gain	(7)	(29)
Total benefits paid	(104)	(105)
Other	21	42
Ending balance	\$ 784	\$ 832
<b>CHANGE IN PLAN ASSETS:</b>		
Beginning balance	\$ 10	\$ 11
Actual return on plan assets	2	(1)
Employer contributions	76	76
Benefits paid from plan assets	(104)	(105)
Other	16	29
Ending balance	\$ —	\$ 10
<b>FUNDED STATUS:</b>		
Fair value of plan assets	\$ —	\$ 10
Benefit obligations	(784)	(832)
Funded status of plan	\$(784)	\$(822)
<b>AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEET CONSIST OF:</b>		
Current liability	\$ (74)	\$ (66)
Noncurrent liability	(710)	(756)
Net amount recognized	\$(784)	\$(822)
<b>AMOUNTS RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE LOSS CONSIST OF:</b>		
Net actuarial gain	\$(120)	\$(130)
Prior service cost	2	1
Net amount recognized	\$(118)	\$(129)

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The components of net periodic benefit cost are as follows:

(Dollars in millions)	2011	2010	2009
Other Postretirement Benefits:			
Service cost	\$ 3	\$ 2	\$ 2
Interest cost	39	46	50
Expected return on plan assets	(1)	(1)	(1)
Amortization of prior service credit	(2)	(2)	(2)
Recognized actuarial net gain	(8)	(1)	(3)
Net settlement and curtailment gain	(8)	—	—
Net periodic other postretirement benefit cost	\$ 23	\$ 44	\$ 46

Other changes in plan assets and benefit obligations recognized in other comprehensive loss in 2011 are as follows:

(Dollars in millions)	
Current year actuarial gain	\$ (8)
Amortization of prior service credit	2
Amortization of actuarial net gain	8
Net settlements and curtailments	10
Total recognized in other comprehensive loss	\$12
Net recognized in net periodic other postretirement benefit cost and other comprehensive loss	\$35

The estimated amounts that will be amortized from accumulated other comprehensive loss into net periodic benefit cost in 2012 include actuarial net gains of \$6 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		
	2011	2010	2011	2010	2009
Discount rate	4.3%	4.9%	4.9%	5.5%	6.0%
Expected return on plan assets	—	—	5.0%	5.0%	5.8%

Our participation in these plans for the annual periods ended December 31 is outlined in the table below. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2011 and 2010 is for the plan's year-end at June 30, 2010, and June 30, 2009, respectively. The zone status is based on information that we received from the plan and is certified by the plan's actuary. Our significant plan is in the green zone which represents at least 80 percent funded and does not require a financial improvement plan (FIP) or a rehabilitation plan (RP).

(Dollars in millions)	PENSION PROTECTION ACT ZONE STATUS		FIP/RP STATUS	CONTRIBUTIONS			Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
EIN/Pension Plan Number	2011	2010	Pending/ Implemented	2011	2010	2009		
National Elevator Industry Plan 23-2694291	Green	Green	No	\$ 56 38 \$ 94	\$ 55 35 \$ 90	\$ 60 37 \$ 97	No	July 8, 2012

For the plan years ended June 30, 2010 and 2009, respectively, we were listed in the National Elevator Industry Plan's Forms 5500 as providing more than 5% of the total

Assumed health care cost trend rates are as follows:

	2011	2010
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	2019	2019

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:

(Dollars in millions)	2011 One-Percentage-Point	
	Increase	Decrease
Effect on total service and interest cost	\$ 2	\$ (2)
Effect on postretirement benefit obligation	47	(40)

## 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: \$79 million in 2012, \$74 million in 2013, \$72 million in 2014, \$69 million in 2015, \$63 million in 2016, and \$265 million from 2017 through 2021.

Multiemployer Benefit Plans. We contribute to various domestic and foreign multiemployer defined benefit pension plans. The risks of participating in these multiemployer plans are different from single-employer plans in that assets contributed are pooled and may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Lastly, if we choose to stop participating in some of our multiemployer plans, we may be required to pay those plans a withdrawal liability based on the underfunded status of the plan.

contributions for the plan. At the date these financial statements were issued, Forms 5500 were not available for the plan year ending June 30, 2011.

In addition, we participate in several multiemployer arrangements that provide postretirement benefits other than pensions, with the National Elevator Industry Plan being the most significant. These arrangements generally provide medical and life benefits for eligible active employees and retirees and their dependents. Contributions to multiemployer plans that provide postretirement benefits other than pensions were \$10 million, \$10 million and \$11 million for 2011, 2010 and 2009, respectively.

**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. Our Long Term Incentive Plan (LTIP) was initially approved on April 13, 2005 and amended in 2011 to increase the maximum number of shares available for award under the LTIP to 119 million shares. Following initial approval of the LTIP, we may not grant any new awards under previously existing equity compensation plans. As of December 31, 2011, approximately 56 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, 2017, whichever is sooner.

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, stock appreciation rights and stock options have a term of ten years and a minimum three-year vesting period. 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 generally have a minimum three-year vesting period and vest based on performance against pre-established metrics. In the event of retirement, awards held more than one year remain

A summary of the transactions under all long-term incentive plans for the year ended December 31, 2011 follows:

(shares and units in thousands)	STOCK OPTIONS		STOCK APPRECIATION RIGHTS		PERFORMANCE SHARE UNITS		Other Incentive Shares / Units
	Shares	Average Price*	Shares	Average Price*	Units	Average Price**	
Outstanding at:							
December 31, 2010	27,337	\$ 44.82	31,220	\$ 64.72	3,024	\$ 65.96	807
Granted	320	78.99	4,916	79.09	946	78.99	455
Exercised/Earned	(6,551)	37.36	(1,249)	64.96	(746)	75.21	(116)
Cancelled	(77)	53.78	(849)	68.30	(262)	71.40	(37)
<b>December 31, 2011</b>	<b>21,029</b>	<b>\$ 47.63</b>	<b>34,038</b>	<b>\$ 66.70</b>	<b>2,962</b>	<b>\$ 67.31</b>	<b>1,109</b>

\* 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 2011, 2010 and 2009 was \$20.26, \$17.86 and \$16.01, respectively. The weighted-average grant date fair value of performance share units, which vest upon achieving certain performance metrics, granted during 2011, 2010, and 2009 was \$87.65, \$78.73 and \$61.56, respectively. The total fair value of awards vested during the years ended December 31, 2011, 2010 and 2009 was \$170 million, \$172 million and \$235 million, respectively.

eligible to vest. We have historically repurchased shares of our common stock in an amount at least equal to the number of shares issued under our equity compensation arrangements and will continue to evaluate this policy in conjunction with our overall share repurchase program.

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, 2011, 2010 and 2009, \$229 million, \$154 million and \$153 million, respectively, of compensation cost was recognized in operating results. The associated future income tax benefit recognized was \$75 million, \$47 million and \$49 million for the years ended December 31, 2011, 2010 and 2009, respectively.

For the years ended December 31, 2011, 2010 and 2009, the amount of cash received from the exercise of stock options was \$226 million, \$386 million and \$342 million, respectively, with an associated tax benefit realized of \$101 million, \$139 million and \$95 million, respectively. In addition, for the years ended December 31, 2011, 2010 and 2009, the associated tax benefit realized from the vesting of performance share units was \$19 million, \$20 million and \$33 million, respectively. Also, in accordance with the Compensation – Stock Compensation Topic of the FASB ASC, for the years ended December 31, 2011, 2010 and 2009, \$81 million, \$94 million and \$50 million, respectively, of certain tax benefits have been reported as operating cash outflows with corresponding cash inflows from financing activities.

At December 31, 2011, there was \$152 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 1.9 years.

The total intrinsic value (which is the amount by which the stock price exceeded the exercise price on the date of exercise) of stock options and stock appreciation rights exercised during the years ended December 31, 2011, 2010 and 2009 was \$336 million, \$446 million and \$296 million, respectively. The total intrinsic value (which is the stock price at vesting) of performance share units vested was \$59 million, \$62 million and \$100 million during the years ended December 31, 2011, 2010 and 2009, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes information about equity awards outstanding that are vested and expected to vest and equity awards outstanding that are exercisable at December 31, 2011:

EQUITY AWARDS VESTED AND EXPECTED TO VEST					EQUITY AWARDS THAT ARE EXERCISABLE			
(shares in 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	54,779	\$ 59.01	\$ 771	5.0	37,362	\$ 55.03	\$ 675	3.6
Performance Share Units/Restricted Stock	3,065	—	224	1.3				

\* 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, 2011, 2010 and 2009. Because lattice-based option models incorporate ranges of assumptions for inputs, those ranges are as follows:

	2011	2010	2009
Expected volatility	26% - 32%	24% - 28%	30% - 42%
Weighted-average volatility	26%	25%	30%
Expected term (in years)	7.5 - 8.0	7.4 - 7.9	7.4 - 7.9
Expected dividends	2.4%	2.7%	2.1%
Risk-free rate	0.1% - 3.5%	0.1% - 4.0%	0% - 2.5%

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 12: RESTRUCTURING COSTS

During 2011, we recorded net pre-tax restructuring costs totaling \$336 million for new and ongoing restructuring actions. We recorded charges in the segments as follows:

(Dollars in millions)	
Otis	\$ 73
Carrier	46
UTC Fire & Security	80
Pratt & Whitney	67
Hamilton Sundstrand	16
Sikorsky	53
Eliminations and other	1
Total	\$336

The net costs consist of \$180 million recorded in cost of sales, \$154 million in selling, general and administrative expenses and \$2 million in other income, net. As described below, these charges primarily relate to actions initiated during 2011 and 2010.

2011 Actions. During 2011, we initiated restructuring actions relating to ongoing cost reduction efforts, including workforce reductions and consolidation of field operations. We recorded net pre-tax restructuring costs totaling \$286 million for restructuring actions initiated in 2011, consisting of \$136 million in cost of sales, \$147 million in selling, general and administrative expenses and \$3 million in other income, net.

We expect the actions that were initiated in 2011 to result in net workforce reductions of approximately 5,000 hourly and salaried employees, the exiting of approximately 2 million net square feet of facilities and the disposal of assets associated with exited facilities. As of December 31, 2011, we have completed, with respect to the actions initiated in 2011, net workforce reductions of approximately 2,200 employees and 50,000 net square feet of facilities have been exited. We are targeting to complete in 2012 the majority of the remaining workforce and all facility related cost reduction actions initiated in 2011. No specific plans for significant other actions have been finalized at this time.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the accrual balances and utilization by cost type for the 2011 restructuring actions:

(Dollars in millions)	Severance	Asset Write-Downs	Facility Exit, Lease Termination and Other Costs	Total
Net pre-tax restructuring charges	\$ 259	\$ 4	\$ 23	\$ 286
Utilization and foreign exchange	(115)	(4)	(13)	(132)
<b>Balance at December 31, 2011</b>	<b>\$ 144</b>	<b>\$ —</b>	<b>\$ 10</b>	<b>\$ 154</b>

The following table summarizes expected, incurred and remaining costs for the 2011 restructuring actions by type:

(Dollars in millions)	Severance	Asset Write-Downs	Facility Exit, Lease Termination and Other Costs	Total
Expected costs	\$ 290	\$ 4	\$ 74	\$ 368
Costs incurred during 2011	(259)	(4)	(23)	(286)
<b>Remaining costs at December 31, 2011</b>	<b>\$ 31</b>	<b>\$ —</b>	<b>\$ 51</b>	<b>\$ 82</b>

The following table summarizes expected, incurred and remaining costs for the 2011 restructuring actions by segment:

(Dollars in millions)	Expected Costs	Costs Incurred During 2011	Remaining Costs at December 31, 2011
Otis	\$ 100	\$ (76)	\$ 24
Carrier	47	(31)	16
UTC Fire & Security	68	(62)	6
Pratt & Whitney	65	(52)	13
Hamilton Sundstrand	14	(13)	1
Sikorsky	73	(51)	22
Eliminations and other	1	(1)	—
<b>Total</b>	<b>\$ 368</b>	<b>\$ (286)</b>	<b>\$ 82</b>

2010 Actions. During 2011, we recorded net pre-tax restructuring costs totaling \$55 million for restructuring actions initiated in 2010, consisting of \$36 million in cost of sales and \$19 million in selling, general and administrative expenses. The 2010 actions relate to ongoing cost reduction efforts, including workforce reductions and the consolidation of field operations.

As of December 31, 2011, we have completed net workforce reductions of approximately 4,000 employees of an expected 5,000, and have exited 2.5 million net square feet of facilities of an expected 3.9 million net square feet. The remaining workforce and facility reduction actions are targeted for completion during 2012.

The following table summarizes the restructuring accrual balances and utilization by cost type for the 2010 programs:

(Dollars in millions)	Severance	Asset Write-Downs	Facility Exit, Lease Termination and Other Costs	Total
Restructuring accruals at January 1, 2011	\$ 203	\$ —	\$ 24	\$ 227
Net pre-tax restructuring charges	9	11	35	55
Utilization and foreign exchange	(156)	(11)	(44)	(211)
<b>Balance at December 31, 2011</b>	<b>\$ 56</b>	<b>\$ —</b>	<b>\$ 15</b>	<b>\$ 71</b>

The following table summarizes expected, incurred and remaining costs for the 2010 programs by type:

(Dollars in millions)	Severance	Asset Write-Downs	Facility Exit, Lease Termination and Other Costs	Total
Expected costs	\$ 319	\$ 30	\$ 98	\$ 447
Costs incurred during 2010	(301)	(19)	(51)	(371)
Costs incurred during 2011	(9)	(11)	(35)	(55)
<b>Remaining costs at December 31, 2011</b>	<b>\$ 9</b>	<b>\$ —</b>	<b>\$ 12</b>	<b>\$ 21</b>

The following table summarizes expected, incurred and remaining costs for the 2010 programs by segment:

(Dollars in millions)	Expected Costs	Costs Incurred During 2010	Costs Incurred During 2011	Remaining Costs at December 31, 2011
Otis	\$ 87	\$ (87)	\$ —	\$ —
Carrier	98	(74)	(19)	5
UTC Fire & Security	94	(64)	(23)	7
Pratt & Whitney	93	(84)	(8)	1
Hamilton Sundstrand	40	(29)	(3)	8
Sikorsky	17	(15)	(2)	—
Eliminations and other	18	(18)	—	—
<b>Total</b>	<b>\$ 447</b>	<b>\$ (371)</b>	<b>\$ (55)</b>	<b>\$ 21</b>

**NOTE 13: FINANCIAL INSTRUMENTS**

We enter into derivative instruments for risk management purposes only, including derivatives designated as hedging instruments under the Derivatives and Hedging Topic of the FASB ASC and those utilized as economic hedges. 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 have used derivative instruments, including swaps, forward contracts and options to manage certain foreign currency, interest rate and commodity price exposures.

By their 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. While there can be no assurance, we do not anticipate any material non-performance by any of these counterparties.

**Foreign Currency Forward Contracts.** We manage our foreign currency transaction risks to acceptable limits through the use of derivatives that hedge forecasted cash flows associated with foreign currency transaction exposures which are accounted for as cash flow hedges, as deemed appropriate. To the extent these derivatives are effective in offsetting the variability of the hedged cash flows, and otherwise meet the hedge accounting criteria of the Derivatives and Hedging Topic of the FASB ASC, changes in the derivatives' fair values are not included in current earnings but are included in Accumulated other comprehensive loss. These changes in fair value will subsequently be reclassified into earnings as a component of product sales or expenses, as applicable, when the forecasted

transaction occurs. To the extent that a previously designated hedging transaction is no longer an effective hedge, any ineffectiveness measured in the hedging relationship is recorded currently in earnings in the period it occurs.

To the extent the hedge accounting criteria are not met, the foreign currency forward contracts are utilized as economic hedges and changes in the fair value of these contracts are recorded currently in earnings in the period in which they occur. These include hedges that are used to reduce exchange rate risks arising from the change in fair value of certain foreign currency denominated assets and liabilities (e.g. payables, receivables) and other economic hedges where the hedge accounting criteria were not met.

The four quarter rolling average of the notional amount of foreign exchange contracts hedging foreign currency transactions was \$10.4 billion and \$8.5 billion at December 31, 2011 and 2010, respectively.

Additional information pertaining to foreign exchange and hedging activities is included in Note 1 to the Consolidated Financial Statements.

**Commodity Forward Contracts.** We enter into commodity forward contracts to reduce the risk of fluctuations in the price we pay for certain commodities (for example, nickel) which are used directly in the production of our products, or are components of the products we procure to use in the production of our products. These hedges are economic hedges and the changes in fair value of these contracts are recorded currently in earnings in the period in which they occur. The fair value and outstanding notional amount of contracts hedging commodity exposures were insignificant at December 31, 2011 and 2010, respectively.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the fair value of derivative instruments as of December 31:

(Dollars in millions)	Balance Sheet Asset Location	2011	2010
Derivatives designated as hedging instruments:			
Foreign Exchange Contracts	Other assets, current	\$ 69	\$ 73
Foreign Exchange Contracts	Other assets	3	24
		72	97
Derivatives not designated as hedging instruments:			
Foreign Exchange Contracts	Other assets, current	40	31
Foreign Exchange Contracts	Other assets	2	5
		42	36
<b>Total Asset Derivative Contracts</b>		<b>\$114</b>	<b>\$133</b>
	Balance Sheet Liability Location		
Derivatives designated as hedging instruments:			
Foreign Exchange Contracts	Accrued liabilities	\$ 81	\$ 16
Foreign Exchange Contracts	Other long-term liabilities	43	1
		124	17
Derivatives not designated as hedging instruments:			
Foreign Exchange Contracts	Accrued liabilities	40	33
Foreign Exchange Contracts	Other long-term liabilities	1	3
		41	36
<b>Total Liability Derivative Contracts</b>		<b>\$165</b>	<b>\$ 53</b>

The impact from foreign exchange derivative instruments that qualified as cash flow hedges for the period was as follows:

	December 31,	
(Dollars in millions)	2011	2010
(Loss) gain recorded in Accumulated other comprehensive loss	\$ (46)	\$ 72
Gain reclassified from Accumulated other comprehensive loss into Product sales (effective portion)	96	119

Assuming current market conditions continue, a \$31 million pre-tax loss is expected to be reclassified from Accumulated other comprehensive loss into Product sales to reflect the fixed prices obtained from foreign exchange hedging within the next 12 months. At December 31, 2011, all derivative contracts accounted for as cash flow hedges mature by February 2014.

The effect on the Consolidated Statement of Operations from foreign exchange contracts not designated as hedging instruments was as follows:

	December 31,	
(Dollars in millions)	2011	2010
(Loss) gain recognized in Other income, net	\$ (39)	\$ 153

**Fair Value Disclosure.** The Fair Value Measurements and Disclosure Topic of the FASB ASC defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. The Topic 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, and also defines fair value based upon an exit price model.

During 2011, we recorded other-than-temporary impairment charges of \$66 million on an equity investment. The impairment charge recorded on our investment was determined by comparing the carrying value of our investment to the closing market value of the shares on the dates the investment was deemed to be impaired.

During 2010, we had certain non-recurring measurements resulting in impairment charges as well as a gain on the re-measurement to fair value of a previously held equity interest. As previously disclosed, during 2010, we recorded approximately \$86 million of asset impairment charges associated with disposition activity within both Carrier and Hamilton Sundstrand and also recorded an other-than-temporary impairment charge of \$159 million on our equity investment in Clipper, which had a previous carrying value of approximately \$248 million. The impairment charge recorded on our investment in Clipper was determined by comparing the carrying value of our investment to the closing market value of the shares on September 30, 2010. In December 2010, as a result of the acquisition of a controlling interest and all of the remaining shares of Clipper, we recorded a \$21 million gain from the re-measurement to fair value of our previously held equity interest. Refer to Note 2 to the Consolidated Financial Statements for further discussion.

**Valuation Hierarchy.** The Fair Value Measurements and Disclosure Topic of the FASB ASC establishes a valuation hierarchy for disclosure of the inputs to the valuations 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, 2011 and 2010:

(Dollars in millions)	Total Carrying Value at December 31, 2011	Quoted price in active markets (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)
Available-for-sale securities	\$ 926	\$ 926	\$ —	\$ —
Derivative assets	114	—	114	—
Derivative liabilities	(165)	—	(165)	—

(Dollars in millions)	Total Carrying Value at December 31, 2010	Quoted price in active markets (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)
Available-for-sale securities	\$ 829	\$ 829	\$ —	\$ —
Derivative assets	133	—	133	—
Derivative liabilities	(53)	—	(53)	—

**Valuation Techniques.** Our available-for-sale securities include equity investments that are traded in active markets, either domestically or internationally. 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 contracts and commodity derivatives that are measured at fair value using internal models based on 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, 2011, there were no significant transfers in and out of Level 1 and Level 2.

As of December 31, 2011, 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.

The following table provides carrying amounts and fair values of financial instruments that are not carried at fair value at December 31, 2011 and 2010:

(Dollars in millions)	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term receivables	\$ 283	\$ 276	\$ 300	\$ 276
Customer financing notes receivable	309	297	376	346
Long-term debt (excluding capitalized leases)	(9,575)	(11,639)	(10,117)	(11,500)

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. Differences from carrying amounts are attributable to interest and or credit rate changes subsequent to when the transaction occurred. The fair values of Cash and cash equivalents, Accounts receivable, net, Short-term borrowings, and Accounts payable approximate the carrying amounts due to the short-term maturities of these instruments.

We had outstanding commercial aerospace financing and other contractual commitments totaling approximately \$2,270 million and \$2,032 million at December 31, 2011 and 2010, respectively. 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 to the Consolidated Financial Statements.

#### NOTE 14: CREDIT QUALITY OF LONG-TERM RECEIVABLES

In July 2010, the FASB issued ASU No. 2010-20, "Disclosure about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." This ASU is intended to enhance a financial statement user's ability to evaluate the entity's credit risk exposures and adequacy of its allowance for credit losses by requiring additional disclosure about the nature of credit risk inherent in the portfolio of receivables, factors and methodologies used in estimating the allowance for credit losses and activity that occurs during a period for both financing receivables and allowance for credit losses. The scope of this ASU is limited to financing receivables, as defined by the ASU, and excludes short-term trade accounts receivable and receivables measured at fair value or lower of cost or fair value. We adopted the disclosures under this ASU for the reporting period ended December 31, 2010, with the exception of disclosures about activity that occurs during a reporting period, which became effective for interim and annual periods beginning on or after December 15, 2010. We adopted the interim disclosures required under this ASU during the quarter ended March 31, 2011.



A long-term or financing receivable represents a contractual right to receive money on demand or on fixed and determinable dates, including trade receivable balances with maturity dates greater than one year. Our long-term and financing receivables primarily represent balances related to the aerospace businesses such as long-term trade accounts receivable, leases, and notes receivable. We also have other long-term receivables in our commercial businesses; however, both the individual and aggregate amounts are not significant.

Our classes within aerospace long-term receivables are comprised of long-term trade accounts receivable and notes and leases receivable. Long-term trade accounts receivable represent amounts arising from the sale of goods and services with a contractual maturity date of greater than one year and are recognized as "Other assets" in our Consolidated Balance Sheet. Notes and leases receivable represent notes and lease receivables other than receivables related to operating leases, and are recognized as "Customer financing assets" in our Consolidated Balance Sheet. The following table summarizes the balance by class of aerospace long-term receivables as of December 31, 2011 and 2010:

(Dollars in millions)	December 31, 2011	December 31, 2010
Long-term trade accounts receivable	\$ 204	\$ 198
Notes and leases receivable	365	416
Total long-term receivables	\$ 569	\$ 614

Economic conditions and air travel influence the operating environment for most airlines, and the financial performance of our aerospace businesses is directly tied to the economic conditions of the commercial aerospace and defense industries. Additionally, the value of the collateral is also closely tied to commercial airline performance and may be subject to exposure of reduced valuation as a result of market declines. We determine a receivable is impaired when, based on current information and events, it is probable that we will be unable to collect amounts due according to the contractual terms of the receivable agreement. Factors considered in assessing collectability and risk include, but are not limited to, examination of credit quality indicators and other evaluation measures, underlying value of any collateral or security interests, significant past due balances, historical losses, and existing economic conditions.

Long-term receivables can be considered delinquent if payment has not been received in accordance with the underlying agreement. If determined delinquent, long-term trade accounts receivable and notes and leases receivable balances accruing interest may be placed on nonaccrual status. We record potential losses related to long-term receivables when identified. The reserve for credit losses on these receivables relates to specifically identified receivables that are evaluated individually for impairment. For notes and leases receivable we determine a specific reserve for exposure based on the difference between the carrying value of the receivable and the estimated fair value of the related

collateral in connection with the evaluation of credit risk and collectability. For long-term trade accounts receivable we evaluate credit risk and collectability individually to determine if an allowance is necessary. Uncollectible long-term receivables are written-off when collection of the indebtedness has been pursued for a reasonable period of time without collection; the customer is no longer in operation; or judgment has been levied, but the underlying assets are not adequate to satisfy the indebtedness. At both December 31, 2011 and 2010, we do not have any significant balances that are considered to be delinquent, on non-accrual status, past due 90 days or more, or considered to be impaired.

The following table provides the balance of aerospace long-term receivables at December 31, 2011 and 2010 and summarizes the associated reserve for estimated credit losses and exposures at December 31, 2011 and 2010, and the changes in the reserve for the year ended December 31, 2011:

(Dollars in millions)

Beginning balance of the reserve for credit losses and exposure as of January 1, 2011	\$ 42
Provision	25
Charge-offs	—
Recoveries	(9)
Other	12
Ending balance of the reserve for credit losses and exposure: individually evaluated for impairment as of December 31, 2011	\$ 70
Ending balance of long-term receivables: individually evaluated for impairment as of December 31, 2011	\$569
Ending balance of the reserve for credit losses and exposure: individually evaluated for impairment as of December 31, 2010	\$ 42
Ending balance of long-term receivables: individually evaluated for impairment as of December 31, 2010	\$614

We determine credit ratings for each customer in the portfolio based upon public information and information obtained directly from our customers. We conduct a review of customer credit ratings, published historical credit default rates for different rating categories, and multiple third party aircraft value publications as a basis to validate the reasonableness of the allowance for losses on these balances quarterly or when events and circumstances warrant. The credit ratings listed below range from "A" which indicates an extremely strong capacity to meet financial obligations and the receivable is either collateralized or uncollateralized, to "D" which indicates that payment is in default and the receivable is uncollateralized. There can be no assurance that actual results will not differ from estimates or that consideration of these factors in the future will not result in an increase or decrease to the allowance for credit losses on long-term receivables.

The following table summarizes the credit risk profile by creditworthiness category for aerospace long-term receivable balances at December 31, 2011 and 2010:

(Dollars in millions)	December 31, 2011		December 31, 2010	
	Long-term trade accounts receivable	Notes and leases receivable	Long-term trade accounts receivable	Notes and leases receivable
A—(low risk, collateralized / uncollateralized)	\$ 201	\$ —	\$ 193	\$ —
B—(moderate risk, collateralized / uncollateralized)	3	295	5	336
C—(high risk, collateralized / uncollateralized)	—	70	—	80
D—(in default, uncollateralized)	—	—	—	—
<b>Total</b>	<b>\$ 204</b>	<b>\$ 365</b>	<b>\$ 198</b>	<b>\$ 416</b>

**NOTE 15: GUARANTEES**

We extend a variety of financial guarantees to third parties. As of December 31, 2011 and 2010 the following financial guarantees were outstanding:

(Dollars in millions)	2011		2010	
	Maximum Potential Payment	Carrying Amount of Liability	Maximum Potential Payment	Carrying Amount of Liability
IAE's financing arrangements* (See Note 4)	\$ 989	\$ 20	\$ 992	\$ 12
Commercial aerospace financing arrangements (See Note 4)	323	30	336	12
Credit facilities and debt obligations—unconsolidated subsidiaries (expire 2012 to 2034)	239	3	225	3
Performance guarantees	33	—	40	—
Commercial customer financing arrangements	—	—	191	1

\* Represents IAE's gross obligation; at December 31, 2011 and 2010 our proportionate share of IAE's obligations was 33%.

We also have obligations arising from sales of certain businesses and assets, including from 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 \$138 million and \$139 million at December 31, 2011 and 2010, respectively. For additional information regarding the environmental indemnifications, see Note 17 to the Consolidated Financial Statements.

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 the Guarantees Topic of FASB ASC, 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. Liabilities for performance and operating cost guarantees are based upon future product performance and durability, and are largely estimated 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, 2011 and 2010 are as follows:

(Dollars in millions)	2011	2010
Balance as of January 1	\$1,136	\$1,072
Warranties and performance guarantees issued	475	440
Settlements made	(440)	(379)
Other	297	3
<b>Balance as of December 31</b>	<b>\$1,468</b>	<b>\$1,136</b>

For 2011, the increase reflected within "Other" in the above table primarily related to the finalization of purchase accounting associated with the December 2010 acquisition of Clipper.

**NOTE 16: COLLABORATIVE ARRANGEMENTS**

In view of the risks and costs associated with developing new engines, Pratt & Whitney has entered into certain collaboration arrangements in which sales, costs and risks are shared. Sales generated from engine programs, spare parts, and aftermarket business under collaboration arrangements are recorded as earned in our financial statements. Amounts attributable to our collaborative partners for their share of sales are recorded as an expense in our financial statements based upon the terms and nature of the arrangement. Costs associated with engine programs under collaborative arrangements are expensed as incurred. Under these arrangements, collaborators contribute their program share of engine parts, incur their own production costs and make certain payments to Pratt & Whitney for shared or joint program costs. The reimbursement of the collaborators' share of program costs is recorded as a reduction of the related expense item at that time. As of December 31, 2011, the collaborators' interests in all commercial engine programs ranged from 12% to 48%, inclusive of a portion of Pratt & Whitney's interests held by other participants. Pratt & Whitney is the principal participant in all existing collaborative arrangements. There are no individually significant collaborative arrangements and none of the partners exceed a 31% share in an individual program.

In September 2011, Pratt & Whitney announced a new collaboration with JAEC and MTU to provide the PurePower PW1100G-JM engine for the Airbus A320neo program. Under the collaboration agreement, MTU will hold an 18% share and be responsible for the engine's low pressure turbine and

participate jointly with Pratt & Whitney to provide the high pressure compressor for the engine. JAEC will hold a 23% share and be responsible for the engine fan, low pressure compressor and combustor/diffuser. Pratt & Whitney will hold the remaining shares and will be responsible for the remainder of the PurePower PW1100G-JM engine and systems integration.

On October 12, 2011, Pratt & Whitney and Rolls-Royce announced an agreement to restructure their interests in IAE and to form a new joint venture to develop engines to power the next generation of 120 to 230 passenger mid-size aircraft that will replace the existing fleet of mid-size aircraft currently in service or in development. Consummation of each of these transactions is subject to regulatory approvals and other closing conditions. We expect the restructuring of the parties' interests in IAE to be completed in mid-2012. The closing of the new joint venture is also subject to the completion of the restructuring of the parties' interests in IAE and may take a substantially longer period of time to complete. See Note 2 to the Consolidated Financial Statements for further discussion.

The following table illustrates the income statement classification and amounts attributable to transactions arising from the collaborative arrangements between participants for each period presented:

(Dollars in millions)	2011	2010	2009
<b>Collaborator share of sales:</b>			
Cost of products sold	\$ 963	\$ 850	\$772
Cost of services sold	36	38	29
<b>Collaborator share of program costs</b> (reimbursement of expenses incurred):			
Cost of products sold	(88)	(83)	(66)
Research and development	(220)	(135)	(97)
Selling, general and administrative	(4)	(5)	(4)

#### NOTE 17: CONTINGENT LIABILITIES

**Leases.** We occupy space and use certain equipment under lease arrangements. Rental commitments of \$1,883 million at December 31, 2011 under long-term non-cancelable operating leases are payable as follows: \$515 million in 2012, \$404 million in 2013, \$292 million in 2014, \$184 million in 2015, \$115 million in 2016 and \$373 million thereafter. Rent expense was \$453 million in 2011, \$445 million in 2010 and \$463 million in 2009.

Additional information pertaining to commercial aerospace rental commitments is included in Note 4 to the Consolidated Financial Statements.

**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 to the Consolidated Financial Statements, 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, 2011, we had \$617 million reserved for environmental remediation. Additional information pertaining to environmental matters is included in Note 1 to the Consolidated Financial Statements.

**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, have settled some allegations 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 U.S. 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. In September 2008, both the DOJ and UTC appealed the decision to the Sixth Circuit Court of Appeals. In November 2010, the Sixth Circuit affirmed Pratt & Whitney's liability under the False Claims Act and remanded the case to the

U.S. District Court for further proceedings on the question of damages. 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, in December 2008, the U.S. 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 claims that Sikorsky's liability is approximately \$92 million (including interest through December 2011). We believe this claim is without merit and Sikorsky filed an appeal in December 2009 with the U.S. Court of Federal Claims, which is pending. We do not believe the resolution of this matter will have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

A significant portion of our activities are subject to export control regulation by the U.S. Department of State (State Department) under the U.S. Arms Export Control Act and International Traffic in Arms Regulations (ITAR). From time to time, we identify, investigate, remediate and voluntarily disclose to the State Department's Office of Defense Trade Controls Compliance (DTCC) potential violations of the ITAR. DTCC administers the State Department's authority under the ITAR to impose civil penalties and other administrative sanctions for violations, including debarment from engaging in the export of defense articles or defense services. Most of our voluntary disclosures are resolved without the imposition of penalties or other sanctions. However, in November 2011, DTCC informed us that it considers certain of our voluntary disclosures filed since 2005 to reflect deficiencies warranting penalties and sanctions. We are currently in discussions with DTCC to reach a consent agreement, which we anticipate will provide for a payment by the Company and commitments regarding additional remedial compliance efforts.

The voluntary disclosures that we anticipate will be addressed in the consent agreement currently under discussion include 2006 and 2007 disclosures regarding the export by Hamilton Sundstrand to P&WC of certain modifications to dual-use electronic engine control software, and the re-export by P&WC of those software modifications and subsequent P&WC-developed patches to China during the period 2002-2004 for use in the development of the Z-10 Chinese military helicopter. The DOJ has also separately conducted a criminal investigation of the matters addressed in these disclosures, as well as the accuracy and adequacy of the disclosures. We have been cooperating with the DOJ's investigation. Since November 2011, we have been in discussions with the DOJ to resolve this matter.

We continue to evaluate the range of possible outcomes of these separate but related export compliance matters, and

have recognized a potential liability at December 31, 2011 of \$45 million. We are currently unable to predict the precise timing or outcome of the discussions. We do not believe the ultimate resolution of these matters, individually or collectively, will have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

Other. Except as otherwise noted, we do not believe that resolution of any of the above matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

As described in Note 15 to the Consolidated Financial Statements, 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 that 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 that 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.

We are also subject to a number of routine lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the ordinary course of our business. We do not believe that these matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

#### **NOTE 18: SEGMENT FINANCIAL DATA**

Our operations for the periods presented herein are classified into 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 HVAC and refrigeration systems, controls, services and energy efficient products for residential, commercial, industrial and transportation applications.

UTC Fire & Security products include fire and special hazard and suppression systems and firefighting equipment, 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, geothermal power systems 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 heavy duty process pumps.

Sikorsky products include military and commercial helicopters, aftermarket helicopter and aircraft parts and services.

On September 28, 2011, we announced a new organizational structure to better serve customers and drive growth and achieve greater efficiencies through greater integration across certain product lines. This new structure combines Carrier and UTC Fire & Security into a new segment called UTC Climate, Controls & Security. Beginning with the first quarter of 2012, Carrier and UTC Fire & Security will report combined financial and operational results as part of this new segment. As part of this new organizational structure, we also created UTC Propulsion & Aerospace Systems, a new organization consisting of Pratt & Whitney and Hamilton Sundstrand. Pratt & Whitney and Hamilton Sundstrand will continue to report their financial and operational results as separate segments, which is consistent with how we will allocate resources and measure the financial performance of these businesses. We have reported our financial and operational results for the periods presented herein under the six principal segments noted above, consistent with how we have reviewed our business operations for decision-making purposes, resource allocation and performance assessment during 2011.

Segment Information. Total sales 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:

(Dollars in millions)	NET SALES			OPERATING PROFITS		
	2011	2010	2009	2011	2010	2009
Otis	\$12,437	\$11,579	\$11,723	\$2,815	\$2,575	\$2,447
Carrier	11,969	11,386	11,335	1,520	1,062	740
UTC Fire & Security	6,895	6,490	5,503	692	714	493
Pratt & Whitney	13,430	12,935	12,392	1,999	1,987	1,835
Hamilton Sundstrand	6,150	5,608	5,560	1,082	918	857
Sikorsky	7,355	6,684	6,287	840	716	608
Total segment	58,236	54,682	52,800	8,948	7,972	6,980
Eliminations and other	(46)	(356)	(375)	(430)	(409)	(255)
General corporate expenses	—	—	—	(419)	(377)	(348)
Consolidated	\$58,190	\$54,326	\$52,425	\$8,099	\$7,186	\$6,377

(Dollars in millions)	TOTAL ASSETS			CAPITAL EXPENDITURES			DEPRECIATION & AMORTIZATION		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Otis	\$ 8,717	\$ 8,097	\$ 7,908	\$ 75	\$ 55	\$ 67	\$ 223	\$ 211	\$ 204
Carrier	9,432	9,472	9,804	189	138	90	164	183	191
UTC Fire & Security	12,198	12,365	10,304	116	96	72	268	274	214
Pratt & Whitney	10,705	10,139	10,063	290	321	288	332	340	329
Hamilton Sundstrand	8,593	8,540	8,509	163	117	114	172	172	174
Sikorsky	4,628	4,521	4,167	92	108	95	84	83	68
Total segment	54,273	53,134	50,755	925	835	726	1,243	1,263	1,180
Eliminations and other	7,179	5,359	5,007	58	30	100	104	93	78
Consolidated	\$61,452	\$58,493	\$55,762	\$ 983	\$ 865	\$ 826	\$ 1,347	\$ 1,356	\$ 1,258

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Geographic External Sales and Operating Profit. Geographic external sales and operating profits are attributed to the geographic regions based on their location of origin. U.S. external sales include export sales to commercial customers outside the U.S. and sales to the U.S. government, commercial and affiliated customers, which are known to be for resale to customers outside the U.S. Long-lived assets are net fixed assets attributed to the specific geographic regions.

	EXTERNAL NET SALES			OPERATING PROFITS			LONG-LIVED ASSETS		
(Dollars in millions)	2011	2010	2009	2011	2010	2009	2011	2010	2009
United States Operations	\$30,438	\$28,911	\$27,990	\$4,586	\$4,112	\$3,771	\$2,974	\$3,013	\$3,096
International Operations									
Europe	12,601	11,957	12,216	2,136	1,872	1,743	1,210	1,282	1,346
Asia Pacific	9,394	7,986	7,173	1,513	1,229	990	883	839	845
Other	5,380	5,374	4,991	713	759	476	760	804	714
Eliminations and other	377	98	55	(849)	(786)	(603)	374	342	363
Consolidated	\$58,190	\$54,326	\$52,425	\$8,099	\$7,186	\$6,377	\$6,201	\$6,280	\$6,364

Sales from U.S. operations include export sales as follows:

(Dollars in millions)	2011	2010	2009
Europe	\$2,310	\$1,918	\$2,089
Asia Pacific	2,506	2,688	2,430
Other	3,141	2,690	2,477
	\$7,957	\$7,296	\$6,996

Major Customers. Net Sales include sales under prime contracts and subcontracts to the U.S. government, primarily related to Pratt & Whitney, Hamilton Sundstrand and Sikorsky products, as follows:

(Dollars in millions)	2011	2010	2009
Pratt & Whitney	\$3,696	\$4,081	\$3,942
Hamilton Sundstrand	1,043	1,137	1,230
Sikorsky	4,967	4,529	3,979
Other	125	153	127
	\$9,831	\$9,900	\$9,278

## SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(Dollars in millions, except per share amounts)	2011 Quarters				2010 Quarters			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Net Sales	\$13,344	\$15,076	\$14,804	\$14,966	\$12,040	\$13,802	\$13,620	\$14,864
Gross margin	3,703	4,171	4,048	4,115	3,308	3,787	3,953	3,864
Net income attributable to common shareowners	1,012	1,318	1,324	1,325	866	1,110	1,198	1,199
Earnings per share of Common Stock:								
Basic—net income	\$ 1.13	\$ 1.48	\$ 1.49	\$ 1.49	\$ .95	\$ 1.22	\$ 1.32	\$ 1.33
Diluted—net income	\$ 1.11	\$ 1.45	\$ 1.47	\$ 1.47	\$ .93	\$ 1.20	\$ 1.30	\$ 1.31

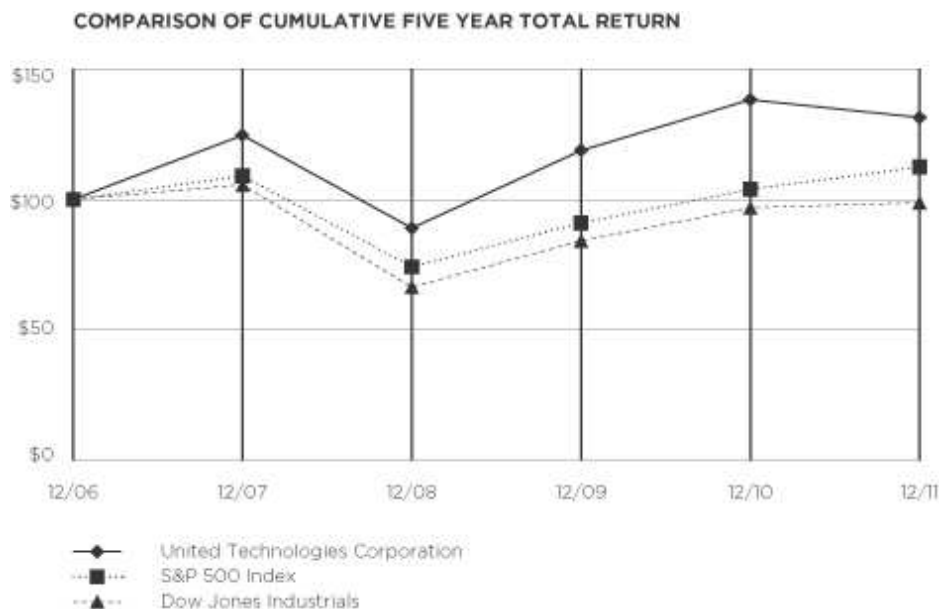
## COMPARATIVE STOCK DATA (UNAUDITED)

Common Stock	2011			2010		
	High	Low	Dividend	High	Low	Dividend
First quarter	\$85.46	\$77.05	\$ .425	\$74.85	\$65.01	\$ .425
Second quarter	\$90.67	\$81.19	\$ .480	\$77.09	\$62.88	\$ .425
Third quarter	\$91.83	\$67.12	\$ .480	\$73.81	\$63.62	\$ .425
Fourth quarter	\$80.36	\$66.87	\$ .480	\$79.70	\$70.23	\$ .425

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 23,633 registered shareholders at January 31, 2012.

## PERFORMANCE GRAPH (UNAUDITED)

The following graph presents the cumulative total shareholder return for the five years ending December 31, 2011 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, 2006.



	December					
	2006	2007	2008	2009	2010	2011
United Technologies Corporation	\$100.00	\$124.44	\$89.06	\$118.71	\$137.98	\$131.12
S&P 500 Index	\$100.00	\$105.49	\$66.46	\$ 84.05	\$ 96.71	\$ 98.76
Dow Jones Industrial Average	\$100.00	\$108.87	\$74.12	\$ 90.91	\$103.70	\$112.39

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## BOARD OF DIRECTORS

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**Louis R. Chênevert**

Chairman & Chief  
Executive Officer  
United Technologies Corporation  
(*Diversified Manufacturer*)

**John V. Faraci**

Chairman and Chief  
Executive Officer  
International Paper  
(*Paper, Packaging and Distribution*)

**Jean-Pierre Garnier**

Operating Partner  
Advent International  
(*Global Private Equity Firm*)  
Retired Chief Executive Officer  
GlaxoSmithKline

**Jamie S. Gorelick**

Partner  
WilmerHale  
(*Law Firm*)  
Former Deputy Attorney  
General of the United States  
Former General Counsel of the  
Department of Defense

**Edward A. Kangas**

Former Chairman and CEO  
Deloitte, Touche, Tohmatsu  
(*Audit and Tax Services*)

**Ellen J. Kullman**

Chair of the Board & CEO  
DuPont  
(*Diversified Chemicals  
and Materials*)

**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  
(*Military Leadership*)

**H. Patrick Swygert**

President Emeritus  
Howard University  
(*Educational Institution*)

**André Villeneuve**

Chairman, International  
Regulatory Strategy Group  
City of London  
(*Advisory Group*)

**Christine Todd Whitman**

President  
The Whitman Strategy Group  
(*Environment and Public  
Policy Consulting*)  
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  
Charles R. Lee  
Richard D. McCormick  
Harold McGraw III  
H. Patrick Swygert

**Executive Committee**

Louis R. Chênevert, Chair  
Charles R. Lee  
Richard D. McCormick

**Finance Committee**

Charles R. Lee, Chair  
Louis R. Chênevert  
John V. Faraci  
Jamie S. Gorelick  
Ellen J. Kullman  
Richard B. Myers  
André Villeneuve  
Christine Todd Whitman

**Committee on Nominations  
and Governance**

Richard D. McCormick, Chair  
John V. Faraci  
Jean-Pierre Garnier  
Charles R. Lee  
Harold McGraw III  
Christine Todd Whitman

**Public Issues Review Committee**

Christine Todd Whitman, Chair  
Jean-Pierre Garnier  
Jamie S. Gorelick  
Ellen J. Kullman  
Harold McGraw III  
Richard B. Myers  
H. Patrick Swygert  
André Villeneuve

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## LEADERSHIP

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**Paul R. Adams**

Senior Vice President,  
Operations and Engineering,  
Pratt & Whitney

**David Adler**

President,  
Sikorsky Aerospace Services

**David G. Appel**

President, Transicold,  
UTC Climate, Controls & Security

**Mark J. Barry**

President, Automation &  
Controls Solutions,  
UTC Climate, Controls & Security

**Alain M. Bellemare**

President &  
Chief Operating Officer,  
UTC Propulsion & Aerospace  
Systems

**Richard H. Bennett, Jr.**

Vice President,  
Environment, Health & Safety

**Patrick Blethon**

President, Pacific Asia, Otis

**Carey E. Bond**

President, Sikorsky Global  
Helicopters, and Chief  
Marketing Officer

**J. Thomas Bowler, Jr.**

Senior Vice President,  
Human Resources and  
Organization

**Matthew F. Bromberg**

Vice President, Corporate  
Strategy and Development

**Benoit Brossoit**

Vice President, Operations

**David B. Carter**

Vice President,  
Engineering and Technology,  
Hamilton Sundstrand

**Louis R. Chênevert**

Chairman &  
Chief Executive Officer

**Peter C. Christman, Jr.**

President, Pratt & Whitney  
Power Systems

**Bennett M. Croswell**

President, Military Engines,  
Pratt & Whitney

**Geraud Darnis**

President &  
Chief Executive Officer,  
UTC Climate, Controls & Security

**Nancy M. Davis**

Vice President and  
Chief Information Officer

**Pierre Dejoux**

President, North Europe  
and Africa, Otis

**Philippe Delpech**

President, EMEA,  
UTC Climate, Controls & Security

**John J. Doucette**

President, Industrial,  
Hamilton Sundstrand

**Michael R. Dumais**

President,  
Hamilton Sundstrand

**Charles D. Gill, Jr.**

Senior Vice President and  
General Counsel

**David L. Gitlin**

Vice President,  
Integration, UTC Propulsion  
& Aerospace Systems

**Lindsay Harvey**

President, United Kingdom,  
Central and East 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, 787, Space Systems  
and U.S. Classified Programs,  
Hamilton Sundstrand

**Peter F. Longo**

Vice President,  
Controller

**James G. Maser**

President,  
Pratt & Whitney Rocketdyne

**Michael B. Maurer**

President,  
Sikorsky Military Systems

**Robert J. McDonough**

President, Americas,  
UTC Climate, Controls & Security

**J. Michael McQuade**

Senior Vice President,  
Science and Technology

**Didier Michaud-Daniel**

President,  
Otis

**Raymond J. Moncini**

Senior Vice President, Operations,  
UTC Climate, Controls & Security

**Michael A. Monts**

Vice President,  
Business Practices

**David E. Parekh**

Vice President, Research, and Director, United  
Technologies  
Research Center

**Jeffrey P. Pino**

President,  
Sikorsky

**Thomas I. Rogan**

Vice President, Treasurer

**John Saabas**

President,  
Pratt & Whitney Canada

**Pedro Sainz de Baranda**

President, South Europe and  
Middle East, Otis

**Ross B. Shuster**

President, Asia,  
UTC Climate, Controls & Security

**Tobin J. Treichel**

Vice President, Tax

**Thomas R. Vining**

President,  
China, Otis

**Gregg Ward**

Senior Vice President,  
Government Affairs

**Randal E. Wilcox**

President, North and  
South America, Otis

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## SHAREOWNER INFORMATION

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### 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 2 p.m., April 11, 2012, in Charleston, S.C. The proxy statement will be made available to shareowners on or about February 24, 2012, at which time proxies for the meeting will be requested.

Information about UTC, including financial information, can be found at our website: [www.utc.com](http://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

Website: [www.computershare.com/investor](http://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 2011 filed with the Securities and Exchange Commission certificates of its Chief Executive Officer, Chief Financial Officer and Controller 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

Rather than receiving mailed copies, registered shareowners may sign up at the following website for electronic communications, including annual meeting materials, stock plan statements and tax documents:  
[www.computershare-na.com/green](http://www.computershare-na.com/green).

For annual meeting materials, your enrollment is revocable until a week before 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 fiscal year 2011 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 website at: [www.utc.com](http://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](http://www.utc.com)  
[www.carrier.com](http://www.carrier.com)  
[www.hamiltonsundstrand.com](http://www.hamiltonsundstrand.com)  
[www.otis.com](http://www.otis.com)

[www.pw.utc.com](http://www.pw.utc.com)  
[www.sikorsky.com](http://www.sikorsky.com)  
[www.utcfireandsecurity.com](http://www.utcfireandsecurity.com)  
[www.utcpower.com](http://www.utcpower.com)

**United Technologies Corporation  
Subsidiary and Affiliate Listing  
December 31, 2011**

<u>Entity Name</u>	<u>Place of Incorporation</u>
3090445 Nova Scotia Limited	Canada
3234808 Nova Scotia Limited	Canada
Australia Holdings Inc.	Delaware
Beesail Limited	United Kingdom
Caricor Ltd.	Delaware
Carrier Asia Limited	Hong Kong
Carrier Commercial Refrigeration, Inc.	Delaware
Carrier Corporation	Delaware
Carrier Enterprise, LLC	Delaware
Carrier HVACR Investments B.V.	Netherlands
Carrier Technologies ULC	Canada
Ceesail Limited	United Kingdom
Chubb Asia Holdings Limited	United Kingdom
Chubb Fire & Security Pty Ltd	Australia
Chubb Fire Limited	United Kingdom
Chubb Group (International) Limited	United Kingdom
Chubb Group Limited	United Kingdom
Chubb Group Properties Limited	United Kingdom
Chubb Group Security Limited	United Kingdom
Chubb International (Netherlands) BV	Netherlands
Chubb International Holdings Limited	United Kingdom
Chubb International Limited	United Kingdom
Chubb Limited	United Kingdom
Chubb Nederland B.V.	Netherlands
Chubb Security Holdings Australia Limited	Australia
Clipper Windpower Holdings Limited	United Kingdom
Clipper Windpower, LLC	Delaware
Commonwealth Luxembourg Holdings S.à r.l.	Luxembourg
Derco Logistics, Inc.	Wisconsin
Empresas Carrier, S. De R.L. De C.V.	Mexico
Fyrnetics (Hong Kong) Limited	Hong Kong
GST Holdings Limited	Cayman Islands
Hamilton Sundstrand Corporation	Delaware
Hamilton Sundstrand Holdings, Inc.	Delaware
Hamilton Sundstrand International Holdings Ltd.	Cayman Islands
Helicopter Support, Inc.	Connecticut
International Comfort Products, LLC	Delaware
Kaysail Limited	United Kingdom
Kidde America Inc.	Delaware
Kidde Fire Protection Inc.	Delaware
Kidde Holdings Limited	United Kingdom
Kidde International Limited	United Kingdom
Kidde Limited	United Kingdom
Kidde Technologies Inc. (*)	Delaware
Kidde UK	United Kingdom
Kidde US Holdings Inc.	Delaware
KNA Inc.	Delaware
Latin American Holding, Inc.	Delaware
Lenel Systems International, Inc.	Delaware

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**United Technologies Corporation**  
**Subsidiary and Affiliate Listing**  
**December 31, 2011**

<u>Entity Name</u>	<u>Place of Incorporation</u>
<b>Milton Roy Company</b>	<b>Pennsylvania</b>
<b>Netherlands Parkview Cooperatief U.A.</b>	<b>Netherlands</b>
<b>Nippon Otis Elevator Company</b>	<b>Japan</b>
<b>Noresco, LLC</b>	<b>Delaware</b>
<b>NSI, Inc.</b>	<b>Delaware</b>
<b>Otis Elevator (China) Company Limited</b>	<b>China</b>
<b>Otis Elevator Company</b>	<b>New Jersey</b>
<b>Otis Elevator Korea</b>	<b>Republic of Korea</b>
<b>Otis Far East Holdings Limited</b>	<b>Hong Kong</b>
<b>Otis Holdings GmbH &amp; Co. OHG</b>	<b>Germany</b>
<b>Otis Limited</b>	<b>United Kingdom</b>
<b>Otis Pacific Holdings B.V.</b>	<b>Netherlands</b>
<b>Otis S.C.S.</b>	<b>France</b>
<b>Parkview Participations LLC</b>	<b>Delaware</b>
<b>Parkview Treasury Services (UK) Limited</b>	<b>United Kingdom</b>
<b>Pilgrim House Group Limited</b>	<b>United Kingdom</b>
<b>Pratt &amp; Whitney Canada Corp.</b>	<b>Canada</b>
<b>Pratt &amp; Whitney Canada Holdings Corp.</b>	<b>Canada</b>
<b>Pratt &amp; Whitney Canada Leasing, Limited Partnership</b>	<b>Canada</b>
<b>Pratt &amp; Whitney Engine Leasing, LLC</b>	<b>Delaware</b>
<b>Pratt &amp; Whitney Power Systems, Inc.</b>	<b>Delaware</b>
<b>Pratt &amp; Whitney Rocketdyne, Inc.</b>	<b>Delaware</b>
<b>Pratt Aero Limited Partnership</b>	<b>Canada</b>
<b>Pratt &amp; Whitney Holdings LLC</b>	<b>Cayman Islands</b>
<b>Ratier-Figeac, SAS</b>	<b>France</b>
<b>Shanghai Yileng Carrier Air Conditioning Equipment Company Limited</b>	<b>China</b>
<b>SICLI Holding SAS</b>	<b>France</b>
<b>Sikorsky Aircraft Corporation</b>	<b>Delaware</b>
<b>Sirius Korea Limited</b>	<b>United Kingdom</b>
<b>Sullair Corporation</b>	<b>Indiana</b>
<b>Sundyne Corporation</b>	<b>Delaware</b>
<b>Taylor Company S.r.L.</b>	<b>Italy</b>
<b>Trumbull Holdings SCS</b>	<b>France</b>
<b>United Technologies Australia Holdings Limited</b>	<b>Australia</b>
<b>United Technologies Canada, Ltd.</b>	<b>Canada</b>
<b>United Technologies Cortran, Inc.</b>	<b>Delaware</b>
<b>United Technologies Electronic Controls, Inc.</b>	<b>Delaware</b>
<b>United Technologies Finance (U.K.) Limited</b>	<b>United Kingdom</b>
<b>United Technologies France SAS</b>	<b>France</b>
<b>United Technologies Holding GmbH</b>	<b>Germany</b>
<b>United Technologies Holdings Italy Srl</b>	<b>Italy</b>
<b>United Technologies Holdings Limited</b>	<b>United Kingdom</b>
<b>United Technologies Holdings SAS</b>	<b>France</b>
<b>United Technologies Intercompany Lending Ireland Limited</b>	<b>Ireland</b>
<b>United Technologies International Corporation</b>	<b>Delaware</b>
<b>United Technologies International Corporation-Asia Private Limited</b>	<b>Singapore</b>
<b>United Technologies International SAS</b>	<b>France</b>
<b>United Technologies Luxembourg S.à r.l.</b>	<b>Luxembourg</b>
<b>United Technologies Paris SNC</b>	<b>France</b>

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**United Technologies Corporation**  
**Subsidiary and Affiliate Listing**  
**December 31, 2011**

<u>Entity Name</u>	<u>Place of Incorporation</u>
<b>UT Finance Corporation</b>	<b>Delaware</b>
<b>UT Luxembourg Holding II S.à r.l.</b>	<b>Luxembourg</b>
<b>UT Park View, Inc.</b>	<b>Delaware</b>
<b>UTC Canada Corporation</b>	<b>Canada</b>
<b>UTC Fire &amp; Security Americas Corporation, Inc</b>	<b>Delaware</b>
<b>UTC Fire &amp; Security Corporation</b>	<b>Delaware</b>
<b>UTC Fire &amp; Security Luxembourg S.à r.l.</b>	<b>Luxembourg</b>
<b>UTCL Holdings, Limited</b>	<b>Canada</b>
<b>UTCL Investments B.V.</b>	<b>Netherlands</b>
<b>UTX Holdings S.C.S.</b>	<b>France</b>
<b>White Peak Finance Ireland</b>	<b>Ireland</b>
<b>Wytownia Sprzetu Komunikacyjnego PZL-Rzeszow S.A.</b>	<b>Poland</b>
<b>Xizi Otis Elevator Company Limited</b>	<b>China</b>
<b>Zardoya Otis, S.A.</b>	<b>Spain</b>

\* Kidde Technologies Inc. also conducts business as Kidde Aerospace, Kidde Aerospace & Defense, Fenwal Safety Systems, and Kidde Dual Spectrum.

Other subsidiaries of the Registrant have been omitted from this listing because, considered in the aggregate as a single subsidiary, they would not constitute a significant subsidiary as defined by Rule 1-02 of Regulation S-K.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-167771), 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. 333-177520, 333-177517, 333-175781, 333-175780, 333-156390, 333-150643, 333-125293, 333-110020, 333-100724, 333-100723, 333-100718, 333-82911, 333-77817, 333-21853, 333-21851 and 033-51385) of United Technologies Corporation of our report dated February 9, 2012 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 9, 2012 relating to the financial statement schedule, which appears on page S-I of this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP  
Hartford, Connecticut  
February 9, 2012

**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, 2011, 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 6th day of February, 2012.

/s/ JOHN V. FARACI

John V. Faraci

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**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, 2011, 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 6th day of February, 2012.

/s/ JEAN-PIERRE GARNIER

Jean-Pierre Garnier



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**UNITED TECHNOLOGIES CORPORATION**  
**Power of Attorney**

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 6th day of February, 2012.

/s/ JAMIE S. GORELICK

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Jamie S. Gorelick

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**UNITED TECHNOLOGIES CORPORATION**  
**Power of Attorney**

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 6th day of February, 2012.

/s/ EDWARD A. KANGAS

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Edward A. Kangas

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**UNITED TECHNOLOGIES CORPORATION**  
**Power of Attorney**

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 6th day of February, 2012.

/s/ ELLEN J. KULLMAN

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Ellen J. Kullman

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**UNITED TECHNOLOGIES CORPORATION**  
**Power of Attorney**

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 6th day of February, 2012.

/s/ CHARLES R. LEE

Charles R. Lee

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**UNITED TECHNOLOGIES CORPORATION**  
**Power of Attorney**

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 6th day of February, 2012.

/s/ RICHARD D. MCCORMICK

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Richard D. McCormick

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**UNITED TECHNOLOGIES CORPORATION**  
**Power of Attorney**

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 6th day of February, 2012.

/s/ HAROLD W. MCGRAW III

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Harold W. McGraw III

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**UNITED TECHNOLOGIES CORPORATION**  
**Power of Attorney**

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 6th day of February, 2012.

/s/ RICHARD B. MYERS

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Richard B. Myers

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**UNITED TECHNOLOGIES CORPORATION**  
**Power of Attorney**

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 6th day of February, 2012.

/s/ H. PATRICK SWYGERT

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H. Patrick Swygert



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**UNITED TECHNOLOGIES CORPORATION**  
**Power of Attorney**

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 6th day of February, 2012.

/s/ ANDRÉ VILLENEUVE

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André Villeneuve

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**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, 2011, 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 6th day of February, 2012.

/s/ CHRISTINE TODD WHITMAN

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Christine Todd Whitman

## 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 9, 2012

/s/ LOUIS R. CHÊNEVERT

Louis R. Chênevert  
Chairman & Chief Executive Officer

## 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.

/s/ GREGORY J. HAYES

Gregory J. Hayes  
Senior Vice President and Chief Financial Officer

Date: February 9, 2012

## CERTIFICATION

I, Peter F. Longo, 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.

/s/ PETER F. LONGO

Peter F. Longo  
Vice President, Controller

Date: February 9, 2012

**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, 2011 (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 9, 2012

/s/ LOUIS R. CHÊNEVERT

Louis R. Chênevert  
Chairman & Chief Executive Officer

Date: February 9, 2012

/s/ GREGORY J. HAYES

Gregory J. Hayes  
Senior Vice President and Chief Financial Officer

Date: February 9, 2012

/s/ PETER F. LONGO

Peter F. Longo  
Vice President, Controller