

UNITED TECHNOLOGIES CORP /DE/

FORM 10-K (Annual Report)

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

FORM 10-K

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

For the fiscal year ended December 31, 2014

Commission file number 1-812

UNITED TECHNOLOGIES CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(State or Other Jurisdiction of
Incorporation or Organization)

06-0570975

(I.R.S. Employer
Identification No.)

One Financial Plaza, Hartford, Connecticut

(Address of principal executive offices)

06101

(Zip Code)

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

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock (\$1 par value) (CUSIP 913017 10 9)	New York Stock Exchange
Corporate Units (CUSIP 913017 117)	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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, 2014 was approximately \$ 105,494,938,493 , 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, 2015 , there were 907,156,995 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Parts I, II and IV hereof incorporate by reference portions of the United Technologies Corporation 2014 Annual Report to Shareowners. Part III hereof incorporates by reference portions of the United Technologies Corporation Proxy Statement for the 2015 Annual Meeting of Shareowners.

**UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES****Index to Annual Report
on Form 10-K for
Year Ended December 31, 2014**

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UNITED TECHNOLOGIES CORPORATION

**Annual Report on Form 10-K for
Year Ended December 31, 2014**

Whenever reference is made in this Form 10-K to specific sections of United Technologies Corporation's 2014 Annual Report to Shareowners (2014 Annual Report), those sections are incorporated herein by reference, and are included in Exhibit 13 to this Form 10-K. 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," "the Company," or "UTC," unless the context otherwise requires, mean United Technologies Corporation and its subsidiaries. References to internet web sites in this Form 10-K are provided for convenience only. Information available through these web sites is not incorporated by reference into this Form 10-K.

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 2014 Annual Report, including the information contained therein under the heading "Business Overview."

Our financial reporting segments include businesses with operations throughout the world. UTC Building & Industrial Systems, comprised of the financial reporting segments of Otis and UTC Climate, Controls & Security, is the world's largest provider of building technologies. Its elevator, escalator, fire-safety, security, building automations, heating, ventilating, air-condition and refrigeration systems and services promote integrated, high-performance buildings that are safer, smarter and sustainable. Pratt & Whitney, UTC Aerospace Systems, 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. Pratt & Whitney also provides products to certain industrial markets. In January 2015, UTC announced that it is streamlining its aerospace operations by eliminating the UTC Propulsion & Aerospace Systems organization, which had consisted of the Pratt & Whitney and UTC Aerospace Systems segments. Pratt & Whitney and UTC Aerospace Systems will continue as stand-alone businesses. For 2014, our commercial and industrial sales (generated principally by UTC Building & Industrial Systems businesses) were approximately 45 percent of our consolidated sales, and our commercial aerospace sales and military aerospace sales (generated exclusively by our aerospace businesses) were approximately 35 percent and 20 percent, respectively, of our consolidated sales. International sales for 2014, including U.S. export sales, were 61 percent of our total segment sales.

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

Our operations for the periods presented herein are classified into five segments: Otis, UTC Climate, Controls & Security, Pratt & Whitney, UTC Aerospace Systems, and Sikorsky, with each segment comprised of groups of similar operating companies. References to each segment include the various operating companies established worldwide through which the operations for each segment are conducted. Each segment's business, including its principal products and services and other material developments and information, is described below.

Segment financial data for the years 2012 through 2014, including financial information about foreign and domestic operations and export sales, appears in Note 18 to the Consolidated Financial Statements in our 2014 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 2014 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 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 81 percent and 82 percent of total Otis segment sales in 2014 and 2013, respectively. At December 31, 2014, Otis’ backlog was \$15.3 billion as compared to \$15.4 billion at December 31, 2013. Of the total Otis backlog at December 31, 2014, approximately \$8.4 billion is expected to be realized as sales in 2015.

UTC Climate, Controls & Security

UTC Climate, Controls & Security is the leading provider of heating, ventilating, air conditioning (HVAC) and refrigeration solutions, including controls for residential, commercial, industrial and transportation applications. These products and services are sold under the Carrier name and other brand names to building contractors and owners, homeowners, transportation companies, retail stores and food service companies. UTC Climate, Controls & Security is also a global provider of security and fire safety products and services. UTC Climate, Controls & 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. In certain markets, UTC Climate, Controls & Security also provides monitoring and response services, to complement its electronic security and fire safety businesses. Through its venture with Watsco, Inc., UTC Climate, Controls & Security 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. UTC Climate, Controls & Security sells directly to end customers and through manufacturers’ representatives, distributors, wholesalers, dealers and retail outlets. Certain UTC Climate, Controls & Security HVAC businesses are seasonal and can be impacted by weather. UTC Climate, Controls & Security 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 UTC Climate, Controls & Security products. UTC Climate, Controls & 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 Climate, Controls & Security provides its security and fire safety products and services under Chubb, Kidde and other brand names and sells directly to customers as well as through manufacturer representatives, distributors, dealers and U.S. retail distribution.

Sales generated by UTC Climate, Controls & Security’s international operations, including U.S. export sales, were 59 percent and 61 percent of total UTC Climate, Controls & Security segment sales in 2014 and 2013, respectively. At December 31, 2014, UTC Climate, Controls & Security’s backlog was \$3.4 billion as compared to \$3.1 billion at December 31, 2013. Substantially all of the backlog at December 31, 2014 is expected to be realized as sales in 2015.

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 also provides fleet management services and aftermarket maintenance, repair and overhaul services, including the sale of spare parts, auxiliary power units and industrial gas generators. Pratt & Whitney produces families of large engines for wide- and narrow-body and large regional 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 general and business aviation, as well as regional airline, utility and military, airplanes and helicopters.

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, 2014, the interests of third party participants in Pratt & Whitney-directed commercial jet engine programs ranged from approximately 14 percent to 49 percent. See Note 1 to the Consolidated Financial Statements in our 2014 Annual Report for a description of our accounting for collaborative arrangements. In addition, Pratt & Whitney has interests in other engine programs, including 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 products and services 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.

Pratt & Whitney holds a net 61 percent program share interest in the IAE International Aero Engines AG (IAE) collaboration with MTU Aero Engines AG and Japanese Aero Engines Corporation. As previously reported in June 2012, Rolls-Royce sold its collaboration interest in IAE to Pratt & Whitney, while also entering into an agreement to license its V2500 intellectual property to Pratt & Whitney. Rolls-Royce continues to support the program as a strategic supplier for the V2500 engine and continues to manufacture parts and assemble engines.

The development of new engines and improvements to current production engines present important growth opportunities. Pratt & Whitney is under contract with the U.S. Government's F-35 Joint Program Office to develop, produce, and sustain the F135 engine, a derivative of Pratt & Whitney's F119 engine, to power the single-engine F-35 Lightning II aircraft (commonly known as the Joint Strike Fighter) being developed by Lockheed Martin. The two F135 propulsion system configurations for the F-35A/F-35C and F-35B jets are certified for production and in use by the U.S. Air Force and the U.S. Marine Corps. F135 engines are also used on F-35 aircraft purchased by Joint Strike Fighter partner countries and are expected to be used by foreign military sales countries that purchase F-35 aircraft in the future.

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. Airbus has selected the PurePower PW1000G engine as a new engine option to power its A320neo family of aircraft scheduled to enter into service in 2015. The PW1100G-JM is being developed as part of a collaboration with MTU and JAEC. Additionally, PurePower PW1000G engine models have been selected by Bombardier to power the new CSeries passenger aircraft, Mitsubishi Aircraft Corporation to power the new Mitsubishi Regional Jet, Irkut Corporation to power the proposed new Irkut MC-21 passenger aircraft and Embraer to power the next generation of Embraer's E-Jet family of aircraft. In October 2014, Gulfstream announced the selection of the PurePower PW 800 engine to exclusively power Gulfstream's new G500 and G600 business jets scheduled to enter service in 2018. The CSeries passenger aircraft is scheduled to enter into service in 2015. The Mitsubishi Regional Jet and the Irkut MC-21 are scheduled to enter into service in 2017. Embraer's next generation of E-Jet family aircraft are scheduled to enter service in 2018. The success of these aircraft and the PurePower family of engines is dependent upon many factors including technological accomplishments, program execution, 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. P&WC has developed and certified the PW210 engine family for helicopters manufactured by Sikorsky and AgustaWestland. 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 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. Sales to Airbus (Pratt & Whitney's largest customer by sales) were 41 percent and 35 percent of total Pratt & Whitney segment sales in 2014 and 2013, respectively, before taking into account discounts or financial incentives offered to customers. Sales to the U.S. Government were 22 percent and 25 percent of total Pratt & Whitney segment sales in 2014 and 2013, respectively.

Sales generated by Pratt & Whitney's international operations, including U.S. export sales, were 62 percent and 64 percent of total Pratt & Whitney segment sales in 2014 and 2013, respectively. At December 31, 2014, Pratt & Whitney's backlog was \$50.2 billion, including \$4.2 billion of U.S. Government-funded contracts and subcontracts. At December 31, 2013, these amounts were \$38.5 billion and \$3.6 billion, respectively. Of the total Pratt & Whitney backlog at December 31, 2014, approximately \$8.6 billion is expected to be realized as sales in 2015. 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 received aviation authority engine certification. On December 19, 2014, the PurePower PW1100G-JM engine completed Federal Aviation Agency (FAA) certification for the Airbus A320neo platform and remains on

schedule to enter into service in the fourth quarter of 2015. The increase in Pratt & Whitney's backlog in 2014, as compared with 2013, is a result of this FAA certification and the recognition of Airbus orders of geared turbofan engines for the A320neo platform. See Note 1 to the Consolidated Financial Statements in our 2014 Annual Report for a description of our accounting for long-term contracts.

UTC Aerospace Systems

UTC Aerospace Systems is a leading global provider of technologically advanced aerospace products and aftermarket service solutions for aircraft manufacturers, airlines, regional, business and general aviation markets, military, space and undersea operations. UTC Aerospace Systems' product portfolio includes electric power generation, power management and distribution systems, air data and flight sensing and management systems, engine control systems, electric systems, intelligence, surveillance and reconnaissance systems, engine components, environmental control systems, fire and ice detection and protection systems, propeller systems, aircraft aerostructures including engine nacelles, thrust reversers, and mounting pylons, interior and exterior aircraft lighting, aircraft seating and cargo systems, actuation systems, landing systems, including landing gears, wheels and brakes, and space products and subsystems. Aftermarket services include spare parts, overhaul and repair, engineering and technical support and fleet management solutions. UTC Aerospace Systems sells aerospace products to aircraft manufacturers, airlines and other aircraft operators, the U.S. and foreign governments, maintenance, repair and overhaul providers, and independent distributors. UTC Aerospace Systems' largest customers are Boeing and Airbus with a combined 29 percent and 28 percent of total UTC Aerospace Systems segment sales in 2014 and 2013, respectively. Sales to the U.S. Government were 19 percent and 21 percent of total UTC Aerospace Systems segment sales in 2014 and 2013, respectively.

UTC Aerospace Systems had product placements supporting first flight in 2014 of the Airbus A320neo, certification of the Airbus A350 platform, and entry into service of the Boeing 787-9 platform.

Significant development activity continues in the commercial and military markets for the Airbus A320neo and A350 aircraft, Boeing 787-10 and 777X aircraft, the Bombardier CSeries and Global 7000/8000 business jet, the COMAC C919 aircraft, the Embraer E-Jet E2 family of aircraft and KC-390 aircraft, the Irkut MC-21 aircraft, SYERS-2 multispectral sensors, the Mitsubishi Regional Jet, and the Lockheed Martin F-35 Lightning II military aircraft. UTC Aerospace Systems 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, power management and distribution, and thermal control systems for the International Space Station and the Orion crew exploration vehicle.

Sales generated by UTC Aerospace Systems' international operations, including U.S. export sales, were 54 percent and 55 percent of total UTC Aerospace Systems segment sales in 2014 and 2013, respectively. At December 31, 2014, UTC Aerospace Systems' backlog was \$11.1 billion, including \$2.3 billion of U.S. Government-funded contracts and subcontracts. At December 31, 2013, these amounts were \$10.2 billion and \$2.5 billion, respectively. Of the total UTC Aerospace Systems backlog at December 31, 2014, approximately \$6.8 billion is expected to be realized as sales in 2015.

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 for the U.S. Navy and the MH-60R helicopters for the U.S. and foreign navies, the S-70B Naval Hawk for foreign naval missions, and the S-76 and S-92 helicopters for commercial operations. In July 2012, the U.S. Government and Sikorsky signed a five-year multi-service contract for approximately 650 H-60 helicopters. Actual production quantities are determined year-by-year over the life of the program based on funding allocations set by Congress and the U.S. Department of Defense acquisition priorities, as well as the U.S. Foreign Military Sales program. Sikorsky is also developing the CH-53K next generation heavy lift helicopter for the U.S. Marine Corps, the VH-92A helicopter for the U.S. Marine One transport mission, and the HH-60W combat rescue helicopter for the U.S. Air Force. Also, Sikorsky is developing 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 a related support contract that provides for logistical support. Delivery of the final configuration aircraft, which was scheduled to begin in 2012, has not occurred due to a number of disputes between the Canadian Government and Sikorsky related to contractual requirements and contract performance. On June 18, 2014, Sikorsky and the Canadian Government signed amendments to the CH-148 contracts. The amended contracts finalize the scope of the aircraft, change the governance of the program and establish a phased approach to the delivery of interim and final configuration helicopters starting in 2015. The amended contracts also extend the in-service support contract through approximately 2038. The contract value of the amended contracts is estimated to be approximately \$6.4 billion. Revenues are subject to changes in underlying variables such as future flight hours as well as fluctuations in

foreign currency exchange rates. For further information regarding the financial impact of the amended contracts, see our 2014 Annual Report under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Sikorsky’s aftermarket business includes spare parts sales, mission equipment, 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 also engages in logistics support programs and partners with its government and commercial customers to manage and provide logistics, maintenance and repair services.

Sales to the U.S. Government were 52 percent and 58 percent of total Sikorsky segment sales in 2014 and 2013, respectively. Sales generated by Sikorsky’s international operations, including U.S. export sales, were 48 percent and 30 percent of total Sikorsky segment sales in 2014 and 2013, respectively. At December 31, 2014, Sikorsky’s backlog was \$15.8 billion, including \$5.2 billion of U.S. Government-funded contracts and subcontracts. At December 31, 2013, these amounts were \$14.9 billion and \$5.4 billion, respectively. Of the total Sikorsky backlog at December 31, 2014, approximately \$5.0 billion is expected to be realized as sales in 2015.

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 2014 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 U.S. 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, and participation in financing arrangements, in an effort to compete for the aftermarket associated with these engines. For information regarding customer financing commitments, participation in guarantees of customer financing arrangements and performance and operating cost guarantees, primarily related to Pratt & Whitney, see Notes 5 and 16 to the Consolidated Financial Statements in our 2014 Annual Report. Customer selections of engines and components can also have a significant impact on later sales of parts and services. In addition, the U.S. Government’s and other governments’ policies of purchasing parts from suppliers other than the original equipment manufacturer affect military spare parts sales. Significant elements of our aerospace businesses, such as spare parts sales for engines and aircraft in service, have short lead times. Therefore, backlog information may not be indicative of future demand. Pratt & Whitney’s major competitors in the sale of engines are GE Aviation, Rolls-Royce, Honeywell, Turbomeca, and CFM International.

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 \$2.6 billion or 4.0 percent of total sales in 2014, as compared with \$2.5 billion or 4.0 percent of total sales in 2013 and \$2.4 billion or 4.1 percent of total sales in 2012. 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 \$2.3 billion in 2014, as compared to \$2.2 billion in 2013 and \$1.7 billion in 2012. 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, \$2.4 billion, \$2.1 billion and \$1.7 billion were expensed in 2014, 2013 and 2012, respectively. The remaining costs have been capitalized.

U.S. Government Contracts

Contracting with the U.S. Government entails certain unique risks. U.S. Government contracts are subject to termination by the government, either for the convenience of the government or for default in the event 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 \$1.9 billion or 3 percent of our total sales for 2014 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 that 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 2014 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 U.S. 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 2014 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 and fire safety regulations are important to our UTC Climate, Controls & Security businesses, and elevator safety codes are important to the businesses of Otis, while government safety and performance regulations, restrictions on aircraft engine noise and emissions and government procurement practices can impact our aerospace businesses.

U.S. laws, regulations, orders, and other measures concerning the export or re-export of products, software, services and technology to, and other trade-related activities involving, non-U.S. countries and parties affect the operations of UTC and its affiliates. These measures include U.S. economic sanctions targeting Iran.

Intellectual Property and Raw Materials and Supplies

We maintain a portfolio of patents, trademarks, copyrights, trade secrets, licenses and franchises related to our businesses. While we believe we have taken reasonable measures to protect this portfolio, our efforts may not be sufficient. See Item 1A "Risk Factors" in this Form 10-K for further discussion of intellectual property matters.

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 U.S., we are largely dependent upon foreign sources for certain raw materials requirements such as cobalt, tantalum, chromium, rhenium and nickel. 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 at times high prices for some raw materials important to 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 competitive position, results of operations, cash flows or financial condition. 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, 2014, our total number of employees was approximately 211,000, approximately 64 percent of which represents employees based outside the U.S. During 2014, we negotiated or concluded 18 domestic collective bargaining agreements, the largest of which covered certain workers at UTC Climate, Controls & Security's Carrier manufacturing facility in Indianapolis, Indiana. In 2015, numerous collective bargaining agreements are subject to renegotiation, the largest of which covers certain workers at UTC Climate, Controls & Security's Carrier facility in Collierville, Tennessee. Although some previous contract renegotiations have had a significant impact on our financial condition or results of operations, we do not anticipate that the renegotiation of these contracts in 2015 will have a material adverse effect on our competitive position, cash flows, financial condition or results of operations. For discussion of the effects of our restructuring actions on employment, see Item 1A, "Risk Factors" in this Form 10-K and under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 13 to the Consolidated Financial Statements in our 2014 Annual Report.

For a discussion of other matters which may affect our competitive position, cash flows, 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 2014 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. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995. Such risks, uncertainties and other factors include, without limitation:

- the effect of economic conditions in the industries and markets in which we operate in the U.S. 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 condition of commercial airlines, the impact of weather conditions and natural disasters and the financial condition of our customers and suppliers;
- the scope, nature, impact or timing of acquisition and divestiture activity, including among other things integration of acquired businesses into our existing businesses and realization of synergies and opportunities for growth and innovation;
- challenges in the development, production, delivery, support, performance and realization of the anticipated benefits of advanced technologies and new products and services;
- 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;
- customer and Company directed cost reduction efforts and restructuring costs and savings and other consequences thereof;
- new business opportunities;
- our ability to realize the intended benefits of organizational changes;
- the anticipated benefits of diversification and balance of operations across product lines, regions and industries;
- future repurchases of our common stock;
- the outcome of legal proceedings, investigations and other contingencies;
- pension plan assumptions and future contributions;
- the impact of the negotiation of collective bargaining agreements and labor disputes;
- the effect of changes in political conditions in the U.S. and other countries in which we operate; and
- the effect of changes in tax, environmental, regulatory (including among other things import/export) and other laws and regulations in the U.S. 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 “Note 17: Contingent Liabilities,” the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings “Business Overview,” “Results of Operations,” “Liquidity and Financial Condition,” and “Critical Accounting Estimates,” 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 2014 Annual Report in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings “Restructuring Costs,” “Environmental Matters” and “Governmental Matters.” 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 May be Affected by Global Economic, Capital Market and Political Conditions.

Our business, financial condition, operating results and cash flows may be adversely affected by changes in global economic conditions and geopolitical risks, including credit market conditions, levels of consumer and business confidence, commodity prices, exchange rates, levels of government spending and deficits, political conditions, actual or anticipated default on sovereign debt and other challenges that could affect the global economy. These economic conditions 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.

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 45 percent of our consolidated sales in 2014 , 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, global credit market conditions, and other global and political factors. For example, a slowdown in building and remodeling activity can adversely affect the financial performance of Otis and UTC Climate, Controls & Security. In addition, the financial performance of UTC Climate, Controls & Security 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 55 percent of our consolidated sales in 2014 , 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 significant improvement, uncertainty continues to exist. 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, bankruptcies, competition, the retirement of older aircraft, regulatory changes, terrorism and related safety concerns, general economic conditions, corporate profitability, cost reduction efforts and backlog levels. Any of these conditions could reduce the sales and margins of our aerospace businesses. Other factors, including future terrorist actions, pandemic health issues or major natural disasters, could also dramatically reduce the demand for air travel, which could negatively impact the sales and margins of our aerospace businesses. Additionally, because a substantial portion of the backlog for commercial aerospace customers is scheduled for delivery beyond 2015 , 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. 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. 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. U.S. Government deficit reduction measures, Congressional disputes over budgets and debt ceilings and the impact of sequestration have increased market uncertainty and adversely affected our military businesses. Should these factors continue and overall U.S. Government defense spending decline, it could result in significant reductions to revenue, cash flow, profit and backlog for our military businesses. One or more of the programs that we currently support or are currently pursuing could be phased-out or terminated. Reductions in these existing programs, unless offset by other programs and opportunities, could have a material adverse effect on our competitive position, cash flows, results of operations 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 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, as further described below), 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/or 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 conduct. Debarment generally does not exceed three years.

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 2014 total 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 (especially the commercial businesses and P&W Canada), 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 also may 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 U.S. 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 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 14 to the Consolidated Financial Statements in our 2014 Annual Report for further 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, Indonesia, Mexico, Poland, Russia, South Africa and countries in the Middle East, that carry high levels of currency,

political, compliance 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 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 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 (including 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, supplier capacity constraints, 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. 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. For example, we may incur unanticipated costs, expenses or other liabilities as a result of an acquisition target's violation of applicable laws, such as the U.S. Foreign Corrupt Practices Act (FCPA) or similar worldwide anti-bribery laws in non-U.S. jurisdictions. 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. 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. Our divestitures may result in continued financial involvement in the divested businesses, such as through guarantees or other financial arrangements or continued supply and services arrangements, following the transaction. Under these arrangements, nonperformance by those divested businesses could result in obligations imposed on us and could have a material adverse effect on our competitive position, cash flows, results of operations, or financial condition. The success of future acquisitions and divestitures will depend on the satisfaction of conditions precedent to, and consummation of, the pending transactions, the timing of consummation of these pending transactions, and the ability of the parties to secure any required regulatory approvals in a timely manner, among other things.

Our Debt Levels and Related Debt Service Obligations Could Have Negative Consequences; Our Ability to Access Debt May Be Affected by Changes in Global Capital Markets, Our Financial Performance or Outlook or Our Credit Ratings.

We have outstanding debt and other financial obligations and significant unused borrowing capacity. Our debt level and related debt service obligations could have negative consequences, including, among others:

- requiring us to dedicate significant cash flow from operations to the payment of principal and interest on our debt, which would reduce funds we have available for other purposes, such as acquisitions and reinvestment in our businesses;
- reducing our flexibility in planning for or reacting to changes in our business and market conditions; and

- exposing us to interest rate risk because a portion of our debt obligations are at variable rates.

We depend, in part, upon the issuance of debt to fund our operations and contractual commitments. If we require additional funding in order to fund outstanding financing commitments or meet other business requirements, our market liquidity may not be sufficient. A number of factors could cause us to incur increased borrowing costs and to have greater difficulty accessing public and private markets for debt, including disruptions or declines in the global capital markets and/or a decline in our financial performance, outlook or credit ratings.

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. Of particular note, Pratt & Whitney is currently developing the PurePower PW1000G Geared TurboFan engine to power various aircraft, including the A320neo family of aircraft, which is scheduled to enter into service in 2015. The level of orders received for the PurePower family of engines coupled with a requirement to achieve mature production levels in a very short timeframe are necessitating significant additional manufacturing and supply chain capacity. If our production ramp-up efforts are delayed or if suppliers cannot timely deliver or perform to our standards, we may not meet customers' production schedules, which could result in material additional costs, including penalties that could be assessed under existing contractual provisions. Our ability to realize the anticipated benefits of our technological 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. For example, certain of our aerospace products are incorporated into larger systems and end products manufactured by our customers. These systems and end products may incorporate additional technologies manufactured by third parties and involve additional risks and uncertainties. As a result, the performance and market acceptance of these larger systems and end products could affect the level of customer interest and acceptance of our own products in the marketplace.

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 customers, suppliers or subcontractors may encounter difficulties in developing and producing new products and services, and may not realize the degree or timing of benefits initially anticipated or may otherwise suffer significant adverse financial consequences. 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 and deliver the products 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. In addition, we may face customer directed cost reduction targets that could have a material adverse effect on the profitability of our contracts. 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.

Exports of Certain of Our Products Are Subject to Various Export Control Regulations and May Require a License From the U.S. Department of State, the U.S. Department of Commerce or the U.S. Department of the Treasury.

As an exporter, we must comply with various laws and regulations relating to the export of products, services and technology from the U.S. and other countries having jurisdiction over our operations. In the U.S., these laws include, among others, the U.S. Export Administration Regulations (EAR) administered by the U.S. Department of Commerce, Bureau of Industry and Security, the International Traffic in Arms Regulations (ITAR) administered by the U.S. Department of State,

Directorate of Defense Trade Controls (DDTC), and trade sanctions, regulations and embargoes administered by the U.S. Department of the Treasury, Office of Foreign Assets Control. Certain of our products have military or strategic applications and are on the munitions list of the ITAR, or represent so-called “dual use” items governed by the EAR. As a result, these products require individual validated licenses in order to be exported to certain jurisdictions. Any failures to comply with these laws and regulations could result in civil or criminal penalties, fines, investigations, adverse publicity and restrictions on our ability to export our products, and repeat failures could carry more significant penalties. Any changes in export regulations may further restrict the export of our products. The length of time required by the licensing processes can vary, potentially delaying the shipment of products and the recognition of the corresponding revenue. Any restrictions on the export of our products or product lines could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

We Are Subject to Product Safety, Litigation, Environmental and Other Legal Compliance Risks.

We are subject to a variety of litigation and legal compliance risks. These risks include, among other things, possible liability relating to product safety, personal injuries, intellectual property rights, contract-related claims, government contracts, taxes, environmental matters and compliance with U.S. and foreign 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). 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 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. Product recalls and product liability claims (including claims related to the safety or reliability of our products) can result in significant costs, including fines, as well as negative publicity, management distraction and damage to our reputation that could reduce demand for our products and services. For a description of current legal proceedings, see "Legal Proceedings" in in this Form 10-K.

In addition, the FCPA and other anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. The FCPA applies to companies, individual directors, officers, employees and agents. Under the FCPA, U.S. companies may be held liable for actions taken by strategic or local partners or representatives. The FCPA also imposes accounting standards and requirements on publicly traded U.S. corporations and their foreign affiliates, which are intended to prevent the diversion of corporate funds to the payment of bribes and other improper payments. Certain of our customer relationships outside of the U.S. are with governmental entities and are therefore subject to the FCPA and foreign and other anti-bribery laws. Our policies mandate compliance with these anti-bribery laws. Despite meaningful measures that we undertake to seek to ensure lawful conduct, which include training and internal control policies, these measures may not always prevent our employees or agents from violating the FCPA or similar laws. As a result, we could be subject to criminal and civil penalties, disgorgement, further changes or enhancements to our procedures, policies and controls, personnel changes or other remedial actions. Violations of these laws, or allegations of such violations, could disrupt our operations, involve significant management distraction and result in a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

Additional Tax Expense or Additional Tax Exposures Could Affect Our Future Profitability.

We are subject to income taxes in the United States and various international jurisdictions. Changes in tax laws and regulations, as well as changes and conflicts 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 investigations, proceedings and contingencies will arise from time to time. Our competitive position, cash flows, results of operation or financial condition may be affected by the outcome of investigations, proceedings and other contingencies that cannot be predicted with certainty.

See Notes 11 and 17 to the Consolidated Financial Statements in our 2014 Annual Report for further discussion on income taxes and related contingencies.

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 unforeseen delays in implementation of anticipated workforce reductions, additional unexpected costs, 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 Business and Financial Performance May Be Adversely Affected By Attacks on our Information Technology Infrastructure 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 threats, in particular, are evolving and include, but are not limited to, both attacks to our IT infrastructure and attacks to the IT infrastructure of third parties in attempts to gain unauthorized access to confidential, classified or otherwise proprietary information of us and/or our employees, customers and other third parties. Such cybersecurity attacks could result in disruptions in systems, unauthorized release of confidential or otherwise protected information and corruption of data (our own or that of third parties). We have experienced cybersecurity attacks and may continue to experience them going forward, 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, misappropriation, destruction or corruption of data, security breaches, other manipulation or improper use of our systems or 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 competitive position, results of operations, cash flows or financial condition.

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 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. Our ability to protect and enforce our intellectual property rights may be limited in certain countries outside the U.S. In addition, we may be the target of competitor or other third party patent enforcement actions seeking substantial monetary damages or seeking to prevent our sale and marketing of certain of our products or services. We may also be subject to disruptions, losses and liability resulting from various cybersecurity attacks or information technology failures, as described above. Any of these events or factors could have a material adverse effect on our competitive position, 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	UTC Climate, Controls & Security	Pratt & Whitney	UTC Aerospace Systems	Sikorsky	Other	Total
Manufacturing:							
North America	1	9	27	39	8	—	84
Europe & Middle East	5	7	3	18	—	—	33
Asia	1	1	9	4	—	—	15
Emerging Markets*	12	21	7	11	1	—	52
	19	38	46	72	9	—	184
Non-Manufacturing:							
North America	3	16	32	9	4	13	77
Europe & Middle East	16	12	—	6	—	—	34
Asia	—	7	1	—	1	—	9
Central and Latin America	—	1	—	—	—	—	1
Emerging Markets*	2	7	3	2	—	—	14
	21	43	36	17	5	13	135

Number of Facilities - Leased							
Location	Otis	UTC Climate, Controls & Security	Pratt & Whitney	UTC Aerospace Systems	Sikorsky	Other	Total
Manufacturing:							
North America	—	4	10	20	16	—	50
Europe & Middle East	—	2	4	6	—	—	12
Asia	—	—	3	1	—	—	4
Emerging Markets*	3	4	—	8	—	—	15
	3	10	17	35	16	—	81
Non-Manufacturing:							
North America	4	38	13	13	12	9	89
Europe & Middle East	9	38	1	4	—	—	52
Asia	1	6	1	1	—	—	9
Emerging Markets*	11	17	3	2	—	—	33
	25	99	18	20	12	9	183

* For purposes of this table, our definition of emerging markets is developed using the countries included in the MSCI Emerging Markets Index SM.

Our fixed assets as of December 31, 2014 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, 2014 are in good operating condition, are well-maintained and substantially all are generally in regular use.

Item 3. Legal Proceedings*Export Violations*

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 (AECA) and International Traffic in Arms Regulations (ITAR). From time to time, we identify, investigate, remediate and voluntarily disclose to the Office of Defense Trade Controls Compliance (DTCC) potential violations of the AECA and ITAR. DTCC administers the State Department's authority under the AECA and

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, as previously disclosed, in November 2011, DTCC informed us that it was reviewing certain of our voluntary disclosures filed since 2005 and believed some of these disclosures could constitute deficiencies warranting penalties and sanctions. In connection with the above, on June 28, 2012, we entered into a Consent Agreement (CA) with DTCC to resolve a Proposed Charging Letter that references approximately 45 of our previous disclosures. The CA has a four-year term, and provides that we will: (1) pay a civil penalty of \$55 million, up to \$20 million of which can be suspended based on qualifying compliance investments made by us prior to or during the term of the CA; (2) appoint, subject to DTCC approval, an outside Special Compliance Official (SCO) to oversee our compliance with the CA and the AECA and ITAR; (3) continue and undertake additional remedial actions to strengthen AECA and ITAR compliance, with emphasis on human resources and organization, training, automation, and security of electronic data; and (4) sponsor two Company-wide outside compliance audits during the term of the CA.

The voluntary disclosures addressed in the CA include disclosures made in 2006 and 2007 regarding the export by legacy 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 modifications to China during the period 2002-2004 for use in the development of the Z-10 Chinese military helicopter. As previously disclosed, the DOJ separately conducted a criminal investigation of the matters addressed in these disclosures, as well as the accuracy, adequacy, and timeliness of the disclosures. We cooperated with the DOJ's investigation. On June 28, 2012, the U.S. Attorney for the District of Connecticut filed a three-count criminal information alleging: (1) that in 2002-2003, P&WC caused legacy Hamilton Sundstrand to export ITAR-controlled software modifications to Canada and re-exported them to China without the required license; (2) that in 2006, P&WC, legacy Hamilton Sundstrand and UTC made false statements in disclosures to DTCC regarding these AECA and ITAR violations; and (3) that P&WC and legacy Hamilton Sundstrand violated a separate provision of the AECA and ITAR by failing timely to notify DTCC of the unlicensed software shipments to China. P&WC pleaded guilty to violating the AECA and the ITAR and making false statements as alleged, and was sentenced to probation and to pay fines and forfeitures totaling \$6.9 million. P&WC, legacy Hamilton Sundstrand and UTC (the UTC Entities) entered into a Deferred Prosecution Agreement (DPA) regarding the remaining offenses charged with respect to each UTC Entity. The DPA has a two-year term, and provides that the UTC Entities will: (1) pay an additional penalty of \$13.8 million; (2) appoint, subject to DOJ approval, an independent monitor (who may be the same person as the SCO appointed under the CA) to oversee compliance with the DPA; (3) provide annual senior officer certifications that all known violations of the AECA and ITAR, Export Administration Regulations and sanctions regimes implemented under the International Emergency Economic Powers Act occurring after the execution date of the DPA have been reported by UTC, its subsidiaries, and its majority-owned or controlled affiliates to the appropriate official(s) of the U.S. Government; (4) cooperate with law enforcement in specified areas; and (5) implement specified compliance training initiatives. On July 9, 2014, the U.S. Attorney for the District of Connecticut, having determined that the UTC Entities were in full compliance with all of their obligations under the DPA, moved to dismiss with prejudice the remaining offenses charged with respect to each UTC Entity. On July 14, 2014, the United States District Court for the District of Connecticut granted this motion, and the DPA is now concluded.

We believe the previously disclosed potential liability recognized as of March 31, 2012 of \$55 million will be sufficient to discharge all amounts due under the CA and DPA.

On June 28, 2012, by reason of P&WC's guilty plea to a criminal violation of the AECA and the ITAR, DTCC imposed a partial statutory debarment on P&WC with respect to obtaining new or renewed ITAR license privileges. The debarment does not affect existing ITAR licenses/authorities, nor does it extend to programs supporting: (1) the U.S. Government; (2) NATO allies; or (3) "major non-NATO allies" (as defined in the ITAR). P&WC may seek "transaction exception" approvals on a case-by-case basis for new or renewed ITAR licensing in other cases during the period of debarment. P&WC may apply for full reinstatement of ITAR privileges after one year. While P&WC is currently eligible to apply for reinstatement, to date, P&WC has not applied for reinstatement. On December 20, 2012, UTC entered into an administrative agreement with the Department of the Army Suspension and Debarment Official, where Army officials determined that the UTC Entities are presently responsible and that further action is not necessary to protect the U.S. Government's interests pursuant to the Federal Acquisition Regulation and the National Defense Appropriations Act. The agreement with the Department of the Army Suspension and Debarment Official completes the Department of Defense review of the UTC Entities' present responsibility under the Federal Acquisition Regulation and P&WC's eligibility to receive funds appropriated for fiscal year 2012 under the National Defense Appropriations Act.

Pratt & Whitney Grand Jury Subpoena

Pratt & Whitney received a subpoena in May 2012 issued by a federal grand jury in Connecticut, requesting documents related to Pratt & Whitney's use in certain military engines of titanium procured from suppliers that potentially did not conform to underlying contract specifications. Pratt & Whitney conducted an internal investigation and continues to cooperate fully with

the government's investigation. We cannot reasonably estimate the range of loss, if any, that may result from this matter given the current procedural status of the investigation.

Telephone Consumer Protection Act

UTC Fire & Security Americas Corporation, Inc. (UTCFS) has been named as a defendant in numerous putative class actions that were filed on behalf of purported classes of persons who allege that third-party entities placed "robocalls" and/or placed calls to numbers listed on the "Do Not Call Registry" on behalf of UTCFS in contravention of the Telephone Consumer Protection Act (TCPA). In each putative class action suit, plaintiffs seek injunctive relief and monetary damages. Each violation under the TCPA provides for \$500 in statutory damages or up to \$1,500 for any willful violation. We assert that the third-party entities that initiated the calls were not acting on our behalf in making any such calls. We believe that UTCFS has meritorious defenses to these claims. We are presently unable to estimate the damages for which UTCFS could be liable in the event plaintiffs prevail in one or more of these cases.

DOJ/SEC Investigations

As previously disclosed, in December 2013 and January 2014, UTC made voluntary disclosures to the United States Department of Justice (DOJ), the Securities and Exchange Commission (SEC) Division of Enforcement and the United Kingdom's Serious Fraud Office to report the status of its internal investigation regarding a non-employee sales representative retained by United Technologies International Operations, Inc. (UTIO) and IAE for the sale of Pratt & Whitney and IAE engines and aftermarket services, respectively, in China. On April 7, 2014, the SEC notified UTC that it was conducting a formal investigation and issued a subpoena to UTC. UTC recently extended its tolling agreement with the SEC and continues to cooperate fully with the investigations relating to its aerospace and commercial businesses in China. Because the investigations are ongoing, we cannot predict the outcome or the consequences thereof at this time.

At the outset of the internal investigation, UTIO and IAE suspended all commission payments to the sales representative, and UTIO and IAE have not resumed making any payments. This led to two claims by the sales representative for unpaid commissions: a civil lawsuit filed against UTIO and UTC and an arbitration claim against IAE. In December 2014, the sales representative voluntarily dismissed the lawsuit and agreed to withdraw the arbitration claim, each without prejudice to allow the sales representative to re-assert the claims, but only on or after January 1, 2016. We anticipate that we would contest any future claim, and do not believe that the resolution of a future lawsuit or arbitration by the sales representative would have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

Sikorsky Government Contract Claim

As previously disclosed, on October 14, 2014, the United States Government filed a complaint in the United States District Court for the Eastern District of Wisconsin alleging that Sikorsky and two of its wholly-owned subsidiaries, Derco Aerospace (Derco) and Sikorsky Support Services, Inc. (SSSI), violated the False Claims Act in connection with a contract that the U.S. Navy awarded to SSSI in June 2006 to support the Navy's T-34 and T-44 fixed-wing turboprop training aircraft. SSSI subcontracted with Derco primarily to procure and manage the spare parts for the training aircraft. The Government alleges that SSSI overbilled the Navy on the contract because Derco added profit and overhead costs to the price of the spare parts that Derco procured and then sold to SSSI. The Government also claims that SSSI submitted false Certificates of Final Indirect Costs in the years 2006 through 2012. We believe that Derco was lawfully permitted to add profit and overhead to the cost of the parts, and maintain that SSSI did not submit any false certificates. We also believe that we have other substantial legal and factual defenses to the government's claims.

The government's complaint asserts numerous claims for violations of the False Claims Act, for breach of contract and for unjust enrichment, but it does not specify the amount of damages sought. Sikorsky believes that the government will seek damages in excess of \$50 million, plus treble damages and statutory penalties, all totaling in excess of \$170 million. Although we continue to evaluate liability and exposure, we do not currently believe that it is probable that we will incur a material loss. If, contrary to our expectations, the Government prevails in this matter and proves damages in a material amount, the outcome could have a material adverse effect on our results of operations in the period in which a liability would be recognized and on our cash flows for the period in which any damages would be paid.

Mos Otis FAS Investigation

Following inspections carried out by the Russian Federal Anti-monopoly Service (FAS) at the offices of Mos Otis and the production of documents by Mos Otis, in October 2014 FAS notified Mos Otis that it had found indications of violations of Russian competition law in the market for maintenance of unified dispatch systems, which remotely monitor elevators and dispatch service technicians in Moscow. Mos Otis is an indirectly owned and controlled joint venture between Otis and the City of Moscow. FAS has not pursued an administrative action against Mos Otis to date, but the matter remains open. At this time, we cannot reasonably estimate the range of any potential loss or impact to the business that may result.

Asbestos Litigation

Like many other industrial companies in recent years, we or our subsidiaries have been 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 our insurance or other forms of indemnity or have been dismissed without payment. The remaining closed cases have been resolved for amounts that are not material individually or in the aggregate.

In addition, we are subject to a number of other lawsuits, investigations and claims (some of which involve substantial amounts). For a discussion of contingencies related to certain other legal proceedings, see Note 17 to the Consolidated Financial Statements in our 2014 Annual Report, which is incorporated by reference herein.

Except as indicated herein or in Note 17 to the Consolidated Financial Statements in our 2014 Annual Report, 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.

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 2014 Annual Report, filed as Exhibit 13 to this Form 10-K, containing the following data relating to our common stock: total shareholder return, principal market, quarterly high and low sales prices, approximate number of shareowners and frequency and amount of dividends, are incorporated herein 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

The following table provides information about our purchases during the quarter ended December 31, 2014 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act.

2014	Total Number of Shares Purchased (000's)	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program (000's)	Maximum Number of Shares that may yet be Purchased Under the Program (000's)
October 1 - October 31	2,565	\$ 103.01	2,565	39,060
November 1 - November 30	1,054	107.82	1,054	38,006
December 1 - December 31	244	112.29	244	37,762
Total	3,863	\$ 104.91	3,863	

We repurchase shares under a program announced on February 4, 2013, which authorized the repurchase of up to 60 million shares of our common stock. Under this current program, shares may be purchased on the open market, in privately negotiated transactions and under plans complying with Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended. We may also reacquire shares outside of the program from time to time in connection with the surrender of shares to cover taxes on vesting of restricted stock. Fewer than 200 shares were reacquired in transactions outside the program during the quarter ended December 31, 2014 .

Item 6. Selected Financial Data

The Five-Year Summary appearing in our 2014 Annual Report, filed as Exhibit 13 to this Form 10-K, is incorporated herein by reference. See “Notes to Consolidated Financial Statements” in our 2014 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

The information set forth in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2014 Annual Report, filed as Exhibit 13 to this Form 10-K, is incorporated herein by reference.

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 2014 Annual Report, filed as Exhibit 13 to this Form 10-K, and under the heading “Foreign Exchange and Hedging Activity” and “Financial Instruments” in Note 1 and in Note 14, respectively, to the Consolidated Financial Statements in our 2014 Annual Report, filed as Exhibit 13 to this Form 10-K.

Item 8. Financial Statements and Supplementary Data

The 2014 and 2013 Consolidated Balance Sheet, and other consolidated financial statements for the years ended 2014, 2013 and 2012, together with the report thereon of PricewaterhouseCoopers LLP dated February 5, 2015 in our 2014 Annual Report, filed as Exhibit 13 to this Form 10-K, are incorporated herein by reference. The 2014 and 2013 unaudited Selected Quarterly Financial Data appearing in our 2014 Annual Report, filed as Exhibit 13 to this Form 10-K, is incorporated herein by reference.

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

None.

Item 9A. Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended, we carried out an evaluation under the supervision and with the participation of our management, including the President & Chief Executive Officer (CEO), the Senior Vice President and Chief Financial Officer (CFO) and the Acting Controller and Assistant Controller, Financial Reporting (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 U.S. 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, 2014. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its 2013 Internal Control – Integrated Framework. Our management has concluded that based on its assessment, our internal control over financial reporting was effective as of December 31, 2014. The effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report which appears in our 2014 Annual Report.

On November 23, 2014, Louis Chênevert retired as CEO and Chairman of the Board of Directors of the Company (the Board). On the same day, the Board appointed Gregory J. Hayes, the Company's CFO, to serve as President and CEO of the Company and as a member of the Board and appointed Peter F. Longo to serve as the Company's Acting Chief Financial

Officer. On December 9, 2014, the Company announced the appointment of Akhil Johri as the Company's Senior Vice President and CFO, effective January 1, 2015. The Company continued to maintain effective internal controls over financial reporting throughout this period. There has been no other material change in our internal control over financial reporting during the quarter ended December 31, 2014 .

Item 9B. Other Information

Appointment of Principal Accounting Officer

On February 2, 2015, the Company's Board of Directors elected Neil G. Mitchill, Jr., 39, Vice President and Controller and principal accounting officer, effective February 6, 2015. Mr. Mitchill will report to Akhil Johri, Senior Vice President and Chief Financial Officer, who will continue as principal financial officer of the Company.

Mr. Mitchill joined the Company on September 2, 2014 as Vice President Global Financial Services. Prior to joining UTC, Mr. Mitchill worked in public accounting for over sixteen years and was a partner with PricewaterhouseCoopers LLP's Assurance practice group for the six years immediately prior to leaving the firm on August 31, 2014.

Amendments to Bylaws

In connection with the election of Edward A. Kangas as non-executive Chairman, effective November 23, 2014, on February 2, 2015, the UTC Board of Directors approved changes to the Company's Bylaws to reflect the addition of the role of non-executive Chairman of the Board. The changes adopted include changes to the following sections of the Bylaws:

Section 2.2 was amended to include a paragraph permitting the Board to elect from among the Directors a Chairman and one or more Vice Chairmen. Section 4.1 of the Bylaws previously specified that the elected officers of UTC would include a Chairman.

Section 2.17 was added to describe the duties of the Chairman, which had previously been described in Section 4.2 of the Bylaws.

Section 4.1 was amended to clarify that the elected officers of the Company may include a Chairman, rather than specifying that the elected officers of the Company would include a Chairman.

The foregoing description of the changes to the Company's Bylaws is qualified in its entirety by reference to the complete text of the Bylaws, as restated and amended, effective February 2, 2015, which is filed as Exhibit 3(ii) to this Form 10-K and is incorporated herein by reference.

Section 13(r)(1)(D) Disclosures

The following activities are disclosed as required by Section 13(r)(1)(D)(iii) of the Securities Exchange Act of 1934, as amended (Exchange Act) as transactions or dealings with the government of Iran that have not been specifically authorized by a U.S. federal department or agency:

In the Company's Form 10-Q report for the quarterly period ended on September 30, 2014, the Company disclosed, under the heading "Other" in the "Business Overview" section in Management's Discussion and Analysis of Financial Condition and Results of Operations in each such report, activities as required by Section 13(r)(1)(D) of the Securities Exchange Act of 1934, as amended (Exchange Act). Such disclosures are incorporated herein by reference.

The following activities are disclosed as required by Section 13(r)(1)(D) of the Exchange Act:

As part of UTC's on-going efforts to identify and terminate transactions with the Government of Iran, we recently determined that three non-U.S. subsidiaries operating through the UTC Climate, Controls & Security segment, sold fire safety products and related installation, maintenance and inspection services to certain Iranian parties located in France, Switzerland and the United Kingdom in 2012, 2013, and 2014. Each of the Iranian parties to the transactions described below has been designated by the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) as an entity owned or controlled by the Government of Iran. With respect to Bank Melli Iran, Melli Bank PLC, Bank Sepah, Bank Sepah International PLC, and IranAir, these parties have also been designated by OFAC as blocked pursuant to Executive Order No. 13382. With respect to Bank Saderat Iran, this party has also been designated by OFAC as blocked pursuant to Executive Order No. 13224. A portion of the 2012 transactions and all of the 2013 and 2014 transactions took place after the President issued Executive Order 13628 on October 9, 2012, which implemented Section 218 of the Iran Threat Reduction and Syria Human Rights Act by prohibiting any entity owned or controlled by a U.S. person and established or maintained outside the U.S. from knowingly engaging in any transaction, directly or indirectly, with the Government of Iran. Accordingly, UTC has filed appropriate disclosures with OFAC.

In 2012, 2013, and 2014, Chubb France SCS (Chubb France), a company organized under the laws of France, sold fire safety equipment and services to the Paris offices of Bank Sepah, Bank Saderat Iran, Bank Melli Iran, and IranAir. In 2012, Chubb France sold approximately \$4,324.75 in the aggregate in fire safety equipment and services to these parties, with a net profit of \$164.35. Approximately \$1,175.18 of the 2012 payments were received before October 9, 2012 and were not prohibited by applicable law when received. In 2013, Chubb France sold approximately \$2,402.99 in the aggregate in fire safety equipment and services to these parties, with a net profit of \$91.32. In 2014, Chubb France sold approximately \$22,070.81 in the aggregate in fire safety equipment and services to these parties, with a net profit of \$1,378.48. Chubb France has informed each of these parties that it has terminated the relationships and will not provide further fire safety equipment or maintenance inspection services.

In 2012, 2013, and 2014, Chubb Fire & Security Limited (Chubb UK), a company organized under the laws of the United Kingdom, sold fire safety products and provided related maintenance inspection services to Petrochemical Commercial Company (U.K.) Limited (Petrochemical). In 2012, Chubb UK sold approximately \$7,422.75 in the aggregate in fire safety equipment and services to Petrochemical, with a net profit of \$442.83. Approximately \$7,834.23 of the 2012 payments were received before October 9, 2012 and were not prohibited by applicable law when received. In 2013, Chubb UK sold approximately \$10,078.17 in the aggregate in fire safety equipment and services to Petrochemical, with a net profit of \$1,224.64. In 2014, Chubb UK sold approximately \$2,243.10 in the aggregate in fire safety equipment and services to Petrochemical, with a net profit of \$404.18. Chubb UK has informed Petrochemical that it has terminated the relationship and will not provide further fire safety equipment or maintenance inspection services.

In 2012, 2013, and 2014, Security Monitoring Centres Limited (SMC), a sister company of Chubb UK organized under the laws of the United Kingdom, provided security alarm monitoring services to the London office of Melli Bank PLC. SMC provided security alarm monitoring services to the London office of Bank Sepah International PLC in 2014. SMC provided the monitoring services to the Iranian banks pursuant to a contract between SMC and Total Security Systems Ltd. (Total Security), a third-party company organized under the laws of the United Kingdom. Total Security had contracts with the two Iranian banks to maintain and monitor their security alarm systems, and Total Security subcontracted the monitoring work to SMC. The contract between Total Security and SMC provides that Total Security will pay SMC a lump sum of \$17,526 per year, in exchange for SMC providing monitoring services to 120 of Total Security's customers. In 2012, SMC received total payments and net profit of approximately \$868.90 and \$230.28, respectively, for services provided to Melli Bank PLC. In 2013, SMC received total payments and net profit of approximately \$857.14 and \$229.69, respectively, for monitoring services provided to Melli Bank PLC. In 2014, SMC received total payment and net profit of approximately \$961.74 and \$381.01, respectively, for monitoring services provided to Melli Bank PLC and Bank Sepah International PLC. SMC has informed Total Security that it has terminated the monitoring services to both Iranian banks and will not provide further services.

In 2012 and 2013, Sicli Materiel-Incendie S.A. (Sicli Switzerland), a company organized under the laws of Switzerland, sold fire safety products and provided related maintenance inspection services to the Delegation and Permanent Representative of the Islamic Republic of Iran to the United Nations Office in Geneva, Switzerland. In 2012, Sicli Switzerland sold approximately \$657.17 in the aggregate in fire safety equipment and services to the Permanent Representative of Iran, with a net profit of approximately \$115.12. The 2012 payments took place before October 9, 2012 and were not prohibited by applicable law when received. In 2013, Sicli Switzerland sold approximately \$159.13 in fire safety equipment and services to the Delegation of Iran, with a net profit of approximately \$32.16. Sicli Switzerland has discontinued the services to the Delegation and Permanent Representative and will not provide further fire safety equipment or maintenance inspection services.

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 2015 Annual Meeting of Shareowners titled "Election of Directors" (under the subheading "Nominees") and "Corporate Governance" (including under the subheadings "Board Committees," "Audit Committee" and "Committee on Nominations and Governance").

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 1/1/2010</u>	<u>Age as of 2/5/2015</u>
Paul R. Adams	President, Pratt & Whitney (since January 2014)	Chief Operating Officer, Pratt & Whitney; Senior Vice President Operations & Engineering, Pratt & Whitney; Senior Vice President Engineering, Pratt & Whitney	53
Elizabeth B. Amato	Senior Vice President, Human Resources and Organization, United Technologies Corporation (since August 2012)	Vice President, Human Resources, UTC Climate, Controls & Security; Vice President, Human Resources, Carrier Corporation; Vice President, Human Resources, Pratt & Whitney	58
Geraud Darnis	President & Chief Executive Officer, UTC Building & Industrial Systems (since September 2013)	President & Chief Executive Officer, UTC Climate, Controls & Security; President, Carrier Corporation	55
Michael R. Dumais	Senior Vice President, Strategic Planning, United Technologies Corporation (since January 2015)	President, Power, Controls & Sensing Systems, UTC Aerospace Systems; President, Hamilton Sundstrand; Vice President and General Manager Customer Service, Hamilton Sundstrand	47
Charles D. Gill	Senior Vice President and General Counsel, United Technologies Corporation (since 2007)	—	50
David L. Gitlin	President, UTC Aerospace Systems (since January 2015)	President, Aircraft Systems, UTC Aerospace Systems; Vice President of Integration - UTC Propulsion & Aerospace Systems; President, Aerospace Customers & Business Development, Hamilton Sundstrand; President, Auxiliary Power, Engine & Control Systems, Hamilton Sundstrand	45
Gregory J. Hayes	President and Chief Executive Officer, United Technologies Corporation (since November 2014)	Senior Vice President and Chief Financial Officer, United Technologies Corporation	54
Akhil Johri	Senior Vice President and Chief Financial Officer, United Technologies Corporation (since January 2015)	Chief Financial Officer, Pall Corporation; Vice President of Finance and Chief Financial Officer of UTC Propulsion & Aerospace Systems; Vice President Financial Planning and Investor Relations, United Technologies Corporation	53
Michael B. Maurer	President, Sikorsky Aircraft (since July 2012)	President, Sikorsky Military Systems, Sikorsky Aircraft; Senior Vice President, Operations, Sikorsky Aircraft	54
Thomas I. Rogan	Vice President, Treasurer, United Technologies Corporation (since 2001)	—	62

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 2015 Annual Meeting of Shareowners titled “Other Information” under the heading “Section 16(a) Beneficial Ownership Reporting.” 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.

Item 11. Executive Compensation

The information required by Item 11 is incorporated herein by reference to the sections of our Proxy Statement for the 2015 Annual Meeting of Shareowners titled “Executive Compensation,” “Compensation of Directors” and “Report of Committee on Compensation and Executive Development.”

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 is incorporated herein by reference to the sections of our Proxy Statement for the 2015 Annual Meeting of Shareowners titled “Stock Ownership Information.”

Equity Compensation Plan Information

The following table provides information as of December 31, 2014 concerning Common Stock issuable under UTC’s equity compensation plans.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by shareowners	19,643,000 ⁽¹⁾	\$ 76.81	52,880,000 ⁽²⁾
Equity compensation plans not approved by shareowners	— ⁽³⁾	—	—
Total	19,643,000	\$ 76.81	52,880,000

- (1) Consists of: (i) shares of Common Stock issuable upon the exercise of outstanding stock options awarded under the 1989 Long-Term Incentive Plan (1989 LTIP), the United Technologies Corporation Long-Term Incentive Plan, as amended (“LTIP”) and the Non-Employee Director Stock Option Plan (“Non-Employee Director Plan”); (ii) shares of Common Stock issuable upon the exercise of outstanding Stock Appreciation Rights (SARs) awarded under the LTIP, and (iii) shares of Common Stock issuable pursuant to outstanding restricted stock unit and performance share unit awards, assuming performance at the target level. Under the LTIP, each SAR referred to in clause (ii) is exercisable for a number of shares of Common Stock having a value equal to the increase in the market price of a share of such stock from the date the SAR was granted. For purposes of determining the total number of shares to be issued in respect of outstanding SARs as reflected in Column (a) above, we have used the NYSE closing price for a share of Common Stock on December 31, 2014 of \$115.00. The amount of shares of Common Stock referred to in clause (iii) above includes 1,495,000 restricted shares and restricted share units and 2,532,000 performance share units at the target level. Up to an additional 2,532,000 shares of Common Stock 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) and (ii).
- (2) Represents the maximum number of shares of Common Stock available to be awarded under the LTIP as of December 31, 2014. Awards will result in a reduction in the number of shares of Common Stock available for delivery under the 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 Full Share Awards and will result in a reduction in the number of shares of Common Stock available for delivery under the LTIP on a one-for-one basis.
- (3) All awards issued under the former UTC Employee Stock Option Plan have either been exercised or have expired. Effective April 14, 2005, all equity incentive compensation awards are issued under the shareowner-approved 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 2015 Annual Meeting of Shareowners titled “Election of Directors” (under the subheading “Nominees”), “Corporate Governance” (under the subheading “Director Independence”) and “Other Information” (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 2015 Annual Meeting of Shareowners titled “Appointment of a Firm of Independent Registered Public Accountants to Serve as Independent Auditor for 2015 ,” including the information provided in that section with regard to “Audit Fees,” “Audit-Related Fees,” “Tax Fees” and “All Other Fees.”

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements, Financial Statement Schedules and Exhibits

(1) Financial Statements (incorporated herein by reference to the 2014 Annual Report) :

	Page Number in Annual Report
Report of Independent Registered Public Accounting Firm	30
Consolidated Statement of Operations for the three years ended December 31, 2014	31
Consolidated Statement of Comprehensive Income for the three years ended December 31, 2014	32
Consolidated Balance Sheet as of December 31, 2014 and 2013	33
Consolidated Statement of Cash Flows for the three years ended December 31, 2014	34
Consolidated Statement of Changes in Equity for the three years ended December 31, 2014	35
Notes to Consolidated Financial Statements	37
Selected Quarterly Financial Data (Unaudited)	77

(2) Financial Statement Schedule for the three years ended December 31, 2014 :

	Page Number in Form 10-K
SCHEDULE I—Report of Independent Registered Public Accounting Firm on Financial Statement Schedule	S-I
SCHEDULE II—Valuation and Qualifying Accounts	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.

<u>Exhibit Number</u>	
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 February 2, 2015.*
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 October 15, 2013, incorporated by reference to Exhibit 10.11 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2013.
- 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), incorporated by reference to Exhibit 10.12 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 30, 2013.
- 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 10.13 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended September 13, 2013.
- 10.14 United Technologies Corporation Board of Directors Deferred Stock Unit Plan, as Amended and Restated, effective as of December 23, 2014.*
- 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 Long-Term Incentive Plan, as amended and restated effective April 28, 2014, 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 May 2, 2014.
- 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.
- 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 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, incorporated by reference to Exhibit 10.33 to UTC's Annual Report on Form 10-K (Commission file number 1-812) for the fiscal year ended December 31, 2011.
- 10.33 Term Loan Credit Agreement, among United Technologies Corporation, JPMorgan Chase Bank, M.A., J.P. Morgan Securities LLC, Citigroup Global Markets Inc., HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bank of America, N.A., Citibank, N.A. and HSBC Bank USA, National Association, dated April 24, 2012, incorporated by reference to Exhibit 10.34 to UTC's Quarterly Report on Form 10-Q (Commission file number 1-812) for the quarterly period ended March 30, 2012.
- 10.34 Separation Agreement entered into as of January 16, 2015 between Louis R. Chênevert and United Technologies Corporation.*
- 11 Statement Re: Computation of Per Share Earnings.*

12	Statement Re: Computation of Ratios.*
13	Excerpts from UTC's 2014 Annual Report to Shareowners for the year ended December 31, 2014.*
14	Code of Ethics. The UTC Code of Ethics may be accessed via UTC's website at http://www.utc.com/Governance/Ethics/Code+of+Ethics .
21	Subsidiaries of the Registrant.*
23	Consent of PricewaterhouseCoopers LLP.*
24	Powers of Attorney of John V. Faraci, Jean-Pierre Garnier, Edward A. Kangas, Ellen J. Kullman, Marshall O. Larsen, 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-20141231.xml)
101.SCH	XBRL Taxonomy Extension Schema Document.* (File name: utx-20141231.xsd)
101.CAL	XBRL Taxonomy Calculation Linkbase Document.* (File name: utx-20141231_cal.xml)
101.DEF	XBRL Taxonomy Definition Linkbase Document.* File name: : utx-20141231_def.xml)
101.LAB	XBRL Taxonomy Label Linkbase Document.* (File name: utx-20141231_lab.xml)
101.PRE	XBRL Taxonomy Presentation Linkbase Document.* (File name: utx-20141231_pre.xml)

Notes to Exhibits List:

* Submitted electronically herewith.

Exhibits 10.1 through 10.31 are contracts, arrangements or compensatory plans filed as exhibits pursuant to Item 15(b) of the requirements for Form 10-K reports.

Attached as Exhibit 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, 2014 , (ii) Consolidated Statement of Comprehensive Income for the three years ended December 31, 2014 , (iii) Consolidated Balance Sheet as of December 31, 2014 and 2013 , (iv) Consolidated Statement of Cash Flows for the three years ended December 31, 2014 , (v) Consolidated Statement of Changes in Equity for the three years ended December 31, 2014 , (vi) Notes to Consolidated Financial Statements, and (vii) Financial Schedule of Valuation and Qualifying Accounts.

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

Signature	Title	Date
<u>/s/ G R E G O R Y J. H A Y E S</u> (Gregory J. Hayes)	Director, President & Chief Executive Officer (Principal Executive Officer)	February 5, 2015
<u>/s/ A K H I L J O H R I</u> (Akhil Johri)	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 5, 2015
<u>/s/ J O H N E . S T A N T I A L</u> (John E. Stantial)	Acting Controller and Assistant Controller, Financial Reporting	February 5, 2015
<u>/s/ J O H N V. F A R A C I *</u> (John V. Faraci)	Director	
<u>/s/ J E A N - P I E R R E G A R N I E R *</u> (Jean-Pierre Garnier)	Director	
<u>/s/ E D W A R D A. K A N G A S *</u> (Edward A. Kangas)	Director	
<u>/s/ E L L E N J. K U L L M A N *</u> (Ellen J. Kullman)	Director	
<u>/s/ M A R S H A L L O. L A R S E N *</u> (Marshall O. Larsen)	Director	
<u>/s/ H A R O L D W. M C G R A W I I I *</u> (Harold W. McGraw III)	Director	
<u>/s/ R I C H A R D B. M Y E R S *</u> (Richard B. Myers)	Director	
<u>/s/ H. P A T R I C K S W Y G E R T *</u> (H. Patrick Swygert)	Director	
<u>/s/ A N D R É V I L L E N E U V E *</u> (André Villeneuve)	Director	
<u>/s/ C H R I S T I N E T O D D W H I T M A N *</u> (Christine Todd Whitman)	Director	

*By: /s/ C H A R L E S D. G I L L
Charles D. Gill
Senior Vice President and
General Counsel, as Attorney-in-Fact

Date: February 5, 2015

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 5, 2015 appearing in the 2014 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 5, 2015

SCHEDULE II

UNITED TECHNOLOGIES CORPORATION AND SUBSIDIARIES
Valuation and Qualifying Accounts
Three years ended December 31, 2014
(Millions of Dollars)

Allowances for Doubtful Accounts and Other Customer Financing Activity:

Balance December 31, 2011	\$	456
Provision charged to income		72
Doubtful accounts written off (net)		(23)
Other adjustments		12
Balance December 31, 2012		517
Provision charged to income		74
Doubtful accounts written off (net)		(68)
Other adjustments		20
Balance December 31, 2013		543
Provision charged to income		93
Doubtful accounts written off (net)		(91)
Other adjustments		(41)
Balance December 31, 2014	\$	504

Future Income Tax Benefits—Valuation allowance:

Balance December 31, 2011		977
Additions charged to income tax expense		124
Additions charged to goodwill, due to acquisitions		71
Reductions credited to income tax expense		(245)
Other adjustments		(23)
Balance December 31, 2012		904
Additions charged to income tax expense		134
Additions charged to goodwill, due to acquisitions		12
Reductions credited to income tax expense		(52)
Other adjustments		(56)
Balance December 31, 2013		942
Additions charged to income tax expense		91
Reductions credited to income tax expense		(55)
Other adjustments ¹		(366)
Balance December 31, 2014	\$	612

Note 1: Included in Other adjustments for the year ended December 31, 2014 are reductions in valuation allowances associated with an agreement with a state taxing authority for the monetization of tax credits.

BYLAWS
OF
UNITED TECHNOLOGIES CORPORATION
AS RESTATED AND AMENDED EFFECTIVE
FEBRUARY 2, 2015

SECTION 1 - Meetings of Shareholders

SECTION 1.1 *Annual Meetings.*

Annual meetings of shareholders shall be held on or prior to April 30 in each year for the purpose of electing directors and transacting such other proper business as may come before the meeting.

SECTION 1.2 *Special Meetings.*

Special meetings of shareholders may be called from time to time by the Board of Directors, by the Chairman, or by the chief executive officer of the Corporation. Special meetings shall be held solely for the purpose or purposes specified in the notice of meeting.

SECTION 1.3 *Time and Place of Meetings.*

Subject to the provisions of Section 1.1, each meeting of shareholders shall be held on such date, at such hour and at such place as fixed by the Board of Directors or in the notice of the meeting or, in the case of an adjourned meeting, as announced at the meeting at which the adjournment is taken.

SECTION 1.4 *Notice of Meetings.*

A notice of each meeting of shareholders, stating the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given personally, by mail or by electronic transmission as set forth below to each shareholder entitled to vote at the meeting. Unless otherwise provided by statute, the notice shall be given not less than 10 nor more than 60 days before the date of the meeting and, if mailed, shall be deposited in the United States mail, postage prepaid, directed to the shareholder at his or her address as it appears on the records of the Corporation. No notice need be given to any person with whom communication is unlawful, nor shall there be any duty to apply for any permit or license to give notice to any such person. If the time and place of an adjourned meeting of shareholders are announced at the meeting at which the adjournment is taken, no notice need be given of the adjourned meeting unless that adjournment is for more than 30 days or unless, after the adjournment, a new record date is fixed for the adjourned meeting. Without limiting the manner by which notice otherwise may be given effectively to shareholders, any notice to shareholders under the certificate of incorporation and these Bylaws may be given by electronic transmission in the manner provided in Section 232 of the Delaware General Corporation Law (the "DGCL").

SECTION 1.5 *Waiver of Notice.*

Anything herein to the contrary notwithstanding, notice of any meeting of shareholders need not be given to any shareholder who in person or by proxy shall have waived in writing notice of the meeting, either before or after such meeting, or who shall attend the meeting in person or by proxy, unless such shareholder attends for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 1.6 *Quorum and Manner of Acting.*

Subject to the provisions of these Bylaws, the certificate of incorporation and statute as to the vote that is required for a specified action, the presence in person or by proxy of the holders of a majority of the outstanding shares of the Corporation entitled to vote at any meeting of shareholders shall constitute a quorum for the transaction of business, and the vote in person or by proxy of the holders of a majority of the shares constituting such quorum shall be binding on all shareholders of the Corporation. A majority of the shares present in person or by proxy and entitled to vote may, regardless of whether or not they constitute a quorum, adjourn the meeting to another time and place. Any business which might have been transacted at the original meeting may be transacted at any adjourned meeting at which a quorum is present.

SECTION 1.7 *Voting.*

Shareholders shall be entitled to cumulative voting at all elections of directors to the extent provided in or pursuant to the certificate of incorporation. A shareholder may authorize another person or persons to vote for him or her as proxy by: (a) executing a writing authorizing such other person or persons to act for him or her as proxy, where execution of the writing is accomplished by the shareholder or his or her authorized officer, director, employee or agent signing such writing or causing his or her signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature; or (b) transmitting or authorizing the transmission of a telegram, cablegram, or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, *provided*, that any such telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the shareholder. No proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

SECTION 1.8 *Inspectors of Election; Opening and Closing the Polls.*

The Board of Directors may, and to the extent required by law, shall, in advance of any meeting of shareholders appoint one or more inspectors, which inspector or inspectors may include individuals who serve the Corporation in other capacities, including without limitation as officers, employees, fiduciaries or agents, to act at the meeting and make a written report thereof. The Board of Directors may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of shareholders, the chairman of the meeting may, and to the extent required by law, shall, appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector or inspectors of election shall have the duties prescribed by law. The chairman of the meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the shareholders will vote at a meeting.

SECTION 1.9 *List of Shareholders.*

A complete list of the shareholders entitled to vote at each meeting of shareholders, arranged in alphabetical order, and showing the address and number of shares registered in the name of each shareholder, shall be prepared and made available for examination during regular business hours by any shareholder for any purpose germane to the meeting. The list shall be available for such examination at the principal place of business of the Corporation for a period of not less than 10 days prior to the meeting and during the whole time of the meeting.

SECTION 1.10 *Notice of Shareholder Business and Nominations.*

(A) *Annual Meetings of Shareholders .*

- (1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the shareholders may be made at an annual meeting of shareholders (a) pursuant to the Corporation's notice of meeting, (b) by or at the direction of the Board of Directors or (c) by any shareholder of the Corporation who was a shareholder of record at the time of giving of notice provided for in this Section 1.10 and, at the time of the annual meeting, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 1.10 as to such business or nomination; clause (c) shall be the exclusive means for a shareholder to make nominations or submit other business (other than matters properly brought under Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and included in the Corporation's notice of meeting) before an annual meeting of shareholders.
 - (2) Without qualification, for any nominations or any other business to be properly brought before an annual meeting by a shareholder pursuant to clause (c) of paragraph (A)(1) of this Section 1.10, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must be a proper matter for shareholder action. To be timely, a shareholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day and not later than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting; *provided, however*, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the shareholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to the date of such annual meeting and not later than the close of business on the later of the 90th day prior to the date of such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall any
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adjournment or postponement of an annual meeting or the announcement thereof commence a new time period or extend any time period for the giving of a shareholder's notice as described above. To be in proper form, such shareholder's notice (whether given pursuant to this paragraph (A)(2) or paragraph (B) of Section 1.10) to the Secretary must: (a) set forth, as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (i) the name and address of such shareholder, as they appear on the Corporation's books, and of such beneficial owner, if any, (ii) (A) the class or series and number of shares of the Corporation which are, directly or indirectly, owned beneficially and of record by such shareholder and such beneficial owner, (B) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the Corporation or otherwise (a "Derivative Instrument"), directly or indirectly owned beneficially by such shareholder and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation, (C) any proxy, contract, arrangement, understanding, or relationship pursuant to which such shareholder has a right to vote any shares of any security of the Corporation, (D) any short interest in any security of the Corporation (for purposes of this Section 1.10 a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (E) any rights to dividends on the shares of the Corporation owned beneficially by such shareholder that are separated or separable from the underlying shares of the Corporation, (F) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such shareholder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner and (G) any performance-related fees (other than an asset-based fee) that such shareholder is entitled to based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of such shareholder's immediate family sharing the same household (which information shall be supplemented by such shareholder and beneficial owner, if any, not later than 10 days after the record date for the meeting to disclose such ownership as of the record date), and (iii) any other information relating to such shareholder and beneficial owner, if any, that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder; (b) if the notice relates to any business other than a nomination of a director or directors that the shareholder proposes to bring before the meeting, set forth (i) a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest of such shareholder and beneficial owner, if any, in such business and (ii) a description of all agreements, arrangements and understandings between such shareholder and beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal of such business by such shareholder; (c) set forth, as to each person, if any, whom the shareholder proposes to nominate for election or reelection to the Board of Directors (i) all information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected) and (ii) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such shareholder and beneficial owner, if any, and their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the shareholder making the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any affiliate or associate thereof or person acting in concert therewith, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant; and (d) with respect to each nominee for election or reelection to the Board of Directors, include a completed and signed questionnaire, representation and agreement required by paragraph (C) of this Section 1.10. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such nominee.

- (3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this Section 1.10 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least 100 days prior to the first anniversary of the preceding year's annual meeting, a shareholder's notice required by this Section 1.10 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(B) Special Meetings of Shareholders .

Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of shareholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board of Directors or (b) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any shareholder of the Corporation who is a shareholder of record at the time of giving of notice provided for in this Section 1.10 and at the time of the special meeting, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 1.10 as to such nomination. In the event the Corporation calls a special meeting of shareholders for the purpose of electing one or more directors to the Board of Directors, any such shareholder may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the shareholder's notice required by paragraph (A)(2) of this Section 1.10 with

respect to any nomination (including the completed and signed questionnaire, representation and agreement required by paragraph (C) of this Section 1.10) shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day prior to the date of such special meeting and not later than the close of business on the later of the 90th day prior to the date of such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall any adjournment or postponement of a special meeting or the announcement thereof commence a new time period or extend any time period for the giving of a shareholder's notice as described above.

(C) Submission of Questionnaire, Representation and Agreements .

To be eligible to be a nominee for election or reelection as a director of the Corporation, a person must deliver (in accordance with the time periods prescribed for delivery of notice under this Section 1.10) to the Secretary at the principal executive offices of the Corporation a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the Secretary upon written request) and a written representation and agreement (in the form provided by the Secretary upon written request) that such person (1) is not and will not become a party to (a) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or (b) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the Corporation, with such person's fiduciary duties under applicable law, (2) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed therein, and (3) in such person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Corporation, and will comply with all applicable law and applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation.

(D) General .

- (1) Only such persons who are nominated in accordance with the procedures set forth in this Section 1.10 shall be eligible to serve as directors and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.10. Except as otherwise provided by law, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in this Section 1.10 and, if any proposed nomination or business is not in compliance with this Section 1.10, to declare that such defective proposal or nomination shall be disregarded.
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- (2) For purposes of this Section 1.10, “public announcement” shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder.
- (3) Notwithstanding the foregoing provisions of this Section 1.10, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 1.10; *provided, however*, that any references in this Section 1.10 to the Exchange Act or the rules promulgated thereunder are not intended to and shall not limit the requirements applicable to nominations or proposals as to any other business to be considered pursuant to Section 1.10 (A)(1)(c) or Section 1.10 (B) of these Bylaws. Nothing in this Section 1.10 shall be deemed to affect any rights of shareholders to request inclusion of proposals in the Corporation’s proxy statement pursuant to Rule 14a-8 under the Exchange Act or of the holders of any series of preferred stock if and to the extent provided for under law, the certificate of incorporation or these Bylaws.

SECTION 1.11

(A) *Consents to Corporate Action .*

Any action which is required to be or may be taken at any annual or special meeting of shareholders of the Corporation, subject to the provisions of Subsections (B) and (C) of this Section 1.11, may be taken without a meeting, without prior notice and without a vote if consents in writing, setting forth the action so taken, shall have been signed by the holders of the outstanding stock having not less than the minimum number of votes that would be necessary to authorize or to take such action at a meeting at which all shares entitled to vote thereon were present and voted; *provided, however*, that prompt notice of the taking of the corporate action without a meeting and by less than unanimous written consent shall be given to those shareholders who have not consented in writing.

(B) *Determination of Record Date of Action by Written Consent .*

The record date for determining shareholders entitled to consent to corporate action in writing without a meeting shall be fixed by the Board of Directors of the Corporation. Any shareholder of record seeking to have the shareholders authorize or take corporate action by written consent without a meeting shall, by written notice to the Secretary, request the Board of Directors to fix a record date. Upon receipt of such a request, the Secretary shall place such request before the Board of Directors at its next regularly scheduled meeting, *provided, however*, that if the shareholder represents in such request that he or she intends, and is prepared, to commence a consent solicitation as soon as is permitted by the Exchange Act and the regulations thereunder and other applicable law, the Secretary shall as promptly as practicable, call a special meeting of the Board of Directors, which meeting shall be held as promptly as practicable. At such regular or special meeting, the Board of Directors shall fix a record date as provided in Section 213 (or its successor provision) of the DGCL. Should the Board fail to fix a record date as provided for in this Subsection (B), then the record date shall be the day on which the first written consent is expressed.

(C) *Procedures for Written Consent .*

In the event of the delivery to the Corporation of a written consent or consents purporting to represent the requisite voting power to authorize or take corporate action and/or related revocations, the Secretary shall provide for the safekeeping of such consents and revocations and shall, as promptly as practicable, engage nationally recognized independent judges of election for the purpose of promptly performing a ministerial review of the validity of the consents and revocations. No action by written consent and without a meeting shall be effective until such judges have completed their review, determined that the requisite number of valid and unrevoked consents has been obtained to authorize or take the action specified in the consents, and certified such determination for entry in the records of the Corporation kept for the purpose of recording the proceedings of meetings of shareholders.

SECTION 2 - Board of Directors

SECTION 2.1 *Number and Term of Office.*

The number of directors shall be not less than 10 nor more than 19. The exact number, within those limits, shall be fixed from time to time by the Board of Directors. Each director shall hold office until a successor is elected and qualified or until his or her earlier death, resignation or removal.

SECTION 2.2 *Election.*

The directors shall be elected annually. A nominee for director shall be elected to the Board of Directors if the votes cast “for” such nominee’s election exceed 50% of the votes cast with respect to such nominee’s election at a meeting for the election of directors at which a quorum is present. Votes cast shall include votes to withhold authority and votes against and “no” votes but shall exclude abstentions with respect to that nominee’s election or with respect to the election of directors in general.

Notwithstanding the foregoing, in the event of a contested election of directors, directors shall be elected by a plurality of the votes cast at any meeting for the election of directors at which a quorum is present. For purposes of this Section 2.2, a contested election shall mean any election of directors in which the number of candidates for election as directors exceeds the number of directors to be elected, with the determination thereof being made by the Secretary (a) as of the close of the applicable notice of nomination period set forth in Section 1.10 of these Bylaws based on whether one or more notice (s) of nomination were timely filed in accordance with said Section 1.10 or (b) if later, reasonably promptly following the determination by any court or other tribunal of competent jurisdiction that one or more notice(s) of nomination were timely filed in accordance with said Section 1.10; *provided* that the determination that an election is a “contested election” by the Secretary pursuant to clause (a) or (b) shall be determinative only as to the timeliness of a notice of nomination and not otherwise as to its validity. If, prior to the tenth day before the Corporation first mails its notice of meeting for such meeting to the shareholders, one or more notices of nomination are withdrawn (or declared invalid or untimely by any court or other tribunal of competent jurisdiction) such that the number of candidates for election as director no longer exceeds the number of directors to be elected, the election shall not be considered a contested election, but in all other cases, once an election is determined to be a contested election, directors shall be elected by the vote of a plurality of the votes cast.

The Board of Directors may, from time to time, elect from among the members of the Board of Directors a Chairman of the Board (the “Chairman”) and one or more Vice Chairmen.

SECTION 2.3 *Organization Meetings.*

As promptly as practicable after each annual meeting of shareholders, and more frequently if the Board of Directors determines, the Board of Directors shall hold an organization meeting for the purpose of organization and the transaction of other business.

SECTION 2.4 *Stated Meetings.*

The Board of Directors may provide for stated meetings of the Board.

SECTION 2.5 *Special Meetings.*

Special meetings of the Board of Directors may be called from time to time by any four directors, by the Chairman, by the chief executive officer, or by the chief operating officer of the Corporation in concert with two directors.

SECTION 2.6 *Business of Meetings.*

Except as otherwise expressly provided in these Bylaws, any and all business may be transacted at any meeting of the Board of Directors; *provided*, that if so stated in the notice of meeting, the business transacted at a special meeting shall be limited to the purpose or purposes specified in the notice.

SECTION 2.7 *Time and Place of Meetings.*

Subject to the provisions of Section 2.3, each meeting of the Board of Directors shall be held on such date, at such hour and in such place as fixed by the Board or in the notice or waivers of notice of the meeting or, in the case of an adjourned meeting, as announced at the meeting at which the adjournment is taken.

SECTION 2.8 *Notice of Meetings.*

No notice need be given of any organization or stated meeting of the Board of Directors for which the Board has fixed the date, hour and place. Notice of the date, hour and place of all other organization and stated meetings, and of all special meetings, shall be given to each director personally, by telephone or telegraph or by mail. If by mail, the notice shall be deposited in the United States mail, postage prepaid, directed to the director at his or her residence or usual place of business as the same appears on the books of the Corporation not later than four days before the meeting. If given by telegraph, the notice shall be directed to the director at his or her residence or usual place of business as the same appears on the books of the

Corporation not later than at any time during the day before the meeting. If given personally or by telephone, the notice shall be given not later than the day before the meeting.

SECTION 2.9 *Waiver of Notice.*

Anything herein to the contrary notwithstanding, notice of any meeting of the Board of Directors need not be given to any director who shall have waived in writing notice of the meeting, either before or after the meeting, or who shall attend such meeting, unless such director attends for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 2.10 *Attendance by Telephone or Other Means of Communication.*

Directors may participate in meetings of the Board of Directors by means of conference telephone or other communications equipment by means of which all directors participating in the meeting can hear one another, and such participation shall constitute presence in person at the meeting.

SECTION 2.11 *Quorum and Manner of Acting.*

One-third of the total number of directors at the time provided for pursuant to Section 2.1 shall constitute a quorum for the transaction of business at any meeting of the Board of Directors and, except as otherwise provided in these Bylaws, in the certificate of incorporation or by statute, the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board. A majority of the directors present at any meeting, regardless of whether or not they constitute a quorum, may adjourn the meeting to another time or place. Any business which might have been transacted at the original meeting may be transacted at any adjourned meeting at which a quorum is present.

SECTION 2.12 *Action Without a Meeting.*

Any action which could be taken at a meeting of the Board of Directors may be taken without a meeting if all of the directors consent to the action in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of the Board. Such filings shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

SECTION 2.13 *Compensation of Directors.*

Each director of the Corporation who is not a salaried officer or employee of the Corporation, or of a subsidiary of the Corporation, may receive compensation for serving as a director and for serving as a member of any Committee of the Board, and may also receive fees for attendance at any meetings of the Board or any Committee of the Board, and the Board may from time to time fix the amount and method of payment of such compensation and fees; *provided*, that no director of the Corporation shall receive any bonus or share in the earnings or profits of the Corporation or any subsidiary of the Corporation except pursuant to a plan approved by the shareholders at a meeting called for the purpose. The Board may also, by vote of a majority of disinterested directors, provide for and pay fair compensation to directors rendering services to the Corporation not ordinarily rendered by directors as such.

SECTION 2.14 *Resignation of Directors.*

Any director may resign at any time upon written notice to the Corporation. The resignation shall become effective at the time specified in the notice and, unless otherwise provided in the notice, acceptance of the resignation shall not be necessary to make it effective.

SECTION 2.15 *Removal of Directors.*

Any director may be removed, either for or without cause, at any time, by the affirmative vote of the holders of record of a majority of the outstanding shares of stock entitled to vote at a meeting of the shareholders called for the purpose, and the vacancy in the Board caused by any such removal may be filled by the shareholders at such meeting or at any subsequent meeting; *provided*, that no director elected by a class vote of less than all the outstanding shares of the Corporation may, so long as the right to such a class vote continues in effect, be removed pursuant to this Section 2.15, except for cause and by the affirmative vote of the holders of record of a majority of the outstanding shares of such class at a meeting called for the purpose, and the vacancy in the Board caused by the removal of any such director may, so long as the right to such class vote continues in effect, be filled by the holders of the outstanding shares of such class at such meeting or at any subsequent meeting; *provided, further*, that if less than all the directors then in office are to be removed, no director may be removed without cause if the votes cast against his or her removal would be sufficient to elect him or her if then cumulatively voted at an election of the whole Board of Directors or, in the case of directors elected by a class vote, the right to which class vote is still then in effect, if the votes cast against his or her removal would be sufficient to elect him or her if then cumulatively voted at an election of the class of directors of which he or she is a part.

SECTION 2.16 *Filling of Vacancies Not Caused by Removal.*

Vacancies and newly created directorships resulting from an increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director; *provided*, that if the vacancy to be filled would, at an election of the whole Board of Directors, be filled by a class vote of less than all of the outstanding shares of the Corporation, and if any of the directors remaining in office were elected by the same class, such majority vote of the directors shall be effective only if it is concurred in by a majority of the remaining directors elected by such class or by a sole remaining director elected by such class. If for any reason there shall be no directors in office, any officer, any shareholder or any executor, administrator, trustee or guardian of a shareholder, or other fiduciary with like responsibility for the person or estate of a shareholder, may call a special meeting of shareholders in accordance with the provisions of these Bylaws for the purpose of electing directors.

SECTION 2.17 *Duties of the Chairman.*

The Chairman shall preside, when present, at each meeting of shareholders and at all meetings of the Board of Directors and the Executive Committee, and shall have such other powers and duties as may from time to time be committed to him or her by the Board of Directors.

SECTION 3 - Committees of the Board of Directors

SECTION 3.1 *Executive Committee.*

By resolution adopted by an affirmative vote of the majority of the whole Board of Directors, the Board may appoint an Executive Committee consisting of the director who occupies the office of chief executive officer of the Corporation, *ex officio*, the Chairman and two or more other directors and, if deemed desirable, one or more directors as alternate members who may replace any absentee or disqualified member at any meeting of the Executive Committee. If so appointed, the Executive Committee shall, when the Board is not in session, have all the power and authority of the Board in the management of the business and affairs of the Corporation not reserved to the Board by Section 3.3. The Executive Committee shall keep a record of its acts and proceedings and shall report the same from time to time to the Board of Directors.

SECTION 3.2 *Other Committees.*

By resolution adopted by an affirmative vote of the majority of the whole Board of Directors, the Board may from time to time appoint such other Committees of the Board, consisting of one or more directors and, if deemed desirable, one or more directors who shall act as alternate members and who may replace any absentee or disqualified member at any meeting of the Committee, and may delegate to each such Committee any of the powers and authority of the Board in the management of the business and affairs of the Corporation not reserved to the Board pursuant to Section 3.3. Each such Committee shall keep a record of its acts and proceedings.

SECTION 3.3 *Powers Reserved to the Board.*

No Committee of the Board shall take any action to amend the certificate of incorporation or these Bylaws, adopt any agreement to merge or consolidate the Corporation, declare any dividend or recommend to the shareholders a sale, lease or exchange of all or substantially all of the assets and property of the Corporation, a dissolution of the Corporation or a revocation of a dissolution of the Corporation. No Committee of the Board shall take any action which is required in these Bylaws, in the certificate of incorporation or by statute to be taken by a vote of a specified proportion of the whole Board of Directors.

SECTION 3.4 *Election of Committee Members; Vacancies.*

So far as practicable, members of the Committees of the Board and their alternates (if any) shall be appointed at each organization meeting of the Board of Directors and, unless sooner discharged by an affirmative vote of the majority of the whole Board, shall hold office until the next organization meeting of the Board and until their respective successors are appointed. In the absence or disqualification of any member of a Committee of the Board, the member or members (including alternates) present at any meeting of the Committee and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another director to act at the meeting in place of any absent or disqualified member. Vacancies in Committees of the Board created by death, resignation or removal may be filled by an affirmative vote of a majority of the whole Board of Directors.

SECTION 3.5 *Meetings.*

Each Committee of the Board may provide for stated meetings of such Committee. Special meetings of each Committee may be called by any two members of the Committee (or, if there is only one member, by that member in concert with the Chairman, except if that member is the Chairman then by the Chairman) or by the Chairman and the chief executive officer of the Corporation. The provisions of Section 2 regarding the business, time and place, notice and waivers of notice of meetings, attendance at meetings and action without a meeting shall apply to each Committee of the Board, except that the references in

such provisions to the directors and the Board of Directors shall be deemed, respectively, to be references to the members of the Committee and to the Committee.

SECTION 3.6 *Quorum and Manner of Acting.*

A majority of the members of any Committee of the Board shall constitute a quorum for the transaction of business at meetings of the Committee, and the act of a majority of the members present at any meeting at which a quorum is present shall be the act of the Committee. A majority of the members present at any meeting, regardless of whether or not they constitute a quorum, may adjourn the meeting to another time or place. Any business which might have been transacted at the original meeting may be transacted at any adjourned meeting at which a quorum is present.

SECTION 4 - Officers

SECTION 4.1 *Election and Appointment.*

The elected officers of the Corporation may consist of a Chairman, a President, one or more Vice Presidents, a Controller, a Treasurer, a Secretary and such other elected officers as shall from time to time be designated by the Board of Directors. The Board shall designate from among such elected officers a chief executive officer, a chief operating officer and a principal accounting officer of the Corporation, and may from time to time make, or provide for, other designations it deems appropriate. The Board may also appoint, or provide for the appointment of, such other officers and agents as may from time to time appear necessary or advisable in the conduct of the affairs of the Corporation. The same person may hold more than one office.

SECTION 4.2 *Duties of the Chief Executive Officer.*

Under the general supervision of the Board, the chief executive officer of the Corporation shall, in the absence of the Chairman, preside at all meetings of shareholders and, except to the extent otherwise provided in these Bylaws or by the Board, shall have general authority to execute any and all documents in the name of the Corporation and general and active supervision and control of all of the business and affairs of the Corporation. In the absence of the chief executive officer, his or her duties shall be performed and his or her powers may be exercised by the chief operating officer or by such other officer as shall be designated either by the chief executive officer in writing or (failing such designation) by the Executive Committee or Board of Directors.

SECTION 4.3 *Duties of Other Officers.*

The other officers of the Corporation shall have such powers and duties not inconsistent with these Bylaws as may from time to time be conferred upon them in or pursuant to resolutions of the Board of Directors, and shall have such additional powers and duties not inconsistent with such resolutions as may from time to time be assigned to them by any competent superior officer. The Board shall assign to one or more of the officers of the Corporation the duty to record the proceedings of the meetings of the shareholders and the Board of Directors in a book to be kept for that purpose.

SECTION 4.4 *Term of Office and Vacancy.*

So far as practicable, the elected officers shall be elected at each organization meeting of the Board, and shall hold office until the next organization meeting of the Board and until their respective successors are elected and qualified. If a vacancy shall occur in any elected office, the Board of Directors may elect a successor for the remainder of the term. Appointed officers shall hold office at the pleasure of the Board or of the officer or officers authorized by the Board to make such appointments. Any officer may resign by written notice to the Corporation.

SECTION 4.5 *Removal of Elected Officers.*

Elected officers may be removed at any time, either for or without cause, by the affirmative vote of a majority of the whole Board of Directors at a meeting called for that purpose.

SECTION 4.6 *Compensation of Elected Officers.*

The compensation of all elected officers of the Corporation shall be fixed from time to time by the Board of Directors; *provided*, that no elected officer of the Corporation shall receive any bonus or share in the earnings or profits of the Corporation or any subsidiary of the Corporation except pursuant to a plan approved by the shareholders at a meeting called for the purpose.

SECTION 5 - Shares and Transfer of Shares

SECTION 5.1 *Certificates.*

The shares of the Corporation shall be represented by certificates or, if and to the extent the Board of Directors determines, shall be uncertificated shares. Notwithstanding any such determination by the Board of Directors, every shareholder shall be

entitled to a certificate signed by the Chairman or the President or a Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, certifying the class and number of shares owned by such shareholder in the Corporation; *provided*, that, where such certificate is countersigned by a Transfer Agent or a Registrar, the signature of any such Chairman, President, Vice President, Treasurer, Assistant Treasurer, Secretary or Assistant Secretary may be a facsimile. In case any officer or officers who shall have signed or whose facsimile signature or signatures shall have been used on any such certificate or certificates shall cease to be such officer or officers, whether because of death, resignation or otherwise, before such certificate or certificates shall have been issued by the Corporation, such certificate or certificates may be issued by the Corporation with the same effect as if such person or persons continued to serve such officer or officers at the date of issue.

SECTION 5.2 *Transfer Agents and Registrars.*

The Board of Directors may, in its discretion, appoint one or more responsible banks or trust companies in the City of New York and in such other city or cities (if any) as the Board may deem advisable, from time to time, to act as Transfer Agents and Registrars of shares of the Corporation; and, when such appointments shall have been made, no certificate for shares of the Corporation shall be valid until countersigned by one of such Transfer Agents and registered by one of such Registrars.

SECTION 5.3 *Transfers of Shares.*

Shares of the Corporation may be transferred upon authorization by the record holder thereof, or by an attorney thereunto authorized by power of attorney duly executed and filed with the Secretary or with a Transfer Agent and Registrar, and by the delivery of the certificates therefor, provided such shares are represented by certificates, accompanied either by an assignment in writing on the back of the certificates or by written power of attorney to sell, assign or transfer the same, signed by the record holder thereof, but no transfer shall affect the right of the Corporation to pay any dividend upon the shares to the holder of record thereof, or to treat the holder of record as the holder in fact thereof for all purposes; and no transfer shall be valid, except between the parties thereto, until such transfer shall have been made upon the books of the Corporation.

SECTION 5.4 *Lost Certificates.*

In case any certificate for shares of the Corporation shall be lost, stolen or destroyed, the Board of Directors, in its discretion, or any Transfer Agent thereunto duly authorized by the Board, may authorize the issuance of a substitute certificate in place of the certificate so lost, stolen or destroyed, and may cause such substitute certificate to be countersigned by the appropriate Transfer Agent (if any) and registered by the appropriate Registrar (if any); *provided*, that in each such case, the applicant for a substitute certificate shall furnish to the Corporation and to such of its Transfer Agents and Registrars as may require same, evidence to their satisfaction, in their discretion, of the loss, theft or destruction of such certificate and of the ownership thereof, and such security or indemnity as may be required by them.

SECTION 5.5 *Record Dates.*

In order that the Corporation may determine the shareholders entitled to notice of or to vote at any meeting of shareholders, or any adjournment thereof, or to consent to action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of shares or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date which shall be not more than 60 nor less than 10 days before the date of any meeting of shareholders, and not more than 60 days prior to any other action. In such case, those shareholders, and only those shareholders, who are shareholders of record on the date fixed by the Board of Directors shall, notwithstanding any subsequent transfer of shares on the books of the Corporation, be entitled to notice of and to vote at such meeting of shareholders, or any adjournment thereof, or to consent to such corporate action in writing without a meeting, or be entitled to receive payment of such dividend or other distribution or allotment of rights, or be entitled to exercise rights in respect of any such change, conversion or exchange of shares or to participate in any such other lawful action.

SECTION 6 - Miscellaneous

SECTION 6.1 *Fiscal Year.*

The fiscal year of the Corporation shall be the calendar year.

SECTION 6.2 *Surety Bonds.*

The Chief Financial Officer, the Controller, the Treasurer, each Assistant Treasurer, and such other officers and agents of the Corporation as the Board of Directors may from time to time direct shall be bonded at the expense of the Corporation for the faithful performance of their duties in such amounts and by such surety companies as the Board may from time to time determine.

SECTION 6.3 *Signature of Negotiable Instruments.*

All bills, notes, checks or other instruments for the payment of money shall be signed or countersigned in such manner as from time to time may be prescribed by resolution of the Board of Directors.

SECTION 6.4 Independent Accountants.

At each annual meeting, the shareholders shall appoint an independent public accountant or firm of independent public accountants to act as the Independent Accountants of the Corporation until the next annual meeting. Among other duties, it shall be the duty of the Independent Accountants so appointed to make periodic audits of the books and accounts of the Corporation. As soon as reasonably practicable after the close of the fiscal year, the shareholders shall be furnished with consolidated financial statements of the Corporation and its consolidated subsidiaries, as at the end of such fiscal year, duly certified by such Independent Accountants, subject to such notes or comments as the Independent Accountants shall deem necessary or desirable for the information of the shareholders. In case the shareholders shall at any time fail to appoint Independent Accountants or in case the Independent Accountants appointed by the shareholders shall decline to act or shall resign or otherwise become incapable of acting, the Board of Directors shall appoint Independent Accountants to discharge the duties provided for herein. Any Independent Accountants appointed pursuant to any of the provisions hereof shall be directly responsible to the shareholders, and the fees and expenses of any such Independent Accountants shall be paid by the Corporation.

SECTION 6.5 Indemnification of Officers, Directors, Employees and Fiduciaries; Insurance.

(A) The Corporation shall indemnify and hold harmless, in accordance with and to the full extent permitted by the laws of the State of Delaware as in effect at the time of the adoption of this Section 6.5 or as such laws may be amended from time to time (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), any person (and the heirs and legal representatives of any such person) made or threatened to be made a party to (or, in the case of directors and officers, otherwise involved in), any threatened, pending, or completed action, suit, arbitration, alternative dispute resolution procedure, legislative hearing or inquiry or proceeding, whether civil, criminal, administrative, or investigative (hereinafter a "proceeding"), by reason of the fact that such person is or was a director, officer or employee of the Corporation, of any constituent corporation absorbed in a consolidation or merger or of a Subsidiary of the Corporation, or serves or served as such or in a fiduciary capacity with another enterprise at the request of the Corporation, any such constituent corporation or a Subsidiary, whether the basis of such proceeding is an alleged action in an official capacity as a director, officer or employee or in any other capacity while serving as a director, officer or employee, against all expenses, liabilities and losses (including, without limitation, attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by any such person in connection with such proceeding.

(B) In furtherance of the foregoing indemnification provisions and not in limitation thereof, the Corporation shall pay or reimburse all expenses (including attorneys' fees) reasonably incurred by any person who is or was a director or officer of the Corporation, any such constituent corporation or any Subsidiary and any such person who serves or served as such or in a fiduciary capacity at the request of one of the foregoing entities with another enterprise in advance of the final disposition of any such proceeding, promptly upon receipt by the Corporation of an undertaking of such person to repay such expenses if it shall ultimately be determined by final judicial decision from which there is no further right of appeal that such person is not entitled to be indemnified by the Corporation. Subject to the approval of either (i) the Chief Executive Officer or (ii) the General Counsel and the Chief Financial Officer acting together and upon such terms and conditions as the approving officer or officers deem appropriate, the Corporation may provide independent legal counsel or pay or reimburse the expenses (including attorneys' fees) reasonably incurred by any person who is or was an employee of the Corporation, any constituent corporation or any Subsidiary and any such person who serves or served as such or in a fiduciary capacity at the request of one of the foregoing entities with another enterprise in advance of the final disposition of any such proceeding, promptly upon receipt by the Corporation of an undertaking of such person to repay such expenses if it shall ultimately be determined by final judicial decision from which there is no further right of appeal that such person is not entitled to be indemnified by the Corporation.

(C) The rights provided by this Section 6.5 to any person who serves or served as a director or officer of the Corporation, a constituent corporation or a Subsidiary or as such or in a fiduciary capacity with another enterprise at the request of one of the foregoing entities shall be rights of contract enforceable against the Corporation by such person, who shall be presumed to have relied upon such rights in determining to serve or continuing to serve in such capacity, and shall vest at the time such person begins serving in such capacity. In addition, the rights provided to any such person by this Section 6.5 shall survive the termination of such person's service in any such capacity. Such rights shall continue as long as such person shall be subject to any possible proceeding. No amendment of this Section 6.5 shall impair the rights of any such person arising at any time with respect to events occurring prior to such amendment.

(D) Notwithstanding anything contained in this Section 6.5, except for proceedings to enforce rights provided in this Section 6.5, the Corporation shall not be obligated under this Section 6.5 to provide any indemnification or any payment or reimbursement of expenses to any director, officer, employee or other person in connection with a proceeding (or part thereof) initiated by such person (which shall not include counterclaims or cross-claims initiated by others) unless the Board of Directors has authorized or consented to such proceeding (or part thereof) in a resolution adopted by the Board.

(E) For purposes of this Section 6.5, the term “Subsidiary” shall mean any corporation, partnership, limited liability company or other entity in which the Corporation owns, directly or indirectly, a majority of the economic or voting ownership interest or voting power to elect a majority of the directors of such entity; the term “other enterprise” shall include any corporation, partnership, limited liability company, joint venture, trust, association or other unincorporated organization or other entity and any employee benefit plan; service “at the request of the Corporation” shall include service as a director, officer, employee or fiduciary of the Corporation, a constituent corporation or a Subsidiary which imposes duties on, or involves services by, such person with respect to an employee benefit plan, its participants or beneficiaries; any excise taxes assessed on a person with respect to an employee benefit plan shall be deemed to be indemnifiable expenses; and action by a person with respect to an employee benefit plan which such person reasonably believes to be in the interest of the participants and beneficiaries of such plan shall be deemed to be action not opposed to the best interests of the Corporation.

(F) Nothing in this Section 6.5 shall limit the power of the Corporation or the Board of Directors to provide rights of indemnification and to make payment and reimbursement of expenses, including attorneys’ fees, to directors, officers, employees, agents, fiduciaries and other persons otherwise than pursuant to this Section 6.5. The rights to indemnification and to receive payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section 6.5 shall not be exclusive of any other rights which any person may have or hereafter acquire under any statute, provision of the certificate of incorporation, these Bylaws, agreement or otherwise.

(G) If any provision or provisions of this Section 6.5 shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (1) the validity, legality and enforceability of the remaining provisions of this Section 6.5 (including, without limitation, each portion of any paragraph of this Section 6.5 containing any such provision held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (2) to the fullest extent possible, the provisions of this Section 6.5 (including, without limitation, each such portion of any paragraph of this Section 6.5 containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

(H) Subject to the approval of either (i) the Chief Executive Officer or (ii) the General Counsel and the Chief Financial Officer acting together and upon such terms and conditions as the approving officer or officers deem appropriate, the Corporation may provide to any person who is or was an agent or fiduciary of the Corporation, a constituent corporation, a Subsidiary or an employee benefit plan of one of such entities rights of indemnification and to receive payment or reimbursement of expenses (including in advance of the final disposition of any proceeding), including attorneys’ fees, to the fullest extent of the provisions of this Section 6.5 with respect to the indemnification of and payment or reimbursement of expenses of directors and officers of the Corporation, constituent corporations, Subsidiaries or other enterprises. Any such rights, if provided, shall have the same force and effect as they would have if they were conferred in this Section 6.5.

(I) Subject to the approval of either the Chief Financial Officer or the Vice President, Treasurer, the Corporation may purchase and maintain insurance in such amounts as the Board of Directors deems appropriate to protect each of itself and any person who is or was a director, officer, employee, agent or fiduciary of the Corporation, a constituent corporation, or a Subsidiary or is or was serving at the request of one of such entities as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person’s status as such, whether or not the Corporation shall have the power to indemnify such person against such liability under the provisions of this Section 6.5 and the laws of the State of Delaware. To the extent that the Corporation maintains any policy or policies providing such insurance, each such current or former director, officer or employee, and each such agent or fiduciary to which rights of indemnification have been provided pursuant to paragraph (H) of this Section 6.5, shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage thereunder for any such current or former director, officer, employee, agent or fiduciary.

SECTION 6.6 Exclusive Forum for Adjudication of Certain Disputes.

Unless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director or officer or other employee of the Corporation to the Corporation or the Corporation’s stockholders, (iii) any action asserting a claim against the Corporation or any director or officer or other employee of the

Corporation arising pursuant to any provision of the Delaware General Corporation Law or the Corporation's Certificate of Incorporation or Bylaws (as either may be amended from time to time), or (iv) any action asserting a claim against the Corporation or any director or officer or other employee of the Corporation governed by the internal affairs doctrine shall be a state court located within the State of Delaware (or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware).

SECTION 7 - Bylaws Amendments

SECTION 7.1 *By the Shareholders.*

These Bylaws may be amended by the shareholders at a meeting called for such purpose in any manner not inconsistent with any provision of law or of the certificate of incorporation.

SECTION 7.2 *By the Directors.*

These Bylaws may be amended by the affirmative vote of a majority of the whole Board of Directors in any manner not inconsistent with any provision of law or of the certificate of incorporation; *provided*, that the Board may not amend this Section 7.2, or the bonus proviso of Section 2.13 (Compensation of Directors), or Section 2.15 (Removal of Directors), Section 4.5 (Removal of Elected Officers) or Section 4.6 (Compensation of Elected Officers).

UNITED TECHNOLOGIES CORPORATION

BOARD OF DIRECTORS

DEFERRED STOCK UNIT PLAN

As Amended and Restated Effective December 23, 2014

UNITED TECHNOLOGIES CORPORATION BOARD OF DIRECTORS

DEFERRED STOCK UNIT PLAN

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ARTICLE I

INTRODUCTION AND PURPOSE

1.01 Purpose of Plan

The United Technologies Corporation Board of Directors Deferred Stock Unit Plan (the "Plan") has been established to provide an arrangement for non-employee directors to receive an annual Deferred Stock Unit Award and a New Director Restricted Stock Unit Award and to defer their Annual Retainer in the form of deferred stock units equal in value to shares of the Corporation's common stock for the purpose of aligning the interests of non-employee directors with those of the Corporation's shareowners.

1.02 Effective Date of Plan and Amendments

(a) The Plan as originally adopted on January 1, 1996 was amended and restated effective January 1, 2005 for the purpose of complying with Section 409A of the Internal Revenue Code with respect to deferrals that were earned or vested after December 31, 2004. Amounts that were earned or vested (within the meaning of Section 409A) prior to January 1, 2005, and any subsequent increases in these amounts that are permitted to be treated as grandfathered benefits under Section 409A, are generally subject to and shall continue to be governed by the terms of the Prior Plan set forth in Appendix A.

(b) The Plan was amended and restated in 2010 for the purposes of: (i) revising the retainer structure; (ii) establishing share ownership guidelines for non-employee directors; and (iii) providing that distributions from this Plan and the Prior Plan will be comprised of shares of UTC Common Stock rather than cash. Changes effected by this amendment and restatement were generally effective as of October 13, 2010.

(c) The Plan was amended effective February 1, 2013, for the purpose of revising the retainer fee and annual deferred stock unit award amounts.

(d) The Plan is hereby amended and restated for the purposes of: (i) revising the retainer fee and annual deferred stock unit award amounts as integrated into this Plan effective April 27, 2015; and (ii) establishing a retainer fee and deferred stock unit award for the new position of non-executive Chairman of the Board effective November 23, 2014.

ARTICLE II

DEFINITIONS

Unless the context clearly indicates otherwise, the following terms, when used in capitalized form in the Plan, shall have the meanings set forth below:

Account means a bookkeeping account established for a Participant under Article IV that is credited with Deferred Stock Units representing compensation earned or vested after 2004. Any compensation earned and vested before 2005 shall be credited to a Participant's account(s) under the Prior Plan and shall be subject to the provisions set forth in Appendix A.

Annual Meeting means the Corporation's Annual Meeting of Shareowners.

Annual Retainer means the annual retainer fee payable to a Participant under Section 3.01 for services to the Company in the capacities indicated.

Annual Deferred Stock Unit Award means the annual grant of Deferred Stock Units made to Participants in accordance with Section 3.02.

Beneficiary means a Participant's beneficiary, designated in writing in a form and manner satisfactory to the Committee, or if a Participant fails to designate a beneficiary, or if all of the Participant's designated Beneficiaries predecease the Participant, the Participant's estate.

Board means the Board of Directors of the Corporation.

Closing Price means, with respect to any date specified by the Plan, the closing price of UTC Common Stock on the composite tape of New York Stock Exchange issues (or if there was no reported sale of UTC Common Stock on such date, on the next preceding day on which there was such a reported sale).

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

Committee means the Committee on Nominations and Governance of the Board.

Conversion Date means the date Deferred Stock Units are converted to shares of UTC Common Stock immediately prior to the delivery of such shares to a Participant or Beneficiary in accordance with Article V herein.

Corporation means United Technologies Corporation.

Deferred Annual Retainer means any portion of a Participant's Annual Retainer deferred in accordance with Article V.

Deferred Stock Unit means a hypothetical share of UTC Common Stock convertible into an actual share of UTC Common Stock following a Separation from Service and immediately prior to a distribution to be made in accordance with Article V. Each Deferred Stock Unit is equal in value to a share of UTC Common Stock. Deferred Stock Units are "restricted stock units" awarded under the LTIP and distributed and administered in accordance with the terms of this Plan.

Distribution Anniversary Date means an anniversary of the Distribution Commencement Date.

Distribution Commencement Date means the first business day of the first month following the month in which the Participant has a Separation from Service.

Election means an irrevocable election by a Participant either to defer all or a portion of the Annual Retainer otherwise payable in cash or to specify how an Account will be distributed (i.e., as a lump sum, in 10 annual installments, or in 15 annual installments).

LTIP means the 2005 United Technologies Corporation Long Term Incentive Plan, as amended from time to time.

Participant means a non-employee member of the Board.

Plan means this United Technologies Corporation Board of Directors Deferred Stock Unit Plan, as amended and restated herein, effective December 23, 2014 and as it may be subsequently amended from time to time.

Plan Year means the calendar year.

Prior Plan means the United Technologies Corporation Board of Directors Deferred Stock Unit Plan as in effect on October 3, 2004, and as modified thereafter from time to time in a manner that does not constitute a "material modification" for purposes of Section 409A, as set forth in Appendix A hereto.

New Director Restricted Stock Unit Award means the one-time Deferred Stock Unit award granted to a Participant upon election to the Board as provided in Section 3.03.

Separation from Service means a Participant's resignation, removal, or retirement from the Board (for a reason other

than death) that constitutes a good-faith, complete termination of the Participant's relationship with the Corporation and that also qualifies as a "separation from service" for purposes of Section 409A of the Code.

UTC Common Stock shall mean the common stock of the Corporation.

ARTICLE III ELIGIBLE COMPENSATION

3.01 Annual Retainer

(a) *Annual Retainer Amount.* Effective April 27, 2015, subject to subsections (b) and (c) of this Section 3.01, the Annual Retainer shall be as follows: \$192,000 for the non-executive Chairman of the Board; \$128,000 for the Audit Committee Chair and the Lead Director (if applicable); \$124,000 for members of the Audit Committee; \$122,000 for the Chair of the Committee on Compensation and Executive Development and the Chair of the Finance Committee; \$120,000 for any other Committee Chair; and 112,000 base amount for directors who do not serve in any of the foregoing roles. In the event that a Participant serves in more than one role listed above, the Annual Retainer will equal the highest amount applicable to any role in which the Participant serves. Notwithstanding the foregoing, the Annual Retainer for the non-executive Chairman of the Board shall be \$184,000 effective November 23, 2014 to be pro-rated for the period between that date and April 27, 2015. The Annual Retainer is subject to change from time to time at the discretion of the Committee.

(b) *Terminated Participants.* If a Separation from Service occurs or a Participant dies before the Annual Meeting, the Participant will not receive an Annual Retainer for the year of the Separation from Service or the Participant's death.

(c) *New Participants.* If a Participant is elected to the Board before September 30 of a calendar year, the Participant will receive the full amount of the then applicable Annual Retainer. Such amount will be eligible for deferral in accordance with Article V. If a Participant is elected to the Board after September 30 of a calendar year, the Participant will receive 50% of the applicable Annual Retainer Amount set forth in subsection (a) above.

3.02 Annual Deferred Stock Unit Award

(a) *Annual Deferred Stock Unit Award.* Effective April 27, 2015, each Participant will receive an annual award of Deferred Stock Units valued at the time of issuance in the following amounts credited to the Participant's Account: \$288,000 for the non-executive Chairman of the Board; \$192,000 for the Audit Committee Chair and the Lead Director (if applicable); \$186,000 for members of the Audit Committee; \$183,000 for the Chair of the Committee on Compensation and Executive Development and the Chair of the Finance Committee; \$180,000 for any other Committee Chair; and \$168,000 base amount for directors who do not serve in any of the foregoing roles. In the event that a Participant serves in more than one role listed above, the Annual Deferred Stock Unit Award will equal the highest amount applicable to any role in which the Participant serves. Notwithstanding the foregoing, the Annual Deferred Stock Unit Award for the non-executive Chairman of the Board shall be \$276,000 effective November 23, 2014 to be pro-rated for the period between that date and April 27, 2015. The Annual Deferred Stock Unit Award is subject to change from time to time at the discretion of the Committee.

(b) *Terminated Participants.* If a Separation from Service or a Participant's death occurs before the Annual Meeting, the Participant will not receive an Annual Deferred Stock Unit Award for the year of the Separation from Service or the Participant's death.

(c) *New Participants.* If a Participant is elected to the Board before September 30 of a calendar year, the Participant will receive an Annual Deferred Stock Unit Award equal in value to the amounts specified in sub-section (a) above. If a Participant is elected to the Board after September 30, the Participant will receive an Annual Deferred Stock Unit Award equal to 50% of the value specified in subsection (a).

3.03 New Director Restricted Stock Unit Award

Effective as of the date of the Participant's election to the Board, the Participant shall receive an unvested award of Deferred Stock Units, equal in value to \$100,000 as of such date. The amount of a New Director Restricted Stock Unit Award is subject to change at the discretion of the Committee.

ARTICLE IV
ACCOUNTS AND CREDITS

4.01 Annual Deferred Stock Unit Award

The Annual Deferred Stock Unit Award shall be credited automatically to an Account established for the Participant, effective as of the date of the Annual Meeting. Participants may not elect to receive the Annual Deferred Stock Unit Award as current cash compensation.

4.02 Elective Annual Retainer

The Annual Retainer will be paid in cash unless the Participant makes a timely irrevocable election in accordance with Article V to defer the receipt of the Annual Retainer as Deferred Stock Units subject to the terms of this Plan in lieu of a current cash payment.

4.03 New Director Restricted Stock Unit Award

Effective as of the date of the Participant's election to the Board, the Corporation will credit the amount of the New Director Restricted Stock Unit Award to a New Director Restricted Stock Unit Account established for the Participant. The New Director Restricted Stock Unit Account will consist of Deferred Stock Units awarded under the LTIP and may not be settled prior to the Participant's Separation from Service. The value of the New Director Restricted Stock Unit Account is subject to forfeiture if a Separation from Service occurs before the first Annual Meeting following the date of election to the Board. Thereafter, the percentage of the New Director Restricted Stock Unit Award subject to forfeiture will be reduced by 20 percentage points as of the date of each succeeding Annual Meeting until the fifth annual meeting when 100% of the value of the New Director Restricted Stock Unit Award will be vested. There will be no forfeiture of interest in the New Director Restricted Stock Unit Account in the event the Separation of Service occurs by reason of the Participant's death, Disability, or for any reason following a "Change in Control" as such terms are defined in the LTIP while the Participant is a member of the Board, or in the event of the Participant's resignation or retirement from the Board for the purpose of accepting full-time employment in public or charitable service. A Participant's New Director Restricted Stock Unit Account will be credited with dividend equivalents in the form of additional Deferred Stock Units, which will vest immediately, but will otherwise be subject to the same restrictions applicable to the Deferred Stock Units credited to the Account.

4.04 Accounts

(a) *Post-December 31, 2004 Credits.* All (i) Annual Retainer deferrals, (ii) Annual Deferred Stock Unit Awards and (iii) New Director Restricted Stock Unit Awards earned or vested after December 31, 2004, shall be maintained in a Participant's Account established under and subject to the terms and conditions of the Plan, as amended and restated effective January 1, 2005 and as amended from time to time. Separate Accounts for post-December 31, 2004 Deferred Stock Units will be maintained for each Participant. Sub-accounts may be maintained within Participants' Accounts to the extent the Committee determines such an arrangement to be necessary or useful in the administration of the Plan.

(b) *Pre-January 1, 2005 Credits.* All Deferred Stock Unit and New Director Restricted Stock Unit Awards earned and vested prior to January 1, 2005, and any subsequent increases in these amounts that are permitted to be treated as grandfathered benefits under Section 409A of the Code (e.g., increases in unit value and dividend equivalents), shall be maintained in separate account(s) under the Prior Plan and shall remain subject to the terms and conditions of the Prior Plan as in effect on October 3, 2004. Prior Plan accounts shall be equal to the value earned and vested on December 31, 2004, as subsequently adjusted in accordance with the terms of the Prior Plan. The Prior Plan and Prior Plan accounts are not intended to be subject to Section 409A of the Code. No amendment to Appendix A that would constitute a "material modification" for purposes of Section 409A shall be effective unless the amending instrument states that it is intended to materially modify Appendix A and to cause the Prior Plan to become subject to Section 409A.

4.05 Deferred Stock Unit Accounts

Calculation of Deferred Stock Units. A Participant's Account (including his or her New Director Restricted Stock Unit Account) shall be credited with the number of Deferred Stock Units in accordance with the following rules:

- (a) *Initial Crediting of Deferred Stock Units.* The New Director Restricted Stock Unit Award, the
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Annual Deferred Stock Unit Award and Deferred Annual Retainer (if any) credited to a Participant's Account for a Plan Year under Sections 4.01, 4.02 and 4.03 shall result in a number of Deferred Stock Units (including fractional Deferred Stock Units) credited to Participant's Account equal to the sum of the dollar amounts of the Annual Deferred Stock Unit Award, the New Director Restricted Stock Unit Award (if applicable) and the Deferred Annual Retainer (if any) divided by the Closing Price on the date of the Annual Meeting or the date a Participant is elected to the Board, if applicable.

(b) *Deemed Reinvestment of Dividends.* The number of Deferred Stock Units credited to a Participant's Account shall be increased on each date on which a dividend is paid on UTC Common Stock. The number of additional Deferred Stock Units credited to a Participant's Account as a result of such dividend payment shall be determined by (i) multiplying the total number of Deferred Stock Units (including fractional Deferred Stock Units) credited to the Participant's Account on the dividend payment date by the amount of the dividend paid per share of UTC Common Stock on the dividend payment date, and (ii) dividing the product so determined by the Closing Price on the dividend payment date.

(c) *Effect of Recapitalization.* In the event of a transaction or event described in this subparagraph (c) (a "Recapitalization Event"), the number of Deferred Stock Units credited to a Participant's Account shall be adjusted in the same manner as outstanding shares of UTC Common Stock. A Recapitalization Event includes a dividend (other than regular quarterly dividends) or other extraordinary distribution to holders of UTC Common Stock (whether in the form of cash, shares, other securities, or other property), extraordinary cash dividend, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, repurchase, or exchange of shares or other securities, the issuance or exercisability of stock purchase rights, the issuance of warrants or other rights to purchase shares or other securities, or other similar corporate transaction or event that has a material effect on the shares of UTC Common Stock and requires conforming adjustment to the value and/or number of Deferred Stock Units to prevent dilution or enlargement of the value of Participants' Accounts.

4.06 Hypothetical Nature of Accounts and Investments

Each Account established under this Article IV shall be maintained for bookkeeping purposes only. Neither the Plan nor any of the Accounts established under the Plan shall hold any actual funds, shares or other assets. The Deferred Stock Units established hereunder shall be used solely to determine the amounts to be distributed hereunder, shall not be or represent an equity security of the Company, shall not be convertible into or otherwise entitle a Participant to acquire an equity security of the Company prior to a Conversion Date as provided for under the terms of this Plan and shall not carry any voting or dividend rights. Deferred Stock Units awarded under this Plan shall be evidenced by a certificate substantially in the form set forth in Appendix B.

ARTICLE V

ELECTION PROCEDURES AND DISTRIBUTIONS

5.01 Annual Retainer Deferral Election

Participants who elect to defer the receipt of the Annual Retainer as Deferred Stock Units for any year must make a written deferral election for that year on an Election form provided by the Committee.

5.02 Annual Retainer Deferral Election Deadline

A written Election form must be completed and submitted to the Office of the Corporate Secretary no later than December 31st of the calendar year prior to the year for which the Annual Retainer will be earned or, for new Participants, no later than 30 days after their election to the Board. If a Participant fails to timely submit a properly completed Election form, the Participant's Annual Retainer earned in the next succeeding year shall be paid in cash as provided in Section 4.02. The Participant's deferral election shall be irrevocable following the Election deadline.

5.03 Distribution Commencement Date

Conversion of Deferred Stock Units into shares of UTC Common Stock and distribution from a Participant's Account shall occur as of the Participant's Distribution Commencement Date, or, if the Participant has changed his or her distribution election as provided in Section 5.05, on the fifth anniversary of the Participant's elected Distribution Date. If a Participant dies at any time before distribution to the Participant commences, distribution of the entire value of the Participant's Account

shall be made to the Participant's Beneficiary on the first business day of the third month following the month of the Participant's death.

A distribution is treated as being made on the date when it is due under the Plan if the distribution occurs on the date specified by the Plan, or on a later date that is either (a) in the same calendar year (for a distribution whose specified due date is on or before September 30), or (b) by the 15th day of the third calendar month following the date specified by the Plan (for a distribution with a specified due date that is on or after October 1). A distribution is also treated as having been made on the date when it is due under the Plan if the distribution is made not more than 30 days before the due date specified by the Plan. A Participant may not, directly or indirectly, designate the taxable year of a distribution made in reliance on the administrative rules in this Section 5.03.

5.04 Election of Form and Amount of Distribution

(a) *Full Distribution.* Following a Separation from Service, a Participant shall receive a number of shares of UTC Common Stock equal to the number of whole Deferred Stock Units credited to his or her Account unless the Participant timely elected to receive distributions from his or her Account in 10 or 15 annual installments in accordance with subsection (b), below. A distribution of shares of UTC Common Stock shall occur as provided in Section 5.03. Fractional Deferred Stock Units will be paid in cash.

(b) *10 or 15 Annual Installments.* A Participant may elect to receive distributions from his or her Account in 10 or 15 installments in lieu of a full distribution of shares under subsection (a) above. Annual installment distributions shall be in shares of UTC Common Stock unless the Participant has allocated the value of all or any portion of his or her Account into the fixed income option in accordance with Section 5.06 in which case distributions shall be payable to the Participant in cash. Installment distributions shall commence as of the Distribution Commencement Date and continue as of each Distribution Anniversary Date thereafter until all installments have been paid. The first annual installment shall equal one-tenth (1/10) (if Participant elects 10 installment payments) or one-fifteenth (1/15th) (if Participant elects 15 installment payments) of the value of the Participant's Account, determined as of the Distribution Commencement Date. Each successive annual installment shall equal the value of the Participant's Account, determined as of the Distribution Anniversary Date, multiplied by a fraction, the numerator of which is one, and the denominator of which shall be the number of remaining annual installments. If a Participant dies after the Distribution Commencement Date but before all installments have been made, the entire remaining value of the Participant's Account shall be distributed to the Participant's Beneficiary on the first business day of the third month following the month of the Participant's death.

(c) *Form of Distribution Election.* A valid election to receive annual distributions under subsection (b) shall be made in writing on an Election form, completed and submitted to the Office of the Corporate Secretary no later than December 31st of the calendar year prior to the year for which the Annual Retainer or Deferred Stock Unit Award is earned, or for new Participants, prior to the date the Participant is elected to the Board, and in no event later than 30 days after such election. A valid distribution Election for a New Director Restricted Stock Unit Award under subsection (b) shall be made in writing on an Election form, completed and submitted to the Office of the Corporate Secretary prior to the date Participant is elected to the Board, and in no event later than 30 days after such election. If a Participant does not make a valid distribution Election, the Participant shall be deemed to have elected to receive his or her Account in a full and immediate distribution as provided in subsection (a). Except as provided below in Section 5.05 (Change in Payment Election), a Participant's distribution Election shall become irrevocable on the Election deadline date.

5.05 Change in Distribution Election

A Participant may make a one-time irrevocable Election to change the form of distribution that the Participant elected under Section 5.04. A change to the form of distribution must meet the following requirements:

- i. The new Election must be made at least twelve months prior to the Distribution Commencement Date (and the new election shall be ineffective if the Distribution Commencement Date occurs within twelve months after the date of the new Election);
 - ii. The new Election will not take effect until twelve months after the date when the Participant submits a new Election form to the Office of the Corporate Secretary;
-

- iii. The new Distribution Commencement Date must be five years later than the date on which the distribution would otherwise have commenced; and
- iv. The new form of distribution must be one of the forms of payment provided under Section 5.04(a) or (b).

5.06 Investment of Annual Retainer Account Election

A Participant may elect, prior to the Distribution Commencement Date or subsequent Distribution Anniversary Date, to convert all or any portion of the Deferred Stock Units in his or her Account to a hypothetical fixed interest investment for the remaining portion of the installment distribution period by making a written election on the Election form provided by the Committee. If a Participant makes such election to have his or her Account treated as if the Account were invested in cash during the remainder of the distribution period, the Account will be credited with a hypothetical interest at a rate equal to the average interest rate on 10-Year Treasury Bonds during the January through October period in the calendar year prior to the Plan Year in which the interest is credited, plus 1%.

ARTICLE VI ADMINISTRATION

6.01 In General

The Committee shall have the discretionary authority to interpret the Plan and to decide any and all matters arising under the Plan, including without limitation the right to determine eligibility for participation, benefits, and other rights under the Plan; the right to determine whether any Election or notice requirement or other administrative procedure under the Plan has been adequately observed; the right to determine the proper recipient of any distribution under the Plan; the right to remedy possible ambiguities, inconsistencies, or omissions by general rule or particular decision; and the right otherwise to interpret the Plan in accordance with its terms. Except as otherwise provided in Section 6.04, the Committee's determination on any and all questions arising out of the interpretation or administration of the Plan shall be final, conclusive, and binding on all parties.

6.02 Plan Amendment and Termination

(a) The Committee may amend, suspend, or terminate the Plan at any time; provided that no amendment, suspension, or termination of the Plan shall, without a Participant's consent, reduce the Participant's benefits accrued under the Plan before the date of such amendment, suspension, or termination.

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

(c) Upon the termination of the Plan with respect to all Participants, and termination of all arrangements sponsored by the Corporation or its affiliates that would be aggregated with the Plan under Section 409A of the Code, the Corporation shall have the right, in its sole discretion, and notwithstanding any Elections made by the Participant, to distribute the Participant's vested Account in full, to the extent permitted under Section 409A. All distributions that may be made pursuant to this Section 6.02(c) shall be made no earlier than the thirteenth month and no later than the twenty-fourth month after the termination of the Plan. The Corporation may not accelerate distributions pursuant to this Section 6.02(c) if the termination of the Plan is proximate to a downturn in the Corporation's financial health within the meaning of Treas. Reg. section 1.409A-3(j)(4)(ix)(C)(1). If the Corporation exercises its discretion to accelerate distributions under this Section 6.02(c), it shall not adopt any new arrangement that would have been aggregated with the Plan under Section 409A within three years following the date of the Plan's termination.

6.03 Reports to Participants

The Committee shall furnish an annual statement to each Participant reporting the value of the Participant's Account and his or her account(s) under the Prior Plan as of the end of the most recent Plan Year.

6.04 Delegation of Authority

The Committee may delegate to officers of the Corporation any and all authority with which it is vested under the Plan, and the Committee may allocate its responsibilities under the Plan among its members.

6.05 Distribution of Shares

The Deferred Stock Units granted under the Plan shall be issued under the LTIP, but subject to administration and distribution in accordance with the terms of this Plan. All shares of UTC Common Stock so distributed in accordance with the terms of the Plan shall be transferred to a brokerage account designated by the Participant entitled to receive the shares.

6.06 Share Ownership Requirements

Participants are expected to own shares of UTC Common Stock and have Deferred Stock Units equal in aggregate value to at least five times the then applicable base Annual Retainer amount set forth in Section 3.01 no later than the 5th Annual Meeting following a Participant's election to the Board. In the event such ownership requirement is not achieved by such date, Annual Retainer fees shall be deferred until combined holdings satisfy this Section 6.06.

ARTICLE VII MISCELLANEOUS

7.01 Rights Not Assignable

No payment due under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge in any other way. Any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge such payment in any other way shall be void. No such payment or interest therein shall be liable for or subject to the debts, contracts, liabilities, or torts of any Participant or Beneficiary. If any Participant or Beneficiary becomes bankrupt or attempts to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge in any other way any payment under the Plan, the Committee may direct that such payment be suspended and that all future payments to which such Participant or Beneficiary otherwise would be entitled be held and applied for the benefit of such person, the person's children or other dependents, or any of them, in such manner and in such proportions as the Committee may deem proper.

7.02 Certain Rights Reserved

Nothing in the Plan shall confer upon any person the right to continue to serve as a member of the Board or to participate in the Plan other than in accordance with its terms.

7.03 Withholding Taxes

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

7.04 Compliance with Section 409A

This Paragraph 7.04 shall apply notwithstanding any other provision of this Plan. To the extent that rights or payments under this Plan are subject to Section 409A of the Internal Revenue Code, the Plan shall be construed and administered in compliance with the conditions of Section 409A and regulations and other guidance issued pursuant to Section 409A for deferral of income taxation until the time the compensation is paid. Any distribution election that would not comply with Section 409A of the Code shall not be effective for purposes of this Plan. To the extent that a provision of this Plan does not comply with Section 409A of the Code, such provision shall be void and without effect. The Corporation does not warrant that the Plan will comply with Section 409A of the Code with respect to any Participant or with respect to any payment, however. In no event shall the Corporation; any director, officer, or employee of the Corporation (other than the Participant); or any member of the Committee be liable for any additional tax, interest, or penalty incurred by a Participant or Beneficiary as a result of the Plan's failure to satisfy the requirements of Section 409A of the Code, or as a result of the Plan's failure to satisfy any other requirements of applicable tax laws.

7.05 Incompetence

If the Committee determines, upon evidence satisfactory to the Committee, that any Participant or Beneficiary to whom a distribution is due under the Plan is unable to care for his or her affairs because of illness or accident or otherwise,

any distribution is due under the Plan (unless prior claim therefore shall have been made by a duly authorized guardian or other legal representative) may be distributed, upon appropriate indemnification of the Committee and the Company, to the spouse of the Participant or Beneficiary or other person deemed by the Committee to have incurred expenses for the benefit of and on behalf of such Participant or Beneficiary. Any such distribution of shares or cash payment (as the case may be) shall be a complete discharge of any liability under the Plan with respect to the amount so distributed or paid.

7.06 Inability to Locate Participants and Beneficiaries

Each Participant and Beneficiary entitled to receive a distribution under the Plan shall keep the Committee advised of his or her current address. If the Committee is unable to locate a Participant or Beneficiary to whom a distribution is due under the Plan, the total amount payable to such Participant or Beneficiary shall be forfeited as of the last day of the calendar year in which the distribution first becomes due.

7.07 Successors

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

7.08 Usage

(a) *Titles and Headings.* The titles to Articles and the headings of Sections, subsections, and paragraphs in the Plan are placed herein for convenience of reference only and shall be of no force or effect in the interpretation of the Plan.

(b) *Number.* The singular form shall include the plural, where appropriate.

7.09 Severability

If any provision of the Plan is held unlawful or otherwise invalid or unenforceable in whole or in part, such unlawfulness, invalidity, or unenforceability shall not affect any other provision of the Plan or part thereof, each of which shall remain in full force and effect. If the making of any payment or the provision of any other benefit required under the Plan is held unlawful or otherwise invalid or unenforceable, such unlawfulness, invalidity or unenforceability shall not prevent any other payment or benefit from being made or provided under the Plan, and if the making of any payment in full or the provision of any other benefit required under the Plan in full would be unlawful or otherwise invalid or unenforceable, then such unlawfulness, invalidity, or unenforceability shall not prevent such payment or benefit from being made or provided in part, to the extent that it would not be unlawful, invalid, or unenforceable, and the maximum payment or benefit that would not be unlawful, invalid, or unenforceable shall be made or provided under the Plan.

APPENDIX A

This Appendix A sets forth the United Technologies Corporation Board of Directors Deferred Stock Unit Plan as in effect on October 3, 2004 ("Prior Plan"), and as modified thereafter from time to time in a manner that does not constitute a "material modification" for purposes of Section 409A. Amounts that were earned or vested (within the meaning of Section 409A) prior to January 1, 2005, and any subsequent increases in these amounts that are permitted to be treated as grandfathered benefits under Section 409A, are generally subject to and shall continue to be governed by the terms of this Prior Plan.

Effective October 13, 2010, Stock Units credited to Participants under this Prior Plan shall be convertible into shares of UTC Common Stock that will be issued under the LTIP. Notwithstanding any provision of this Prior Plan to the contrary, all distributions with respect to Stock Units under this Prior Plan shall be distributed in shares of Common Stock. The settlement of Stock Units in shares of Common Stock in lieu of cash shall in no event: (i) increase the value of any Participant's Account; (ii) modify any Participant's distribution election; or (iii) alter the procedures in effect under this Prior Plan with respect to elections and distributions other than the substitution of shares for cash.

UNITED TECHNOLOGIES CORPORATION

BOARD OF DIRECTORS

DEFERRED STOCK UNIT PLAN

Effective January 1, 1996

UNITED TECHNOLOGIES CORPORATION
BOARD OF DIRECTORS
DEFERRED STOCK UNIT PLAN
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ARTICLE I
INTRODUCTION

1.01 Purpose of Plan

The purpose of the Plan is to enhance the Company's ability to attract and retain non-employee members of the Board whose training, experience and ability will promote the interests of the Company and to directly align the interests of such non-employee Directors with the interests of the Company's shareowners by providing compensation based on the value of UTC Common Stock. The Plan is designed to permit such non-employee directors to defer the receipt of all or a portion of the cash compensation otherwise payable to them for services to the Company as members of the Board.

1.02 Effective Date of Plan

Except as otherwise provided by Section 3.01, the Plan shall apply only to a Participant's annual Director's retainer Fees with respect to service on and after January 1, 1996.

ARTICLE II
DEFINITIONS

Unless the context clearly indicates otherwise, the following terms, when used in capitalized form in the Plan, shall have the meanings set forth below:

Account shall mean a bookkeeping account established for a Participant under Section 4.01.

Article shall mean an article of the Plan.

Beneficiary shall mean a Participant's beneficiary, designated in writing and in a form and manner satisfactory to the Committee, or if a Participant fails to designate a beneficiary, or if the Participant's designated Beneficiary predeceases the Participant, the Participant's estate.

Board shall mean the Board of Directors of the Company.

Closing Price shall mean, with respect to any date specified by the Plan, the closing price of UTC Common Stock on the composite tape of New York Stock Exchange issues (or if there was no reported sale of UTC Common Stock on such date, on the next preceding day on which there was such a reported sale).

Committee shall mean the Nominating Committee of the Board.

Company shall mean United Technologies Corporation.

Director's Fees shall mean the annual retainer fee payable to a Participant for services to the Company as a member of the Board. Director's Fees do not include special meeting fees.

Participant shall mean each member of the Board (other than a member of the Board who is also an employee of the Company or a subsidiary thereof) who is or becomes a member of the Board on or after January 1, 1996.

Payment Anniversary Date shall mean an anniversary of the Payment Commencement Date.

Payment Commencement Date shall mean the first business day of the first month following the month in which the Participant terminates

service as a member of the Board.

Plan shall mean this United Technologies Corporation Board of Directors Deferred Stock Unit Plan, as set forth herein and as amended from time to time.

Plan Year shall mean the calendar year.

Section shall mean a section of the Plan.

Stock Unit shall mean a hypothetical share of UTC Common Stock as described in Section 4.02.

UTC Common Stock shall mean the common stock of the Company.

ARTICLE III

CREDITS

3.01 Transition Credits

As soon as practicable on or after January 1, 1996, the Company shall credit to the Account of each Participant a number of Stock Units determined in accordance with the schedules set forth in Appendix I and Appendix II to the Plan. The credits set forth in Appendix I shall be provided in lieu of any benefits to which the Participant otherwise would have been entitled under the United Technologies Corporation Directors Retirement Plan as of its termination on December 31, 1995. The credits set forth in Appendix II shall be provided in lieu of any benefits to which the Participant otherwise would be entitled under certain deferred compensation arrangements entered into prior to January 1, 1996. The number of units set forth in Appendix II shall equal the number of tax deferred stock units (if any) credited to the Participant under any such prior deferred compensation arrangement, determined as of December 31, 1995.

3.02 Automatic Credits

As of the beginning of each Plan Year, the Company shall credit Stock Units to each Participant's Account equal in value to 60% of the Participant's Director's Fees for the Plan Year, as determined in accordance with Section 4.02(a)(1).

3.03 Elective Credits

A Participant may elect, with respect to each Plan Year, to defer the entire portion (but not a partial portion) of the 40% of the Participant's Director's Fees that are not automatically deferred in accordance with Section 3.02 and that otherwise would be paid to the Participant in cash. If the Participant makes such an election, the Company shall credit Stock Units to the Participant's Account equal in value to 40% of the Participant's Director's Fees for the Plan Year, as determined in accordance with Section 4.02(a)(I), as of the beginning of the Plan Year with respect to which the election is made (or, if later, as of the first day in the Plan Year on which the individual becomes a Participant). An election under this Section 3.03 shall be made in a form and manner satisfactory to the Committee and shall be effective for a Plan Year only if made before the beginning of the Plan Year; provided that an individual who becomes a Participant after the first day of a Plan Year may make the election for that Plan Year within 30 days of becoming a Participant.

ARTICLE IV

ACCOUNTS AND INVESTMENTS

4.01 Accounts

A separate Account under the Plan shall be established for each Participant. Such Account shall be (a) credited with the amounts credited in accordance with Article III, (b) credited (or charged, as the case may be) with the investment results determined in accordance with Section 4.02, and (c) charged with the amounts paid by the Plan to or on behalf of the Participant in accordance with Article V. Within each Participant's Account, separate subaccounts shall be maintained to the extent the Committee determines them to be necessary or useful in the administration of the Plan.

4.02 Stock Units

(a) **Deemed Investment in UTC Common Stock.** Except as provided in subsection (b), below, a Participant's Account shall be treated as if it were invested in Stock Units that are equivalent in value to the fair market value of shares of

UTC Common Stock in accordance with the following rules:

(1) *Conversion into Stock Units.* Any Director's Fees credited to a Participant's Account for a Plan Year under Section 3.02 or 3.03 shall be converted into Stock Units (including fractional Stock Units) by dividing the amount credited by the Closing Price on the first business day of the Plan Year; provided that in the case of an individual who becomes a Participant after the first day of a Plan Year, the Closing Price shall be determined as of the day on which the individual becomes a Participant.

(2) *Deemed Reinvestment Of Dividends.* The number of Stock Units credited to a Participant's Account shall be increased on each date on which a dividend is paid on UTC Common Stock. The number of additional Stock Units credited to a Participant's Account as a result of such increase shall be determined by (i) multiplying the total number of Stock Units (excluding fractional Stock Units) credited to the Participant's Account immediately before such increase by the amount of the dividend paid per share of UTC Common Stock on the dividend payment date, and (ii) dividing the product so determined by the Closing Price on the dividend payment date.

(3) *Conversion Out of Stock Units.* The dollar value of the Stock Units credited to a Participant's Account on any date shall be determined by multiplying the number of Stock Units (including fractional Stock Units) credited to the Participant's Account by the Closing Price on that date.

(4) *Effect of Recapitalization.* In the event of a transaction or event described in this paragraph (4), the number of Stock Units credited to a Participant's Account shall be adjusted in such manner as the Committee, in its sole discretion, deems equitable. A transaction or event is described in this paragraph (4) if (i) it is a dividend (other than regular quarterly dividends) or other distribution (whether in the form of cash, shares, other securities, or other property), extraordinary cash dividend, recapitalization, stock split, reverse stock split reorganization, merger, consolidation, split-up, spin-off, repurchase, or exchange of shares or other securities, the issuance or exercisability of stock purchase rights, the issuance of warrants or other rights to purchase shares or other securities, or other similar corporate transaction or event and (ii) the Committee determines that such transaction or event affects the shares of UTC Common Stock, such that an adjustment pursuant to this paragraph (4) is appropriate to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

(b) *Change in Deemed Investment Election.* A Participant who elects to receive distribution of his or her Accounts in annual installments will continue to have such Account credited with Stock Units during the installment period unless the Participant irrevocably elects to have his or her Account treated, as of the Payment Commencement Date, as if the Account were invested in cash. If a Participant makes such election, the Account will be credited with a rate of interest equal to the average interest rate on 10-Year Treasury Bonds as of the January through October Period in the calendar year prior to the Plan Year in which the interest is credited, plus 1%. An election under this subsection (b) shall be made in a form and manner satisfactory to the Committee and shall be effective only if made before the Payment Commencement Date.

4.03 Hypothetical Nature of Accounts and Investments

Each Account established under this Article IV shall be maintained for bookkeeping purposes only. Neither the Plan nor any of the Accounts established under the Plan shall hold any actual funds or assets. The Stock Units established hereunder shall be used solely to determine the amounts to be paid hereunder, shall not be or represent an equity security of the Company, shall not be convertible into or otherwise entitle a Participant to acquire an equity security of the Company and shall not carry any voting or dividend rights.

ARTICLE V PAYMENTS

5.01 Entitlement to Payment

Credits to a Participant's Account under Section 3.02 or 3.03 shall be in lieu of payment to the Participant of the related Director's Fees. Any payment under the Plan with respect to an Account shall be made solely in cash and as further

provided in this Article V. The right of any person to receive one or more payments under the Plan shall be an unsecured claim against the general assets of the Company.

5.02 Payment Commencement Date

Payments to a Participant with respect to the Participant's Account shall begin as of the Participant's Payment Commencement Date; provided that if a Participant dies before the Participant's Payment Commencement Date, payment of the entire value of the Participant's Account shall be made in a lump sum to the Participant's Beneficiary as soon as practicable after the Committee receives all documents and other information that it requests in connection with the payment.

5.03 Form and Amount of Payment

(a) *Fifteen Annual Installments.* A Participant shall receive his or her benefits in 15 annual installments unless the Participant elects to receive his or her benefits under the Plan in the form of a lump-sum payment or in less than 15 annual installments in accordance with subsection (b), below. Annual installments shall be payable to the Participant in cash beginning as of the Payment Commencement Date and continuing as of each Payment Anniversary Date thereafter until all installments have been paid. The first annual installment shall equal one-fifteenth (1/15th) of the value of the Stock Units credited to the Participant's Account, determined as of the Payment Commencement Date. Each successive annual installment shall equal the value of the Stock Units credited to the Participant's Account, determined as of the Payment Anniversary Date, multiplied by a fraction, the numerator of which is one, and the denominator of which is the excess of 15 over the number of installment payments previously made (i.e., 1/14th, 1/13th, etc.). If the Participant dies after the Participant's Payment Commencement Date but before all 15 installments have been paid, the remaining installments shall be paid to the Participant's Beneficiary in accordance with the schedule in this subsection (a).

(b) *Lump Sum, or Less Than 15 Annual Installments.* A Participant may elect to receive his or her benefits under the Plan in the form of a lump-sum payment or in two to fourteen installments in lieu of the fifteen installment payments determined under subsection (a), above. The lump sum shall be payable to the Participant in cash as of the Payment Commencement Date and shall equal the value of the Stock Units credited to the Participant's Account, determined as of the Payment Commencement Date. Installments shall be paid in the manner set forth in subsection (a) above, except that for purposes of determining the amount of the first annual installment, the denominator of the fraction shall equal the number of scheduled annual installments. An election under this subsection (b) shall be made in a form and manner satisfactory to the Committee and shall be effective only if made at least two years before the Participant's Payment Commencement Date.

ARTICLE VI ADMINISTRATION

6.01 In General

The Committee shall have the discretionary authority to interpret the Plan and to decide any and all matters arising under the Plan, including without limitation the right to determine eligibility for participation, benefits, and other rights under the Plan; the right to determine whether any election or notice requirement or other administrative procedure under the Plan has been adequately observed; the right to determine the proper recipient of any distribution under the Plan; the right to remedy possible ambiguities, inconsistencies, or omissions by general rule or particular decision; and the right otherwise to interpret the Plan in accordance with its terms. Except as otherwise provided in Section 6.03, the Committee's determination on any and all questions arising out of the interpretation or administration of the Plan shall be final, conclusive, and binding on all parties.

6.02 Plan Amendment and Termination

The Committee may amend, suspend, or terminate the Plan at any time; provided that no amendment, suspension, or termination of the Plan shall, without a Participant's consent, reduce the Participant's benefits accrued under the Plan before the date of such amendment, suspension, or termination. If the Plan is terminated in accordance with this Section 6.02, the terms of the Plan as in effect immediately before termination shall determine the right to payment in respect of any amounts that remain credited to a Participant's or Beneficiary's Account upon termination.

6.03 Reports to Participants

The Committee shall furnish an annual statement to each Participant (or Beneficiary) reporting the value of the Participant's (or Beneficiary's) Account as of the end of the most recent Plan Year.

6.04 Delegation of Authority

The Committee may delegate to officers of the Company any and all authority with which it is vested under the Plan, and the Committee may allocate its responsibilities under the Plan among its member.

ARTICLE VII MISCELLANEOUS

7.01 Rights Not Assignable

No payment due under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge in any other way. Any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge such payment in any other way shall be void. No such payment or interest therein shall be liable for or subject to the debts, contracts, liabilities, or torts of any Participant or Beneficiary. If any Participant or Beneficiary becomes bankrupt or attempts to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge in any other way any payment under the Plan, the Committee may direct that such payment be suspended and that all future payments to which such Participant or Beneficiary otherwise would be entitled be held and applied for the benefit of such person, the person's children or other dependents, or any of them, in such manner and in such proportions as the Committee may deem proper.

7.02 Certain Rights Reserved

Nothing in the Plan shall confer upon any person the right to continue to serve as a member of the Board or to participate in the Plan other than in accordance with its terms.

7.03 Withholding Taxes

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

7.04 Incompetence

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

7.05 Inability to Locate Participants and Beneficiaries

Each Participant and Beneficiary entitled to receive a payment under the Plan shall keep the Committee advised of his or her current address. If the Committee is unable for a period of 36 months to locate a Participant or Beneficiary to whom a payment is due under the Plan, commencing with the first day of the month as of which such payment first comes due, the total amount payable to such Participant or Beneficiary shall be forfeited. Should such a Participant or Beneficiary subsequently contact the Committee requesting payment, the Committee shall, upon receipt of all documents and other information that it might request in connection with the payment, restore and pay the forfeited payment in a lump sum, the value of which shall not be adjusted to reflect any interest or other type of investment earnings or gains for the period of forfeiture.

7.06 Successors

The provisions of the Plan shall bind and inure to the benefit of the Company and its successors and assigns. The term "successors" as used in the preceding sentence shall include any corporation or other business entity that by merger,

consolidation, purchase, or otherwise acquires all or substantially all of the business and assets of the Company, and any successors and assigns of any such corporation or other business entity.

7.07 Usage

(a) *Titles and Headings.* The titles to Articles and the headings of Sections, subsections, and paragraphs in the Plan are placed herein for convenience of reference only and shall be of no force or effect in the interpretation of the Plan

(b) *Number.* The singular form shall include the plural, where appropriate.

7.08 Severability

If any provision of the Plan is held unlawful or otherwise invalid or unenforceable in whole or in part, such unlawfulness, invalidity, or unenforceability shall not affect any other provision of the Plan or part thereof, each of which shall remain in full force and effect. If the making of any payment or the provision of any other benefit required under the Plan is held unlawful or otherwise invalid or unenforceable, such unlawfulness, invalidity or unenforceability shall not prevent any other payment or benefit from being made or provided under the Plan, and if the making of any payment in full or the provision of any other benefit required under the Plan in full would be unlawful or otherwise invalid or unenforceable, then such unlawfulness, invalidity, or unenforceability shall not prevent such payment or benefit from being made or provided in part, to the extent that it would not be unlawful, invalid, or unenforceable, and the maximum payment or benefit that would not be unlawful, invalid, or unenforceable shall be made or provided under the Plan.

7.09 Governing Law

The Plan and all determinations made and actions taken under the Plan shall be governed by and construed in accordance with the laws of the State of Connecticut.

UNITED TECHNOLOGIES CORPORATION

By _____

Attest:

Date:

APPENDIX B

**UNITED TECHNOLOGIES CORPORATION
2005 LONG TERM INCENTIVE PLAN
STATEMENT OF AWARD**

Effective _____, _____ has been awarded _____ Deferred Stock Units (“DSUs”) under the United Technologies Corporation Board of Directors Deferred Stock Unit Plan (the “Deferred Stock Unit Plan”). DSUs awarded hereunder constitute long term incentive awards under the United Technologies Corporation 2005 Long Term Incentive Plan, as amended (the “LTIP”). DSUs are convertible into shares of UTC Common Stock that will be issued under the LTIP. The conversion of DSUs into shares and the distribution of such shares shall be subject to and in accordance with the terms of the Deferred Stock Unit Plan.

SEPARATION AGREEMENT

THIS SEPARATION AGREEMENT (the "Agreement") is entered into as of January 16, 2015 between Louis R. Chênevert (hereinafter, the "Executive"), and UNITED TECHNOLOGIES CORPORATION, a Delaware corporation, with an office and place of business at Hartford, Connecticut (the "Company").

WHEREAS, the Executive previously served as Chief Executive Officer of the Company as well Chairman of the Board of Directors of the Company (the "Board"); and

WHEREAS, parties wish to set forth their mutual understanding concerning the terms and conditions relative to the termination of the Executive's employment with the Company.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is hereby mutually agreed as follows:

1. Termination Date. The Executive's employment with the Company terminated effective as of January 3, 2015 (the "Termination Date").
 2. Termination Benefits.
 - (a) The Executive will receive payment of his base salary through December 31, 2014 with applicable adjustments for employee benefits.
 - (b) The Executive has previously vested in his Executive Leadership Group life insurance benefit and will be entitled to elect post-retirement coverage benefits thereunder in accordance with the terms of the ELG Program (defined below).
 - (c) The Executive and his eligible dependents will remain eligible to participate in the Company's healthcare plan as in effect from time to time for the period from the Termination Date through December 31, 2016 (the first 12 months of which will run concurrently with the "COBRA" continuation period) or, if earlier, the date the Executive commences new employment entitling the Executive to healthcare coverage, if sooner (the "Benefit Continuation Period") at a monthly cost to the Executive that is no more than the monthly cost of such coverage to an active senior executive employee of the Company as in effect from time to time; provided, that, if and to the extent such participation is prohibited by applicable law or the terms of the applicable plan or would result in such benefit being deemed discriminatory under the Internal Revenue Code of 1986, as amended (the "Code") the Company shall, in lieu of such continued participation, pay the Executive monthly in arrears, during the Benefit Continuation Period, an amount in cash equal to the employer portion (applicable to an active senior executive of the Company) of the monthly premium for the coverage elected by the Executive under the Company's healthcare plan. At the end of the Benefit Continuation Period, the Executive and his eligible dependents may continue such coverage in accordance with the plan's "COBRA" continuation provisions at his expense for an additional six (6) months (the remainder of the COBRA continuation period).
 - (d) The Executive's termination of employment with the Company shall constitute a "Retirement", effective as of the Termination Date, for purposes of the Company's Amended and Restated 2005 Long Term Incentive Plan (the "LTIP") and each applicable equity incentive award held by the Executive as of the Termination Date, and, in accordance therewith, (i) all stock options and stock appreciation rights held by the Executive as of the Termination Date shall be vested as of the effective date of this Agreement (including, without limitation, those certain stock appreciation rights granted as of January 2, 2014 covering 217,500 shares of common stock of the Company) and may be exercised at any time on or before the last day of the term of the applicable award, determined without regard to the Executive's termination of employment, and (ii) all performance stock units held by the Executive as of the Termination Date (including, without limitation, those certain performance stock units granted as of January 2, 2014 covering up to 113,400 shares of common stock of the Company) shall remain issued and outstanding and eligible to vest as scheduled following the Termination Date if and to the extent applicable performance targets have been achieved.
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Except as otherwise provided in this Agreement, the treatment of all long-term incentive awards shall be subject to and governed by the terms and conditions of the applicable long term incentive plan document and the schedule of terms applicable to each award, including, but not limited to, all applicable clawback and forfeiture provisions.

- (e) The Executive may purchase his Company-provided vehicle promptly following the date hereof in accordance with standard program procedures. The Executive will be responsible for any tax liability that may result from imputed income in connection with such purchase.
- (f) The Executive shall be entitled to continued membership in the Avis Chairman's Club until December 31, 2016.
- (g) Subject to the terms of the program and the insurer's consent, the Executive shall remain eligible to purchase liability insurance coverage pursuant to the Company's group purchase umbrella insurance program as in effect from time to time, for so long as such program is made available to retired senior executives of the Company, on the same basis as such coverage is made available to other retired senior executives of the Company.
- (h) The parties hereto acknowledge and agree that pursuant to the terms of the LTIP certain employment or consulting activities that Executive may engage in during the one-year period following the Termination Date could result in the Company having a right to recover, recoup, recapture, clawback or otherwise require the Executive to forfeit or repay any award under the LTIP (collectively, "Company Remedies"). With respect to any such activities that the Executive may engage in during the applicable period of restriction that, absent the prior consent of the Senior Vice President, Human Resources and Organization, or other applicable person, could result in the Company having a Company Remedy, the Company agrees and acknowledges that if consent is requested by the Executive with respect to such activities, the Company will respond promptly and consider in good faith any such request for consent, taking into account factors such as the nature and scope of the proposed relationship, the inherent risk to Company Information (as defined below) and the actual competitive risk created by the proposed relationship. For the avoidance of doubt, this Section 2(h) (i) shall apply to all of the Executive's stock options, stock appreciation rights, performance share units and other equity compensation awards granted pursuant to the LTIP or otherwise and (ii) shall not be construed as reducing any applicable period under such awards that applies to any conduct or activities of the Executive following the Termination Date.
- (i) The Company agrees that the Executive shall maintain ownership and use of his rolodex and other hard copy and electronic address books, personal emails and other personal files and the Company shall cooperate and assist the Executive, as may be reasonably requested, in the transfer to the Executive of his contacts, personal emails and other personal files, as well as any cell phone and mobile device numbers used by the Executive if such numbers are registered in the Company's name.
- (j) Except as otherwise expressly provided in this Agreement, the Executive will not be eligible for (i) an incentive compensation award in 2015 in respect of 2014 under the Company's Annual Executive Incentive Compensation Plan, or (ii) any payments and benefits pursuant to that certain Executive Leadership Group Program provided to the Executive as of March 2, 1998 (the "ELG Program"). This Agreement and the payments and benefits set forth in Sections 2(c) through 2(g) shall be subject to the Executive's execution and non-revocation of this Agreement as set forth in Section 3(h).

3. Employee Release of Claims .

- (a) The Executive, on behalf of himself and his heirs and successors and assigns, hereby agrees to and does release the Company, its subsidiaries, affiliates, divisions, present, future or former employees, officers, directors, agents and representatives (the "Releasees") from any and all actions, damages, losses, costs and claims of any and every kind and nature whatsoever, at law or in equity, whether absolute or contingent, which he had, now has or may have arising out of, in connection with, or relating to his employment with the Company or the termination of that employment. This includes a release of any rights or claims the Executive may have under the Age Discrimination in Employment Act of 1967, as amended, which prohibits age discrimination in employment; Title VII of the Civil Rights Act of 1964, as amended, which prohibits discrimination in employment based on race, color, national origin, religion or sex; the Equal Pay Act, which prohibits paying men and women unequal pay for equal work; the Americans with Disabilities Act which
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prohibits discrimination on the basis of handicap; the Employee Retirement Income Security Act of 1974, as amended, which prohibits discrimination on the basis of eligibility to receive benefits and any other federal, state or local laws or regulations prohibiting employment discrimination. This release also includes a release by the Executive of any claims or actions for wrongful discharge based on statute, regulation, contract, tort, common or civil law or otherwise.

- (b) This Release covers all claims based on any facts or events, whether known or unknown by the Executive that occurred on or before the date hereof, except that this Release does not include a release of any of the Executive's rights to (i) any payments or benefits to be paid or provided or that are contemplated pursuant to this Agreement, (ii) indemnification relating to or arising out of the Executive's performance of services as an officer and/or director of the Company or any of its subsidiaries or affiliates (collectively the "Company Group"), including, without limitation, rights to indemnification the Executive has or may have under the by-laws or certificate of incorporation of any member of the Company Group, under any agreement with any member of the Company Group or as an insured under any director's and officer's liability insurance policy now or previously in force, (iii) any rights the Executive has as an equity holder in the Company and (iv) any vested pension, equity and equity-based compensation, deferred compensation, health or other welfare benefits to which he may be entitled in accordance with the terms of the Company employee benefit plans in which he participated.
 - (c) Nothing in this Agreement shall be construed to prohibit the Executive from filing a charge with, or participating in, any investigation or proceeding by the EEOC or comparable governmental agency. The Executive agrees, however, to waive the right to recover monetary damages in any charge, complaint or lawsuit filed by him or on his behalf with respect to any claims released in Section 3 of this Agreement.
 - (d) The Executive understands and agrees that the amounts paid, provided or contemplated pursuant to this Agreement are in full and complete satisfaction of all severance related amounts due to him by the Company and that no other payments of compensation are due him under the ELG Program or otherwise. The Executive further understands and agrees that he shall not be entitled to any additional severance payments, salary, incentive payments or payments in lieu of vacation, holiday or other fringe benefits.
 - (e) After the Termination Date, the Executive will reasonably cooperate with the Company, at such times and on such terms as may be mutually agreed between the Executive and the Company, with respect to matters in which he was involved during the course of his employment with the Company, if and to the extent such cooperation is necessary or appropriate.
 - (f) The Executive agrees that as of November 23, 2014 he resigned from all committees and boards of directors of each member of the Company Group of which the Executive is a member. Following the Termination Date, the Executive will be free to join boards of director of, and otherwise affiliate with, organizations of the Executive's choosing, subject to compliance with any restrictive covenants applicable to the Executive.
 - (g) The Executive is encouraged to consult and has consulted with an attorney before signing this Agreement and acknowledges that he was offered sufficient time to consider it. The Company shall pay the Executive's reasonable and documented counsel fees incurred in connection with the negotiation and documentation of this Agreement.
 - (h) The Executive may revoke this Agreement within seven (7) days of the date of the Executive's signature. Revocation can be made by delivering a written notice of revocation to Elizabeth B. Amato, Senior Vice President, Human Resources and Organization, United Technologies Corp., One Financial Plaza, Hartford, CT 06101. For this revocation to be effective, Ms. Amato must receive written notice no later than close of business on the seventh (7th) day after the Executive signs this Agreement. If the Executive revokes this Agreement, it shall not be effective or enforceable and the Executive will not receive the payment and/or benefits described herein and agrees to immediately repay to the Company the value of any benefits provided prior to revocation.
4. Employer Release of Claims. In consideration of the terms hereof, the Company on behalf of itself and its subsidiaries and affiliates hereby agrees to and does release and forever discharge the Executive, from any and all actions, damages, losses, costs and claims of any and every kind and nature whatsoever, at law or in equity, whether absolute or contingent, which any of the Releasees had, now has or may have arising out of, in connection with, or relating to the Executive having been an employee, officer or director of the Company or any of its subsidiaries or affiliates about
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which the Company had knowledge, or could reasonably be expected to have had knowledge, as of the date hereof; provided, however, that the Company does not release, acquit or discharge the Executive from (i) any obligations to the Company under this Agreement or any obligations under agreements referenced in this Agreement, (ii) any acts or omissions in connection with his service to the Company involving gross negligence or for which the Executive would not be indemnified under applicable law or the Company's organizational documents, and (iii) any claims that may arise from events or actions occurring after the Termination Date. Without limiting the generality of the foregoing, except as contemplated by Section 12 of this Agreement, the Company agrees that it will not exercise and hereby does forego any right it may have under any provision under any plan, program or arrangement to recover, recoup, recapture, clawback or otherwise require the Executive to forfeit any award or repay any amount the Executive has received or may receive under any such plan, program or arrangement as a result of any action or inaction by the Executive prior to the date hereof about which the Company had knowledge, or could reasonably be expected to have had knowledge, as of the date hereof, and will not, in any event, initiate any claim for Company Remedies in an arbitrary or capricious manner or seek damages, including by recoupment or repayment, that constitute punitive damages.

5. The Executive makes the following representations to and agreements with the Company:

- (a) From the Termination Date through December 31, 2017, the Executive will not make any statements or disclose any items of information which are or may reasonably be considered to be adverse to the interests of the Company. The Executive agrees that he will not disparage the Company, its executives, directors or products.
 - (b) The Executive has previously returned to the Company all Company Information (as defined herein), Company related reports, files, memoranda, records, credit cards, cardkey passes, garage key cards, door and file keys, computer access codes, software and other property (other than the Company provided blackberry and laptop, which the Executive will promptly return to the Company) which he received or prepared or helped to prepare in connection with his employment. The Executive has not and will not retain any copies, duplicates, reproductions or excerpts thereof. The term "Company Information," as used in this Agreement, means (i) confidential or proprietary information including without limitation information received from third parties under confidential or proprietary conditions; (ii) information subject to the Company's attorney-client or work-product privilege; and (iii) other technical, business or financial information, the use or disclosure of which might reasonably be construed to be contrary to the Company's interests.
 - (c) The Executive acknowledges that in the course of his employment with the Company he has acquired Company Information and that such Company Information has been disclosed to him in confidence and for the Company's use only. The Executive agrees that, except as (x) he may otherwise be directed under this Agreement, (y) as required by law, regulation or legal or regulatory proceeding (subject to advance notice to the Company unless prohibited by law) or (z) in connection with the defense of any claim by the Company or any of its subsidiaries or affiliates against, or the enforcement of any claim or legal or equitable right by, the Executive against the Company or any of its subsidiaries or affiliates, he (i) will keep such Company Information confidential at all times, (ii) will not disclose or communicate Company Information to any third party and (iii) will not make use of Company Information on his own behalf or on behalf of any third party. In the event that the Executive becomes legally compelled to disclose any Company Information, it is agreed that the Executive will provide the Company with prompt written notice of such request(s) so that the Company may seek a protective order or other appropriate legal remedy to which it may be entitled. The Executive acknowledges that any unauthorized disclosure to third parties of Company Information or other violation, or threatened violation, of this Agreement may cause irreparable damage to the trade secret, confidential or proprietary status of Company Information and to the Company. Therefore, in such event the Company shall be entitled to seek an injunction prohibiting the Executive from any such disclosure, attempted disclosure, violation or threatened violation. When Company Information becomes generally available to the public other than by the Executive's acts or omissions, it is no longer subject to the restrictions in this paragraph.
 - (d) To further ensure the protection of Company Information, the Executive agrees that from the Termination Date through June 30, 2016, he will not accept employment in any form (including entering into consulting relationships or similar arrangements) with a business which: (i) competes directly or indirectly with any of the Company's principal business units; or (ii) is a material customer of or a material supplier to any of the Company's businesses, unless the Executive has obtained the written consent of the Senior Vice President, Human Resources and Organization, or other applicable person. The Company agrees that it will respond
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promptly and consider in good faith any such request for consent, taking into account factors such as the nature and scope of the proposed relationship, the inherent risk to Company Information and the actual competitive risk created by the proposed relationship. The parties agree that the terms of this paragraph are reasonable. However, if any portion of this paragraph is held by competent authority to be unenforceable, this paragraph shall be deemed amended to limit its scope to the broadest scope that such authority determines is enforceable, and as so amended shall continue in effect.

- (e) From the Termination Date through June 30, 2016, the Executive will not, on behalf of himself or any other person or entity, (i) solicit or cause or allow to be solicited (under those conditions which he controls) for employment or otherwise attempt to retain the services of any individual then employed or engaged by the Company or its affiliates or who was so employed or engaged during the three-month period preceding such solicitation, or (ii) encourage any such person to leave the employ of the Company or its affiliates.
 - (f) The Executive acknowledges that the Intellectual Property Agreement between him and the Company will continue in full force and effect following the Termination Date.
 - (g) The Executive represents that, to the best of his knowledge, he has not violated any substantive Company policy in any manner that would serve as a basis for a material claim by the Company or any of its affiliates against the Executive, it being understood that no action or omission by the Executive taken in good faith and in the reasonable belief that it was in the best interests of the Company shall constitute a breach of this representation.
 - (h) In addition to any other rights the Company may have, including the right to seek injunctive relief, should the Executive breach any of the terms of this Section 5, the Company will have the right to cease any and all future payments and benefits provided under this Agreement (other than with respect to the awards under the LTIP for which the Company's clawback or recoupment right will be governed by the terms of the LTIP).
6. The Company hereby makes the following representations and agreements:
- (a) The Company represents to the Executive that it is fully authorized and empowered to enter into this Agreement.
 - (b) The Company will provide to the Executive for his review, prior to its filing or release to the public, any proposed disclosure regarding this Agreement on a Form 8-K. The Company will consider in good faith any suggested changes to any such proposed disclosure.
7. The obligations of the parties hereto are severable and divisible. In the event any provision hereunder is determined to be illegal or unenforceable, the remainder of this Agreement shall continue in full force and effect.
8. This Agreement shall be construed and enforced in accordance with, and the rights and obligations of the parties hereto, shall be governed by the laws of the State of Connecticut, without giving effect to the conflicts of law principles of such state that might apply the law of another jurisdiction.
9. Except with respect to the covenants in Section 5 which may be enforced in a court of competent jurisdiction in the State of Connecticut, any dispute arising between the Company and the Executive with respect to the validity, performance or interpretation of this Agreement shall be submitted to and determined in binding arbitration in New York, New York, for resolution in accordance with the JAMS, modified to provide that the decision by the arbitrator shall be binding on the parties; shall be furnished in writing, separately and specifically stating the findings of fact and conclusions of law on which the decision is based; shall be kept confidential by the arbitrator and the parties; and shall be rendered as soon as reasonably practicable following the impanelling of the arbitrator. The arbitrator shall be selected in accordance with the rules of JAMS.
10. This Agreement constitutes the entire agreement between the parties and supersedes all previous communications between the parties with respect to the subject matter of this Agreement. No amendment to this Agreement shall be binding upon either party unless in writing and signed by or on behalf of such party.
11. Any notice under this agreement shall be in writing and addressed to the Executive as follows:

[Intentionally omitted]

With a Copy to:

Fried, Frank, Harris, Shriver & Jacobson LLP
One New York Plaza,
New York, NY 10004
Attention: Donald P. Carleen, Esq.
Telephone: (212) 859-8202
Fax: (212) 859-4000

and addressed to the Company as follows:

United Technologies Corporation
One Financial Plaza
Hartford, CT 06101
Attention: Senior Vice President, Human Resources and Organization.

Either party may change its address for notices by giving the other party notice of the change. All such notices shall be conclusively deemed to be received and shall be effective (i) if sent by hand delivery, upon receipt or (ii) if sent by courier or certified or registered U.S. mail, upon receipt.

12. The Company reserves the right to withhold applicable taxes from any amounts paid pursuant to this Agreement to the extent required by law and to impute income to the Executive with respect to any benefits provided hereunder or provided prior to the Termination Date in a manner consistent with past practice. The Executive, or his estate, shall be responsible for any and all tax liability imposed on amounts paid or benefits provided hereunder. The Executive agrees that he will promptly remit to the Company any amounts owed to the Company as a result of the final reconciliation of applicable expense accounts, an accounting of which has been provided to the Executive.
 13. The intent of the parties is that payments and benefits under this Agreement be exempt from or comply with Section 409A of the Code (“Section 409A”) and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be exempt from or in compliance with Section 409A. For purposes of this Agreement, references to a “termination,” “termination of employment” or like terms shall mean “separation from service,” and the parties agree that, notwithstanding anything contained herein to the contrary, with regard to any payment or the provision of any benefit deemed to constitute “nonqualified deferred compensation” subject to Section 409A under this Agreement or any other plan, agreement or arrangement of the Company, the Executive’s “separation from service” for purposes of Section 409A occurred on the date of his cessation of service as Chairman and Chief Executive Officer of the Company. For purposes of Section 409A, the Executive’s right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. To the extent any reimbursement or in-kind payment provided pursuant to this Agreement is deemed “nonqualified deferred compensation” subject to Section 409A then (i) all such expenses or other reimbursements as provided herein shall be payable in accordance with the Company’s policies in effect from time to time, but in any event shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by you, (ii) no such reimbursement or expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year, and (iii) the right to such reimbursement or in-kind benefits shall not be subject to liquidation or exchanged for another benefit.
 14. The Executive states that he has read this Agreement, including Section 3 containing the Employee Release of Claims, fully understands its content and effect, and without duress or coercion, knowingly and voluntarily assents to its terms.
 15. This Agreement may be executed by either of the parties hereto in counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.
 16. The headings of sections herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.
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IN WITNESS WHEREOF, the parties hereto have executed or caused to be executed this Agreement on the day and year first above written.

UNITED TECHNOLOGIES CORPORATION

By: /s/ RICHARD M KAPLAN

Richard M. Kaplan, Associate General Counsel

EXECUTIVE

/s/ LOUIS R. CHÊNEVERT

Louis R. Chênevert

**UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES**

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

<i>(dollars in millions, except per share amounts)</i>	Full year				
	2014	2013	2012	2011	2010
Net income from continuing operations	\$ 6,220	\$ 5,686	\$ 4,847	\$ 4,831	\$ 4,195
Net income from discontinued operations	—	35	283	148	178
Net income attributable to common shareowners	<u>\$ 6,220</u>	<u>\$ 5,721</u>	<u>\$ 5,130</u>	<u>\$ 4,979</u>	<u>\$ 4,373</u>
Net income from continuing operations	\$ 6,220	\$ 5,686	\$ 4,847	\$ 4,831	\$ 4,195
Basic earnings for period	<u>\$ 6,220</u>	<u>\$ 5,686</u>	<u>\$ 4,847</u>	<u>\$ 4,831</u>	<u>\$ 4,195</u>
Diluted earnings for period	<u>\$ 6,220</u>	<u>\$ 5,686</u>	<u>\$ 4,847</u>	<u>\$ 4,831</u>	<u>\$ 4,195</u>
Basic average number of shares outstanding during the period (thousands)	<u>898,300</u>	901,000	<u>895,200</u>	<u>892,300</u>	<u>907,900</u>
Stock awards (thousands)	<u>13,300</u>	14,100	<u>11,400</u>	<u>14,500</u>	<u>14,800</u>
Diluted average number of shares outstanding during the period (thousands)	<u>911,600</u>	915,100	<u>906,600</u>	<u>906,800</u>	<u>922,700</u>
Basic earnings per common share	\$ 6.92	\$ 6.31	\$ 5.41	\$ 5.41	\$ 4.62
Diluted earnings per common share	\$ 6.82	\$ 6.21	\$ 5.35	\$ 5.33	\$ 4.55
Net income attributable to common shareowners	\$ 6,220	\$ 5,721	\$ 5,130	\$ 4,979	\$ 4,373
Basic earnings for period	<u>\$ 6,220</u>	<u>\$ 5,721</u>	<u>\$ 5,130</u>	<u>\$ 4,979</u>	<u>\$ 4,373</u>
Diluted earnings for period	<u>\$ 6,220</u>	<u>\$ 5,721</u>	<u>\$ 5,130</u>	<u>\$ 4,979</u>	<u>\$ 4,373</u>
Basic average number of shares outstanding during the period (thousands)	<u>898,300</u>	901,000	<u>895,200</u>	<u>892,300</u>	<u>907,900</u>
Stock awards (thousands)	<u>13,300</u>	14,100	<u>11,400</u>	<u>14,500</u>	<u>14,800</u>
Diluted average number of shares outstanding during the period (thousands)	<u>911,600</u>	915,100	<u>906,600</u>	<u>906,800</u>	<u>922,700</u>
Basic earnings per common share	\$ 6.92	\$ 6.35	\$ 5.73	\$ 5.58	\$ 4.82
Diluted earnings per common share	\$ 6.82	\$ 6.25	\$ 5.66	\$ 5.49	\$ 4.74

**UNITED TECHNOLOGIES CORPORATION
AND SUBSIDIARIES**

STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

<i>(dollars in millions)</i>	Full year				
	2014	2013	2012	2011	2010
Fixed Charges:					
Interest expense ¹	\$ 1,100	\$ 1,034	\$ 893	\$ 673	\$ 751
Interest capitalized	25	22	19	20	17
One-third of rents ²	155	152	152	151	148
Total fixed charges	<u>\$ 1,280</u>	<u>\$ 1,208</u>	<u>\$ 1,064</u>	<u>\$ 844</u>	<u>\$ 916</u>
Earnings:					
Income from continuing operations before income taxes	\$ 8,887	\$ 8,312	\$ 6,911	\$ 7,350	\$ 6,248
Fixed charges per above	1,280	1,208	1,064	844	916
Less: capitalized interest	(25)	(22)	(19)	(20)	(17)
	<u>1,255</u>	<u>1,186</u>	<u>1,045</u>	<u>824</u>	<u>899</u>
Amortization of interest capitalized	14	11	13	17	17
Total earnings	<u>\$ 10,156</u>	<u>\$ 9,509</u>	<u>\$ 7,969</u>	<u>\$ 8,191</u>	<u>\$ 7,164</u>
Ratio of earnings to fixed charges	<u>7.93</u>	<u>7.87</u>	<u>7.49</u>	<u>9.70</u>	<u>7.82</u>

¹ Pursuant to the guidance in the Income Taxes Topic of the Financial Accounting Standards Board Accounting Standards Codification, interest related to unrecognized tax benefits recorded was approximately \$180 million, \$51 million, \$40 million, \$23 million and \$27 million for the years 2014, 2013, 2012, 2011 and 2010, respectively. The ratio of earnings to fixed charges would have been 9.23, 8.22, 7.78, 9.98 and 8.06 for the years 2014, 2013, 2012, 2011 and 2010, respectively, if such interest were excluded from the calculation.

² Reasonable approximation of the interest factor.

Five-Year Summary

<i>(dollars in millions, except per share amounts)</i>	2014	2013	2012	2011	2010
For The Year					
Net sales	\$ 65,100	\$ 62,626	\$ 57,708	\$ 55,754	\$ 52,275
Research and development ⁴	2,635	2,529	2,371	1,951	1,656
Restructuring costs	368	481	590	315	387
Net income from continuing operations	6,623	6,074	5,200	5,216	4,523
Net income from continuing operations attributable to common shareowners	6,220	5,686	4,847	4,831	4,195
Basic earnings per share—Net income from continuing operations attributable to common shareowners	6.92	6.31	5.41	5.41	4.62
Diluted earnings per share—Net income from continuing operations attributable to common shareowners	6.82	6.21	5.35	5.33	4.55
Cash dividends per common share	2.36	2.20	2.03	1.87	1.70
Average number of shares of Common Stock outstanding:					
Basic	898	901	895	892	908
Diluted	912	915	907	907	923
Cash flows provided by operating activities of continuing operations	7,336	7,505	6,605	6,460	5,720
Capital expenditures ⁶	1,711	1,688	1,389	929	838
Acquisitions, including debt assumed ³	530	151	18,620	372	2,781
Repurchases of Common Stock ⁵	1,500	1,200	—	2,175	2,200
Dividends paid on Common Stock ¹	2,048	1,908	1,752	1,602	1,482
At Year End					
Working capital	\$ 6,863	\$ 6,642	\$ 5,174	\$ 7,142	\$ 5,778
Total assets ³	91,289	90,594	89,409	61,452	58,493
Long-term debt, including current portion ²	19,668	19,853	22,718	9,630	10,173
Total debt ²	19,794	20,241	23,221	10,260	10,289
Total debt to total capitalization ²	38%	38%	46%	31%	32%
Total equity ^{2,7}	32,564	33,219	27,069	22,820	22,323
Number of employees ³	211,500	212,400	218,300	199,900	208,200

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

Note 2 The decrease in the 2013 debt to total capitalization ratio, as compared to 2012, reflects the repayment of approximately \$2.9 billion of long-term debt, most of which was used to finance the acquisition of Goodrich. The increase in the 2012 debt to total capitalization ratio, as compared to 2011, reflects the issuance of \$9.8 billion in long-term debt, \$1.1 billion in equity units and the assumption of approximately \$3 billion in long-term debt in connection with the acquisition of Goodrich.

Note 3 The increase in 2012, as compared with 2011, includes the net impact of acquisitions and divestitures across the Company, most notably the 2012 acquisition of Goodrich and divestiture of the legacy Hamilton Sundstrand Industrial business, both within the UTC Aerospace Systems segment, as well as the impact of other acquisitions and dispositions and restructuring actions across UTC.

Note 4 The increase in 2012, as compared with 2011, includes approximately \$250 million incremental research and development spending related to the Goodrich businesses that were acquired during 2012, and approximately \$65 million at Pratt & Whitney to further advance development of multiple geared turbofan platforms.

Note 5 In connection with the acquisition of Goodrich, repurchases of common stock under our share repurchase program were suspended for 2012. We resumed our share repurchase program in 2013.

Note 6 Capital expenditures increased from 2012 through 2014 as we expanded capacity to meet expected demand within our aerospace businesses for the next generation engine platforms.

Note 7 The decrease in total equity in 2014, as compared with 2013, reflects unrealized losses of approximately \$2.9 billion, net of taxes, associated with the effect of market conditions on our pension plans.

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 five principal business segments: Otis, UTC Climate, Controls & Security, Pratt & Whitney, UTC Aerospace Systems and Sikorsky. Otis and UTC Climate, Controls & Security are referred to as the "commercial businesses," while Pratt & Whitney, UTC Aerospace Systems and Sikorsky are collectively referred to as the "aerospace businesses." UTC Building & Industrial Systems is an organizational structure consisting of our commercial businesses. Otis and UTC Climate, Controls & Security each continue to report their financial and operational results as separate segments, which is consistent with how we allocate resources and measure the financial performance of these businesses. Certain reclassifications have been made to the prior year amounts to conform to the current year presentation.

In 2012 and 2013, we completed the acquisition of Goodrich Corporation (Goodrich), a restructuring of our interests in IAE International Aero Engines AG (IAE), and the divestiture of a number of non-core businesses. We continue to assess and evaluate our portfolio of businesses and consider acquisitions of new businesses or the divestitures of portions of our portfolio with the goal of maximizing long-term value for our shareholders.

The commercial businesses generally serve customers in the worldwide commercial and residential property industries, although UTC Climate, Controls & Security also serves customers in the commercial and transport refrigeration industries. The aerospace businesses serve commercial and government aerospace customers in both the original equipment and aftermarket parts and services markets. Our consolidated net sales were derived from the commercial and aerospace businesses as follows:

	2014	2013	2012
Commercial and industrial	45%	47%	51%
Military aerospace and space	20%	19%	21%
Commercial aerospace	35%	34%	28%
	100%	100%	100%

The significant shift in sales from commercial and industrial to commercial aerospace from 2012 to 2013 largely reflects the acquisition of Goodrich and the IAE transaction. In 2014, approximately 58% of our consolidated sales were original equipment manufacturing (OEM) and 42% were aftermarket parts and services, while in 2013 and 2012 the amounts were 57% and 43%, respectively.

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 operations include OEM and extensive related aftermarket parts and services in both our commercial and aerospace businesses. Our business mix also reflects the combination of shorter cycles at UTC Climate, Controls & Security and in our commercial aerospace spares businesses, and longer cycles at Otis and in our aerospace OEM and aftermarket maintenance businesses. Our customers include companies in both the public and private sectors, 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 U.S., including U.S. export sales, as a percentage of total segment sales, is as follows:

<i>(dollars in millions)</i>	2014	2013	2012	2014	2013	2012
Europe	\$ 12,630	\$ 12,652	\$ 11,823	19%	20%	20%
Asia Pacific	8,795	8,696	8,733	13%	14%	15%
Other Non-U.S.	5,513	5,274	4,964	8%	8%	9%
U.S. Exports	13,769	12,171	9,201	21%	19%	16%
International segment sales	\$ 40,707	\$ 38,793	\$ 34,721	61%	61%	60%

As part of our growth strategy, we invest in businesses in certain countries that carry high levels of currency, political and/or economic risk, such as Argentina, Brazil, China, India, Mexico, Russia, South Africa and countries in the Middle East. As of December 31, 2014, the net assets in any one of these countries did not exceed 6% of consolidated shareowners' equity.

U.S. economic expansion continued to drive global growth in 2014 and contributed to UTC's favorable results for the year. U.S. consumer sentiment reached its highest level in eleven years in January 2015 on lower gasoline prices and lower unemployment rates. In addition, new construction trends in the U.S. are favorable, which benefits our commercial businesses. Europe is facing increasing deflationary pressure, and political tensions in Eastern Europe may exacerbate these economic challenges if escalation continues. UTC's sales to customers in Russia in 2014 were approximately \$500 million and our net asset exposure in Russia as of December 31, 2014 is approximately \$125 million. While Russia is a key supplier of certain

commodities and parts, we have taken steps to minimize the potential for disruption to our business. To date, we have not seen any significant signs of disruption, although we continue to closely monitor developments in the region. Despite lower manufacturing growth and a decline in the real estate sector, gross domestic product (GDP) growth in China is forecast to remain strong and nearly 7% as China continues to use fiscal policy to support growth. While we continue to expect overall economic output in China to moderate, it should continue to out-pace global GDP, benefiting our commercial businesses.

Organic sales growth was 4% in 2014 representing sales increases in commercial aerospace aftermarket, international military helicopters, and in the Americas at our commercial businesses, partially offset by declines in military OEM and aftermarket sales. While we expect foreign currency will have a significant adverse effect on 2015 results, we expect organic sales growth in 2015 to be 3% to 5%. 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 the Company for additional growth, while remaining focused on structural cost reduction, operational improvements and disciplined cash redeployment. These actions contributed to our earnings growth during 2014 and positioned us for further earnings growth as the global economy continues to strengthen.

As discussed below in "Results of Operations," operating profit in both 2014 and 2013 includes the impact from activities that are not expected to recur often or that are not otherwise reflective of the underlying operations, such as the adverse impact of asset impairment charges and the beneficial impact of net gains from business divestiture activities, including those related to UTC Climate, Controls & Security's 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. Our investments in businesses in 2014 and 2013 totaled \$530 million (including debt assumed of \$128 million) and \$151 million , respectively. Acquisitions completed in 2014 consisted principally of the acquisition of a majority interest in a Pratt & Whitney joint venture and a number of small acquisitions primarily in our commercial businesses. Our investment in businesses in 2013 consisted principally of a number of smaller acquisitions in our commercial businesses.

We disposed of a number of businesses in 2013. On February 12, 2013, we completed the disposition of UTC Power to ClearEdge Power, and on June 14, 2013, we completed the sale of substantially all operations of Pratt & Whitney Rocketdyne (Rocketdyne) to GenCorp Inc. The results from these businesses were reclassified to Discontinued Operations in our Consolidated Statements of Operations and Cash Flows. On May 17, 2013, we completed the sale of the Pratt & Whitney Power Systems business to Mitsubishi Heavy Industries (MHI) and entered into a long-term engineering and manufacturing agreement with MHI. Pratt & Whitney Power Systems was not reclassified to Discontinued Operations due to our level of continuing involvement in the business post-sale.

In connection with regulatory approval of the Goodrich acquisition, regulatory authorities required UTC to dispose of the Goodrich electric power systems and the pumps and engine controls businesses. Pursuant to these regulatory obligations, these businesses had been held separately from UTC's and Goodrich's ongoing businesses since the acquisition of Goodrich by UTC. On March 18, 2013, we completed the sale of the Goodrich pumps and engine controls business to Triumph Group, Inc., and on March 26, 2013, we completed the sale of the Goodrich electric power systems business to Safran S.A. Combined proceeds from the sales of the two businesses were approximately \$600 million.

Both acquisition and restructuring costs associated with business combinations 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 businesses acquired. For additional discussion of acquisitions and restructuring, see "Liquidity and Financial Condition," "Restructuring Costs" and Notes 2 and 13 to the Consolidated Financial Statements.

Sikorsky is developing the CH-148 derivative of the H-92 helicopter (the Cyclone), a military variant of the S-92 helicopter, for the Canadian Government. The Cyclone is being developed under a fixed-price acquisition contract (the Acquisition Contract) that provides for a program to develop and produce 28 helicopters, and a related contract to provide in-service support (collectively, the Arrangements). Delivery of the final configuration aircraft, which was originally scheduled to begin in 2012, did not occur due to a number of disputes between the Canadian Government and Sikorsky related to contractual requirements and contract performance.

On June 18, 2014, Sikorsky and the Canadian Government signed amendments to the Arrangements (the Amended Arrangements). The Amended Arrangements finalized the scope of the aircraft, changed the governance of the program, and established a phased approach to the delivery of interim and final configuration helicopters starting in 2015. The Amended Arrangements also extend the in-service support contract through approximately 2038. The contract value of the Amended Arrangements is estimated to be approximately \$6.4 billion.

Prior to the amendments, sales and losses under the Acquisition Contract were recognized using an output-based method, consistent with the practices and policies the Company applies to other comparable production contracts. In light of the significant changes in program scope, governance and delivery, we re-assessed the method we utilize in estimating the extent of

progress under the Acquisition Contract. The Acquisition Contract, as amended, now reflects the significant developmental nature of the program that has evolved over time. Under the Company's practices and policies, contracts that are comparable to the Amended Arrangements are accounted for utilizing a cost-to-cost percentage of completion method, as this best reflects the efforts expended and more appropriately aligns the sales and loss recognition with these efforts. Employing the cost-to-cost percentage of completion method, we recorded a cumulative adjustment to reflect the percentage of completion under the Amended Arrangements in the second quarter of 2014 as a change in estimate. This adjustment along with changes in the in-service support contract resulted in the recognition in the second quarter of 2014 of \$830 million in sales and \$438 million in losses. Remaining losses under the Amended Arrangements of approximately \$250 million will be recognized as the costs are incurred. These losses will be partially offset by the in-service support aftermarket contract with the expectation of generating positive annual margin beginning in 2018.

RESULTS OF OPERATIONS

Net Sales

<i>(dollars in millions)</i>	2014	2013	2012
Net sales	\$ 65,100	\$ 62,626	\$ 57,708
Percentage change year-over-year	4.0%	8.5%	3.5%

The factors contributing to the total percentage change year-over-year in total net sales are as follows:

	2014	2013
Organic volume	4 %	1 %
Acquisitions and divestitures, net	(1)%	8%
Other	1 %	—
Total % Change	4 %	9%

All five segments experienced organic sales growth during 2014, led by Otis, UTC Aerospace Systems, and Sikorsky, each at 6%, along with organic sales growth at UTC Climate, Controls & Security (3%) and Pratt & Whitney (2%). The organic sales growth at Otis was primarily due to higher new equipment sales in China, the U.S., Europe and the Middle East. Organic sales growth at UTC Aerospace Systems was primarily attributable to higher commercial aerospace OEM and aftermarket volume, and at Sikorsky as a result of higher international military and commercial aircraft sales. Organic growth also reflected strong demand for residential heating, ventilation and air conditioning (HVAC) equipment in North America at UTC Climate, Controls & Security and growth in commercial aftermarket volume at Pratt & Whitney. The sales decrease from net acquisitions and divestitures was primarily a result of the disposition in 2013 of the Pratt & Whitney Power Systems business and the portfolio transformation initiatives at UTC Climate, Controls & Security. The increase in "Other" in 2014 is attributable to the cumulative adjustment to record sales of \$830 million based upon the change in estimate arising out of the Amended Arrangements signed with the Canadian Government for the Cyclone helicopter program. See the Segment Review section of Management's Discussion and Analysis for further discussion of segment organic sales.

Organic sales growth during 2013 was led by UTC Aerospace Systems (4%) and Otis (3%), along with organic growth at Pratt & Whitney (2%) and UTC Climate, Controls & Security (1%), offset by organic sales contraction at Sikorsky (8%). The organic sales growth at UTC Aerospace Systems was primarily attributable to higher commercial aerospace OEM and aftermarket volume, while organic sales growth at Otis was primarily a result of higher new equipment sales in China, the U.S. and Russia. The organic sales contraction at Sikorsky was driven primarily by decreased international military, U.S. Government, and military aftermarket sales. The military aftermarket sales decline, driven by lower spares volume, was a result of constrained U.S. Government spending in 2013. The sales increase from net acquisitions and divestitures was a result of Goodrich and IAE sales, partially offset by the portfolio transformation initiatives at UTC Climate, Controls & Security.

Cost of Products and Services Sold

<i>(dollars in millions)</i>	2014	2013	2012
Cost of products sold	\$ 36,044	\$ 34,063	\$ 31,094
Percentage of product sales	75.7%	75.3%	76.3%
Cost of services sold	\$ 11,403	\$ 11,258	\$ 11,059
Percentage of service sales	65.3%	64.8%	65.1%
Total cost of products and services sold	\$ 47,447	\$ 45,321	\$ 42,153
Percentage change year-over-year	4.7%	7.5%	4.4%

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

	2014	2013
Organic volume	4 %	—
Foreign currency translation	(1)%	—
Acquisitions and divestitures, net	(1)%	8%
Other	3 %	—
Total % Change	5 %	8%

The organic increase in total cost of products and services sold (4%) is attributable to the organic sales increase noted above (4%). The decrease in cost of products and services sold from net acquisitions and divestitures was primarily a result of the disposition in 2013 of the Pratt & Whitney Power Systems business and the portfolio transformation initiatives at UTC Climate, Controls & Security. The increase in "Other" is attributable to the cumulative adjustment to record costs of \$1,268 million based upon the change in estimate arising out of the Amended Arrangements signed with the Canadian Government for the Cyclone helicopter program.

There was no organic change in total cost of products and services sold in 2013. The increase in cost of products and services sold related to the 2013 organic sales growth (1%) was offset by the absence of amortization of inventory fair-value adjustments (1%) related to the Goodrich acquisition that were recorded in 2012 within the UTC Aerospace Systems segment. The total increase in cost of products and services sold is a result of the Goodrich and IAE transactions (9%) partially offset by lower cost of products and services sold as a result of the UTC Climate, Controls & Security portfolio transformation (1%). Cost of products sold as a percentage of product sales declined 100 basis points in 2013, as compared with 2012, as a result of the benefits of favorable pricing and cost savings from prior restructuring actions.

Gross Margin

<i>(dollars in millions)</i>	2014	2013	2012
Gross margin	\$ 17,653	\$ 17,305	\$ 15,555
Percentage of net sales	27.1%	27.6%	27.0%

Gross margin as a percentage of sales decreased 50 basis points, in 2014 as compared with 2013, driven primarily by the cumulative adjustment to record \$830 million in sales and \$1,268 million in cost of sales based upon the change in estimate arising out of the Amended Arrangements signed with the Canadian Government for the Cyclone helicopter program (100 basis points). This was partially offset by lower commodity costs and productivity gains at UTC Climate, Controls & Security (30 basis points) and favorable government contract performance at Pratt & Whitney (10 basis points).

Gross margin as a percentage of sales increased 60 basis points, in 2013 as compared with 2012, driven primarily by the absence of inventory fair-value adjustments related to the Goodrich acquisition that were recorded in 2012 (40 basis points) and lower loss provisions recorded by Sikorsky for a contract with the Canadian Government (20 basis points). The benefit of lower restructuring expense coupled with savings from prior restructuring actions was offset by the adverse impact of a sales mix shift from aftermarket to OEM in 2013.

Research and Development

<i>(dollars in millions)</i>	2014	2013	2012
Company-funded	\$ 2,635	\$ 2,529	\$ 2,371
Percentage of net sales	4.0%	4.0%	4.1%
Customer-funded	\$ 2,390	\$ 2,140	\$ 1,670
Percentage of net sales	3.7%	3.4%	2.9%

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 CSeries and Airbus A350 and A320neo programs at UTC Aerospace Systems, and various programs at Sikorsky. The year-over-year increase in company-funded research and development (4%) in 2014, compared with 2013, primarily reflects increases at Pratt & Whitney (3%) related to the development of multiple geared turbofan platforms and at UTC Aerospace Systems (2%) related to several commercial aerospace programs, partially offset by lower commercial aircraft development costs at Sikorsky (1%). The increase in customer-funded research and development (12%) in 2014, as compared with 2013, is due to higher customer-funded development at Pratt & Whitney related to military (6%) and commercial (1%) programs and higher customer funded development at Sikorsky on U.S. Government programs (2%).

The year-over-year increase in company-funded research and development in 2013, compared with 2012, primarily reflects increases at UTC Aerospace Systems (10%) primarily due to development spending related to the Goodrich businesses for full year 2013 as compared to the 2012 post-acquisition period, offset by lower research and development spending at Pratt & Whitney related to the development of multiple geared turbofan platforms (4%). The increase in customer-funded research and development in 2013, as compared with the prior year, reflects spending related to the Goodrich businesses (18%) and at Pratt & Whitney related to military programs (11%).

Company-funded research and development spending in 2015 is expected to decline slightly compared to 2014 levels.

Selling, General and Administrative

<i>(dollars in millions)</i>	2014	2013	2012
Selling, general and administrative	\$ 6,500	\$ 6,718	\$ 6,452
Percentage of net sales	10.0%	10.7%	11.2%

The decrease in selling, general and administrative expenses in 2014, as compared with 2013, (3%) is due primarily to a decline at UTC Aerospace Systems (1%) driven by lower pension expense and restructuring (1%), and the impact of divestitures completed over the preceding twelve months (1%). Higher overhead expenses at our commercial businesses (2%), largely driven by continued investment in emerging markets, was partially offset by the benefits of cost savings from previous restructuring actions and foreign exchange translation. The 70 basis point decrease in selling, general and administrative expense as a percentage of sales reflects higher sales volume and lower pension expense across our business units.

The increase in selling, general and administrative expenses in 2013, as compared with 2012, (4%) is due primarily to the impact of acquisitions, net of divestitures, completed over the preceding twelve months (5%) and higher export compliance costs (1%) partially offset by cost savings from previous restructuring actions.

Other Income, Net

<i>(dollars in millions)</i>	2014	2013	2012
Other income, net	\$ 1,251	\$ 1,151	\$ 952

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 infrequently occurring items. The year-over-year change in Other income, net in 2014, as compared with 2013, largely reflects a \$220 million gain on an agreement with a state taxing authority for the monetization of tax credits, an \$83 million net gain primarily from fair value adjustments related to the acquisition of the majority interest in a Pratt & Whitney joint venture, higher licensing and royalty income of \$71 million, and an increase in gains on the sale of real estate and other miscellaneous assets of approximately \$70 million. These increases were partially offset by a \$28 million impairment loss on a Sikorsky joint venture investment, a \$35 million increase in a charge to adjust the fair value of a Pratt & Whitney joint venture, a \$25 million decline in net gains from UTC Climate, Controls & Security's portfolio transformation, and the absence of a \$193 million gain on the sale of Pratt & Whitney Power Systems recognized in the second quarter of 2013 and a \$39 million gain on a settlement with an engine program partner recognized in the first quarter.

of 2013. The remaining increase in Other income, net is attributable to the normal recurring operational activity as disclosed above.

The year-over-year change in Other income, net in 2013, as compared with 2012, largely reflects a \$193 million gain on the sale of Pratt & Whitney Power Systems, a \$39 million gain on a settlement with an engine program partner, higher licensing income of \$30 million, and gains on the sale of real estate and other miscellaneous assets of approximately \$82 million. All of this was partially offset by a \$25 million charge to adjust the fair value of a Pratt & Whitney joint venture investment, a \$102 million decline in net gains related to the UTC Climate, Controls & Security portfolio transformation, and the absence of other gains recorded in 2012, including a \$34 million gain on the fair value re-measurement of the shares of Goodrich held by the Company prior to the acquisition of Goodrich and a \$46 million gain as a result of the effective settlement of a pre-existing contractual dispute in connection with the acquisition of Goodrich. The remaining increase in Other income, net is attributable to the normal recurring operational activity as disclosed above.

Interest Expense, Net

<i>(dollars in millions)</i>	2014	2013	2012
Interest expense	\$ 1,100	\$ 1,034	\$ 893
Interest income	(218)	(137)	(120)
Interest expense, net	<u>\$ 882</u>	<u>\$ 897</u>	<u>\$ 773</u>
Average interest expense rate during the year on:			
Short-term borrowings	0.8%	1.6%	0.9%
Total debt	4.3%	4.2%	4.1%

Interest expense increased in 2014, as compared with 2013, reflecting approximately \$143 million of unfavorable pre-tax interest accruals related to the ongoing dispute with German tax authorities concerning a 1998 reorganization of the corporate structure of Otis operations in Germany, partially offset by lower average debt balances as a result of debt repayments. Interest income increased in 2014, as compared with 2013, as a result of favorable pre-tax interest adjustments related to the settlement of outstanding tax matters. See further discussion in Note 11 to the Consolidated Financial Statements.

Interest expense increased in 2013, as compared with 2012, primarily as a result of higher average debt balances throughout 2013 associated with the financing and acquisition of Goodrich. The effect of higher average debt balances was partially offset by the absence of interest associated with the repayment of approximately \$2.9 billion of long-term debt including the 2015 UTC 1.200% Senior Notes, 2019 Goodrich 6.125% Notes, and 2021 Goodrich 3.600% Notes as well as certain floating rate notes which were due in 2013. See the "Liquidity and Financial Condition" section of Management's Discussion and Analysis for further discussion on the Goodrich acquisition financing. Interest income increased in 2013, as compared with 2012, as a result of favorable pre-tax interest adjustments related to the settlement of outstanding tax matters.

The decrease in the weighted-average interest rates for short-term borrowings was due to the mix of our borrowings with a greater percentage of short-term borrowings at lower interest rates in 2014 than the percentage in 2013. We had no commercial paper borrowings at December 31, 2014 compared with \$200 million at December 31, 2013. The three month LIBOR rate as of December 31, 2014, 2013 and 2012 was 0.2%, 0.2% and 0.3%, respectively.

Income Taxes

	2014	2013	2012
Effective income tax rate	25.5%	26.9%	24.8%

The effective income tax rates for 2014, 2013, and 2012 reflect tax benefits associated with lower tax rates on international earnings which we intend to permanently reinvest outside the United States. The effective income tax rate for 2014 also includes the adverse impact of an approximately \$265 million income tax accrual related to the ongoing dispute with German tax authorities concerning a 1998 reorganization of the corporate structure of Otis operations in Germany. This accrual was offset by the favorable settlement of other tax matters during 2014. See Note 17 to the Consolidated Financial Statements for further discussion of the German tax litigation. We estimate our full year annual effective income tax rate in 2015 will be approximately 29%, absent one-time adjustments. We anticipate some variability in the tax rate quarter to quarter in 2015.

For additional discussion of income taxes and the effective income tax rate, see "Critical Accounting Estimates—Income Taxes" and Note 11 to the Consolidated Financial Statements.

Net Income Attributable to Common Shareowners from Continuing Operations

(dollars in millions, except per share amounts)

	2014	2013	2012
Net income attributable to common shareowners from continuing operations	\$ 6,220	\$ 5,686	\$ 4,847
Diluted earnings per share from continuing operations	\$ 6.82	\$ 6.21	\$ 5.35

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 Pratt & Whitney Canada (P&WC). Foreign currency, including hedging at P&WC, did not result in any impact on earnings per diluted share in 2014 or 2013. In 2012, foreign currency generated a net adverse impact on our operational results of \$0.17 per diluted share. For additional discussion of foreign currency exposure, see "Market Risk and Risk Management—Foreign Currency Exposures."

Net income attributable to common shareowners from continuing operations in 2014 includes restructuring charges, net of tax benefit, of \$247 million as well as a net benefit from infrequently occurring items, net of tax expense, of \$122 million. The effect of restructuring charges on diluted earnings per share for 2014 was a charge of \$0.27 per share, which was offset by a net benefit from infrequently occurring items of \$0.13 per share.

Net Income Attributable to Common Shareowners from Discontinued Operations

(dollars in millions, except per share amounts)

	2014	2013	2012
Net income attributable to common shareowners from discontinued operations	\$ —	\$ 35	\$ 283
Diluted earnings per share from discontinued operations	\$ —	\$ 0.04	\$ 0.31

Diluted earnings per share from discontinued operations for 2013 largely reflects the results of operations of \$63 million up to the point of disposal. Diluted earnings per share from discontinued operations for 2012 includes \$0.82 per share of goodwill and net asset impairment charges related to Rocketdyne, Clipper and UTC Power, and \$1.01 per share gain on the disposition of the legacy Hamilton Sundstrand Industrial businesses. A \$0.16 per share benefit from the results of operations of discontinued entities was partially offset by the \$0.07 per share Clipper warranty charge.

RESTRUCTURING COSTS

(dollars in millions)

	2014	2013	2012
Restructuring costs	\$ 368	\$ 479	\$ 614

Restructuring actions are an essential component of our operating margin improvement efforts and relate to both existing operations and those recently acquired. Charges generally relate to severance incurred on workforce reductions and asset write-downs, facility exit and lease termination costs associated with the consolidation of field and manufacturing operations. We expect to incur additional restructuring costs in 2015 of approximately \$300 million, including trailing costs related to prior actions associated with our continuing cost reduction efforts and the integration of acquisitions. The expected adverse impact on earnings in 2015 from anticipated additional restructuring costs is expected to be offset by the beneficial impact from gains and other items that are outside the normal operating activities of the business. 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.

2014 Actions. During 2014, we recorded net pre-tax restructuring charges of \$345 million relating to ongoing cost reduction actions initiated in 2014. We are targeting to complete in 2015 the majority of the remaining workforce and facility related cost reduction actions initiated in 2014. Approximately 75% of the total pre-tax charge will require cash payments, which we have funded and expect to continue to fund with cash generated from operations. During 2014, we had cash outflows of approximately \$147 million related to the 2014 actions. We expect to incur additional restructuring and other charges of \$138 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 \$290 million annually, of which, approximately \$60 million was realized in 2014.

2013 Actions. During 2014 and 2013, we recorded net pre-tax restructuring charges of \$29 million and \$421 million, respectively, for actions initiated in 2013. We are targeting to complete in 2015 the majority of the remaining workforce and all facility related cost reduction actions initiated in 2013. 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 2014, we had cash outflows of approximately \$151 million related to the 2013 actions. We expect to incur additional restructuring charges of \$18 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 \$425 million annually.

For additional discussion of restructuring, see Note 13 to the Consolidated Financial Statements.

SEGMENT REVIEW

<i>(dollars in millions)</i>	Net Sales			Operating Profits			Operating Profit Margin		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Otis	\$ 12,982	\$ 12,484	\$ 12,056	\$ 2,640	\$ 2,590	\$ 2,512	20.3%	20.7%	20.8%
UTC Climate, Controls & Security	16,823	16,809	17,090	2,782	2,590	2,425	16.5%	15.4%	14.2%
Pratt & Whitney	14,508	14,501	13,964	2,000	1,876	1,589	13.8%	12.9%	11.4%
UTC Aerospace Systems	14,215	13,347	8,334	2,355	2,018	944	16.6%	15.1%	11.3%
Sikorsky	7,451	6,253	6,791	219	594	712	2.9%	9.5%	10.5%
Total segment	65,979	63,394	58,235	9,996	9,668	8,182	15.2%	15.3%	14.0%
Eliminations and other	(879)	(768)	(527)	261	22	(72)			
General corporate expenses	—	—	—	(488)	(481)	(426)			
Consolidated	\$ 65,100	\$ 62,626	\$ 57,708	\$ 9,769	\$ 9,209	\$ 7,684	15.0%	14.7%	13.3%

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. UTC Climate, Controls & Security'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. Worldwide economic conditions were generally favorable for Otis in 2014, compared with 2013, with strong new equipment order growth rates in North America (39%), in South Asia (28%) due to a large order in Singapore, and in China (5%), partially offset by lower new equipment orders in the Middle East (30%). New equipment orders in Europe were consistent with order levels in 2013. Within the UTC Climate, Controls & Security segment, global commercial HVAC orders increased (1%), while U.S. fire and safety product orders increased (12%).

Total commercial business sales generated outside the U.S., including U.S. export sales were 69% and 70% in 2014 and 2013, respectively. The following table shows sales generated outside the U.S., including U.S. export sales, for each of the commercial business segments:

	2014	2013
Otis	81%	82%
UTC Climate, Controls & Security	59%	61%

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.

<i>(dollars in millions)</i>	2014	2013	2012	Total Increase (Decrease) Year-Over-Year for:			
				2014 Compared with 2013		2013 Compared with 2012	
Net Sales	\$ 12,982	\$ 12,484	\$ 12,056	\$ 498	4%	\$ 428	4%
Cost of Sales	8,756	8,345	8,008	411	5%	337	4%
	4,226	4,139	4,048				
Operating Expenses and Other	1,586	1,549	1,536				
Operating Profits	\$ 2,640	\$ 2,590	\$ 2,512	\$ 50	2%	\$ 78	3%

Factors Contributing to Total % Increase (Decrease) Year-Over-Year in:

	2014			2013		
	Net Sales	Cost of Sales	Operating Profits	Net Sales	Cost of Sales	Operating Profits
Organic / Operational	6 %	7 %	4 %	3%	5 %	(1)%
Foreign currency translation	(2)%	(2)%	(2)%	—	—	—
Acquisitions and divestitures, net	—	—	—	1%	—	—
Restructuring costs	—	—	—	—	(1)%	3 %
Other	—	—	—	—	—	1 %
Total % change	<u>4 %</u>	<u>5 %</u>	<u>2 %</u>	<u>4%</u>	<u>4 %</u>	<u>3 %</u>

2014 Compared with 2013

Organic sales increased (6%) due to higher new equipment sales primarily in China (2%), the Americas (1%), Europe (1%) and the Middle East (1%). Service sales growth in the Americas and China (combined 1%), was offset by declines in Europe (1%).

Operational profit increased (4%) due primarily to higher new equipment contribution (6%) partially offset by a decrease in service contribution (1%), due primarily to continued pricing pressures in Europe, and higher overhead expenses (2%) in connection with continued investment in emerging markets.

2013 Compared with 2012

Organic sales increased 3% in 2013 due to higher new equipment sales (3%) primarily in China, the U.S. and Russia partially offset by declines in South Korea. Service sales increases in Asia, Brazil and the U.S. were partially offset by declines in southern Europe.

The operational profit declined slightly for the year (1%) due principally to lower service contribution (2%) resulting from continued pricing pressures. New equipment contribution increased 2% due to higher new equipment volume and the impact of lower commodity costs, partially offset by costs associated with the factory consolidation in North America. Overhead expenses increased 1% due to continued growth in emerging markets.

UTC Climate, Controls & Security is the leading provider of HVAC and refrigeration solutions, including controls for residential, commercial, industrial and transportation applications. These products and services are sold under the Carrier name and other brand names to building contractors and owners, homeowners, transportation companies, retail stores and food service companies. UTC Climate, Controls & Security is also a global provider of security and fire safety products and services. UTC Climate, Controls & 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. In certain markets, UTC Climate, Controls & Security also provides monitoring and response services to complement its electronic security and fire safety businesses. Through its venture with Watsco, Inc., UTC Climate, Controls & Security 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. UTC Climate, Controls & Security sells directly to end customers and through manufacturers' representatives, distributors, wholesalers, dealers and retail outlets. Certain of UTC Climate, Controls & Security's HVAC businesses are seasonal and can be impacted by weather. UTC Climate, Controls & Security customarily offers its customers incentives to purchase products to ensure an adequate supply in the distribution channels. The principal incentive program provides reimbursements to distributors for offering promotional pricing on UTC Climate, Controls & Security products. We account for incentive payments made as a reduction in sales. UTC Climate, Controls & 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 Climate, Controls & Security provides its security and fire safety products and services under Chubb, Kidde and other brand names, and sells directly to customers as well as through manufacturer representatives, distributors, dealers and U.S. retail distribution.

<i>(dollars in millions)</i>	2014	2013	2012	Total Increase (Decrease) Year-Over-Year for:			
				2014 Compared with 2013		2013 Compared with 2012	
Net Sales	\$ 16,823	\$ 16,809	\$ 17,090	\$ 14	—	\$ (281)	(2)%
Cost of Sales	11,707	11,918	12,316	(211)	(2)%	(398)	(3)%
	5,116	4,891	4,774				
Operating Expenses and Other	2,334	2,301	2,349				
Operating Profits	\$ 2,782	\$ 2,590	\$ 2,425	\$ 192	7 %	\$ 165	7 %

	Factors Contributing to Total % Increase (Decrease) Year-Over-Year in:					
	2014			2013		
	Net Sales	Cost of Sales	Operating Profits	Net Sales	Cost of Sales	Operating Profits
Organic / Operational	3 %	1 %	11 %	1 %	—	9 %
Foreign currency translation	(1)%	(1)%	(1)%	—	—	—
Acquisitions and divestitures, net	(2)%	(2)%	—	(3)%	(3)%	—
Restructuring costs	—	—	(1)%	—	—	2 %
Other	—	—	(2)%	—	—	(4)%
Total % change	—	(2)%	7 %	(2)%	(3)%	7 %

2014 Compared with 2013

The organic sales increase (3%) for the year primarily reflects growth in Americas (2%) driven by the U.S. residential HVAC and fire safety products businesses, and growth in refrigeration (1%) driven by the transport refrigeration business. The decrease in "Acquisitions and divestitures, net" (2%) reflects the year over year impact of divestitures completed in the preceding twelve months associated with UTC Climate, Controls & Security's portfolio transformation.

The 11% operational profit increase was driven by favorable volume and price (combined 5%), the benefits of previous restructuring actions and cost productivity (combined 2%), favorable commodity costs (2%) and higher equity income (2%). The 2% decrease in "Other" primarily reflects net year-over-year impact from UTC Climate, Controls & Security's portfolio transformation.

2013 Compared with 2012

The organic sales increase (1%) for the year primarily reflects growth in the Americas (1%), driven by the U.S. residential HVAC business, and the transport refrigeration business (1%), partially offset by declines in Europe (1%) as a result of weak end markets. The decrease in "Acquisitions and divestitures, net" sales (3%) reflects the year-over-year impact of divestitures completed in the preceding twelve months associated with UTC Climate, Controls & Security's portfolio transformation.

The 9% operational profit increase was driven largely by the benefits of restructuring actions and cost productivity (combined 4%), volume growth (3%), and favorable commodity costs (2%). The 4% decrease in "Other" primarily reflects an approximately \$102 million net year-over-year impact from UTC Climate, Controls & Security's portfolio transformation. Portfolio transformation activity in 2013 resulted in a net gain of approximately \$55 million, including gains from the sale of businesses in Hong Kong and Australia, as compared to a net gain of \$157 million in 2012.

Aerospace Businesses

The financial performance of Pratt & Whitney, UTC Aerospace Systems 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, and participate in financing arrangements, in an effort to compete for the aftermarket associated with these engine sales. These OEM engine sales may result in losses on the engine sales, which economically are recovered through the sales and profits generated over the engine's maintenance cycle. 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. Our commercial aftermarket businesses continue to evolve as an increasing proportion of our aerospace businesses' customers are covered under Fleet Management Programs (FMPs). FMPs are comprehensive long-term spare part and maintenance agreements with our customers. We expect a continued shift to FMPs in lieu of transactional spare part sales as new engines enter customers' fleets on FMP and legacy fleets are retired. Performance in the general aviation sector is closely tied to the overall health of the economy and is generally positively correlated to corporate profits. In 2014, as compared with 2013, commercial aerospace aftermarket sales at Pratt & Whitney increased 5% on growth within the IAE business. UTC Aerospace Systems' commercial aerospace aftermarket sales increased 9% on strong spares sales.

Our long-term aerospace contracts are subject to strict safety and performance regulations which can affect our ability to estimate costs precisely. Contract cost estimation for the development of complex projects, in particular, requires management to make significant judgments and assumptions regarding the complexity of the work to be performed, availability of materials, the performance by subcontractors, the timing of funding from customers and the length of time to complete the contract. 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, and when circumstances change and warrant a modification to a previous estimate. Changes in estimates relate to the current period impact of revisions to total estimated contract sales and costs at completion. We record changes in contract estimates using the cumulative catch-up method in accordance with the Revenue Recognition Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Operating profits included significant net unfavorable changes in aerospace contract estimates of approximately \$240 million in 2014 driven by the unfavorable impact of the revision in estimate on the Cyclone helicopter program for the Canadian Government of \$438 million discussed above in the "Business Overview," partially offset by several net favorable contract adjustments recorded throughout the year largely at the Pratt & Whitney segment. In accordance with our revenue recognition policy, losses, if any, on long-term contracts are provided for when anticipated. Loss provisions on OEM 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.

The commercial airline industry was strong throughout 2014 benefiting from traffic growth and lower fuel costs. Airline traffic growth rates, as measured by revenue passenger miles (RPMs) grew approximately 6% in the first eleven months of 2014, as compared with 2013, while jet fuel costs have declined more than 40% relative to prices one year ago in all geographic regions. Pratt & Whitney continues to develop five separate geared turbofan platforms and is building capacity to meet demand for new engines which are fuel efficient and have reduced noise levels and exhaust emissions. Falling oil prices may reduce demand for commercial helicopters by deep-water oil and gas exploration customers around the world.

U.S. Government deficit reduction measures continue to pressure the U.S. Department of Defense spending and adversely affect our military business. Total sales to the U.S. Government of \$9.6 billion in 2014, \$9.9 billion in 2013, and \$10.1 billion in 2012 were 15%, 16% and 18% of total UTC sales in 2014, 2013 and 2012, respectively. 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 2014 and is expected to continue to benefit results in 2015.

Pratt & Whitney is among the world's leading suppliers of aircraft engines for the commercial, military, business jet and general aviation markets. Pratt & Whitney also provides fleet management services and aftermarket maintenance, repair and overhaul services, including the sale of spare parts for large commercial and military engines. Pratt & Whitney produces families of engines for wide and narrow-body and large regional aircraft in the commercial market, and for fighter and transport aircraft in the military market. P&WC is a world leader in the production of engines powering general and business aviation, as well as regional airline, utility and military airplanes and helicopters, and also provides fleet management services and aftermarket maintenance, repair and overhaul services, including the sale of spare parts for such engines. Pratt & Whitney's products are sold principally to aircraft manufacturers, airlines and other aircraft operators, aircraft leasing companies, 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 development of new engines and improvements to current production engines present important growth opportunities. Pratt & Whitney is under contract with the U.S. Government's F-35 Joint Program Office to develop, produce and sustain the F135 engine, to power the single-engine F-35 Lightning II aircraft being developed by Lockheed Martin. 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. PurePower PW1000G engine models have been selected by Airbus as a new engine option to power its A320neo family of aircraft, by Bombardier to power the new CSeries passenger aircraft, by Mitsubishi Aircraft Corporation to power the new Mitsubishi Regional Jet, by Irkut Corporation to power the Irkut MC-21 passenger aircraft, and by Embraer to power the next generation of the E-Jet family of aircraft. The CSeries

passenger aircraft are scheduled to enter into service in 2015. The Mitsubishi Regional Jet and the Irkut MC-21 are both scheduled to enter into service in 2017, and Embraer's E-Jet family of aircraft is scheduled to enter service in 2018. On October 14, 2014, Gulfstream announced the selection of the PurePower PW800 engine to exclusively power Gulfstream's new G500 and G600 business jets, which are scheduled to enter service in 2018. On December 19, 2014, the geared turbofan engine completed Federal Aviation Agency certification for the Airbus A320neo platform and remains on schedule to enter into service in the fourth quarter of 2015. The success of these aircraft and the PurePower family of engines is dependent upon many factors including technological accomplishments, 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. P&WC has developed or is developing the PW210 engine family for helicopters manufactured by Sikorsky, AgustaWestland and Airbus Helicopters. Pratt & Whitney continues to enhance its programs through performance improvement measures and product base expansion.

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, 2014, the interests of third party participants in Pratt & Whitney-directed commercial jet engine programs ranged from 14% to 49%. In addition, Pratt & Whitney has interests in other engine programs, including a 50% 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% of the products and services 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 holds a 61% net program share interest in the IAE International Aero Engines AG (IAE) collaboration with MTU Aero Engines (MTU) and Japanese Aero Engines Corporation (JAEC) and a 49.5% ownership interest in IAE. Pratt & Whitney continues to pursue additional collaboration partners.

<i>(dollars in millions)</i>	2014	2013	2012	Total Increase (Decrease) Year-Over-Year for:			
				2014 Compared with 2013		2013 Compared with 2012	
Net Sales	\$ 14,508	\$ 14,501	\$ 13,964	\$ 7	—	\$ 537	4%
Cost of Sales	10,926	11,148	10,600	(222)	(2)%	548	5%
	3,582	3,353	3,364				
Operating Expenses and Other	1,582	1,477	1,775				
Operating Profits	\$ 2,000	\$ 1,876	\$ 1,589	\$ 124	7%	\$ 287	18%

	Factors Contributing to Total % Increase (Decrease) Year-Over-Year in:					
	2014			2013		
	Net Sales	Cost of Sales	Operating Profits	Net Sales	Cost of Sales	Operating Profits
Organic* / Operational*	2%	—	6%	2%	3%	13%
Foreign currency (including P&WC net hedging)*	(1)%	(1)%	2%	—	—	—
Acquisitions and divestitures, net	(1)%	(1)%	(1)%	2%	2%	1%
Restructuring costs	—	—	5%	—	—	(4)%
Other	—	—	(5)%	—	—	8%
Total % change	—	(2)%	7%	4%	5%	18%

* 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.

2014 Compared with 2013

The organic sales increase (2%) primarily reflects higher commercial aftermarket volume (2%) and higher spares volume at Pratt & Whitney Canada (1%), offset by lower military sales volume (1%). Sales decreased (1%) as a result of the divestiture of Pratt & Whitney Power Systems in 2013 (2%), offset by the acquisition of a majority interest in a joint venture in 2014 (1%).

Pratt & Whitney's operating profit benefited from lower pension costs and restructuring savings across its businesses. The operating profit increase (6%) was due to the net volume increase and sales mix (9%), mentioned above, and favorable contract performance (3%), partially offset by higher research and development costs (4%) and lower contract termination benefits (1%). Operating profit decreased (1%) as a result of the divestiture of Pratt & Whitney Power Systems in 2013. "Other"

reflects the impairment of assets related to a joint venture (1%) and the absence of the gain on the sale of Pratt & Whitney Power Systems (10%), offset by fair value adjustments related to the acquisition of a majority interest in a joint venture (4%) and higher intellectual property sales (2%).

2013 Compared with 2012

The organic sales increase (2%) was primarily driven by higher commercial engine sales volume (2%), higher military aftermarket and development program sales (2%), higher commercial aftermarket sales (1%), and higher industrial engine sales and related development contracts (1%), partially offset by lower military engine sales volume (4%). Sales increased (2%) as a result of the consolidation of IAE and the transfer of the AeroPower business to Pratt & Whitney from UTC Aerospace Systems, partially offset by the divestiture of Pratt & Whitney Power Systems.

The operational profit increase (13%) was driven by favorable commercial aftermarket volume and sales mix (9%), lower research and development spending (6%), favorable military sales mix (3%), profits from industrial turbines and related development contracts (2%), and income from licensing agreements (1%), partially offset by unfavorable commercial engine volume and mix (6%), and the absence of a gain as a result of the effective settlement of a pre-existing contractual dispute in connection with the acquisition of Goodrich in 2012 (3%). Restructuring savings were largely offset by higher pension costs. The increase in "Acquisitions and divestitures, net" (1%) reflects the consolidation of IAE and the transfer of the AeroPower business to Pratt & Whitney from UTC Aerospace Systems, partially offset by the divestiture of Pratt & Whitney Power Systems. "Other" reflects a gain on the sale of Pratt & Whitney Power Systems (12%) and a gain on the sale of intellectual property (1%), offset by a fair value adjustment of a joint venture investment (2%), and the absence of gains on the sale of equity interest in a joint venture (2%) and on the consolidation resulting from a restructuring of interests in IAE (1%) in 2012.

UTC Aerospace Systems is a leading global provider of technologically advanced aerospace products and aftermarket service solutions for aircraft manufacturers, airlines, regional, business and general aviation markets, military, space and undersea operations. UTC Aerospace Systems' product portfolio includes electric power generation, power management and distribution systems, air data and flight sensing and management systems, engine control systems, electric systems, intelligence, surveillance and reconnaissance systems, engine components, environmental control systems, fire and ice detection and protection systems, propeller systems, aircraft aerostructures including engine nacelles, thrust reversers, and mounting pylons, interior and exterior aircraft lighting, aircraft seating and cargo systems, actuation systems, landing systems, including landing gears, wheels and brakes, and space products and subsystems. Aftermarket services include spare parts, overhaul and repair, engineering and technical support and fleet management solutions. UTC Aerospace Systems sells aerospace products to aircraft manufacturers, airlines and other aircraft operators, the U.S. and foreign governments, maintenance, repair and overhaul providers, and independent distributors.

<i>(dollars in millions)</i>	Total Increase (Decrease) Year-Over-Year for:						
	2014	2013	2012	2014 Compared with 2013		2013 Compared with 2012	
Net Sales	\$ 14,215	\$ 13,347	\$ 8,334	\$ 868	7%	\$ 5,013	60%
Cost of Sales	10,192	9,534	6,090	658	7%	3,444	57%
	4,023	3,813	2,244				
Operating Expenses and Other	1,668	1,795	1,300				
Operating Profits	\$ 2,355	\$ 2,018	\$ 944	\$ 337	17%	\$ 1,074	114%

	Factors Contributing to Total % Increase (Decrease) Year-Over-Year in:					
	2014			2013		
	Net Sales	Cost of Sales	Operating Profits	Net Sales	Cost of Sales	Operating Profits
Organic / Operational	6%	7%	15%	4%	2%	37%
Foreign currency translation	1%	—	—	—	—	1%
Acquisitions and divestitures, net	—	—	—	56%	55%	74%
Restructuring costs	—	—	1%	—	—	2%
Other	—	—	1%	—	—	—
Total % change	7%	7%	17%	60%	57%	114%

2014 Compared with 2013

The organic sales growth (6%) primarily reflects an increase in commercial aerospace OEM and commercial aftermarket sales volumes (6%).

The organic increase in operational profit (15%) primarily reflects the profit contribution from higher commercial OEM and aftermarket sales volumes (10%), lower selling, general and administrative expenses including lower pension expense (5%), and the favorable impact of a customer contract settlement (2%), partially offset by higher research and development costs (2%).

2013 Compared with 2012

The organic sales growth (4%) primarily reflects an increase in commercial aerospace OEM and commercial aftermarket volume (5%) partially offset by lower military OEM sales volume (1%).

The organic increase in operational profit (37%) primarily reflects the absence of amortization of inventory fair-value adjustments (26%) related to the Goodrich acquisition, lower selling, general and administrative expenses (9%) including the impact of synergies from the integration of Goodrich, lower research and development costs (6%), the profit contribution on higher aftermarket sales volume (6%) and higher licensing and royalty income (3%), partially offset by lower profits on OEM sales (15%) primarily attributable to adverse mix in commercial and military markets. "Acquisitions and divestitures, net" is principally a result of the acquisition of Goodrich.

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 helicopter for the U.S. Navy and the MH-60R helicopter for the U.S. and foreign navies, the S-70B Naval Hawk for foreign naval missions, and the S-76 and S-92 helicopters for commercial operations. In July 2012, the U.S. Government and Sikorsky signed a five-year multi-service contract for approximately 650 H-60 helicopters. Actual production quantities will be determined year-by-year over the life of the program based on funding allocations set by Congress and the U.S. Department of Defense acquisition priorities, as well as the U.S. Foreign Military Sales program. Sikorsky is also developing the CH-53K next generation heavy lift helicopter for the U.S. Marine Corps, the VH-92A helicopter for the U.S. Marine One transport mission, the HH-60W combat rescue helicopter for the U.S. Air Force and, as more fully discussed in the "Business Overview" section of Management's Discussion and Analysis above, the Cyclone helicopter, for the Canadian Government.

Sikorsky's aftermarket business includes spare parts sales, mission equipment, 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.

<i>(dollars in millions)</i>	Total Increase (Decrease) Year-Over-Year for:						
	2014	2013	2012	2014 Compared with 2013		2013 Compared with 2012	
Net Sales	\$ 7,451	\$ 6,253	\$ 6,791	\$ 1,198	19 %	\$ (538)	(8)%
Cost of Sales	6,759	5,141	5,643	1,618	31 %	(502)	(9)%
	692	1,112	1,148				
Operating Expenses and Other	473	518	436				
Operating Profits	\$ 219	\$ 594	\$ 712	\$ (375)	(63)%	\$ (118)	(17)%

	Factors Contributing to Total % Increase (Decrease) Year-Over-Year in:					
	2014			2013		
	Net Sales	Cost of Sales	Operating Profits	Net Sales	Cost of Sales	Operating Profits
Organic / Operational	6%	7%	9 %	(8)%	(9)%	(16)%
Restructuring costs	—	—	6 %	—	—	—
Other	13%	24%	(78)%	—	—	(1)%
Total % change	19%	31%	(63)%	(8)%	(9)%	(17)%

2014 Compared with 2013

The organic sales increase (6%) reflects higher international military aircraft (9%), commercial aircraft (3%) and development program sales volumes (2%), partially offset by lower U.S. Government aircraft sales (5%) and lower aftermarket sales (2%). "Other" reflects a cumulative adjustment through the second quarter of 2014 to record \$830 million in sales and \$1,268 million

in cost of sales based upon the change in estimate for the amended arrangements signed with the Canadian Government for the Cyclone helicopter program.

The operational profit increase (9%) is driven by increased international military volume (16%), higher commercial aircraft profitability (7%), and lower research and development spending (4%). These increases were partially offset by lower U.S. Government aircraft volume (10%) and aftermarket volumes (6%). Development program profitability declined (3%) primarily due to net unfavorable contract adjustments. "Other" reflects a cumulative adjustment to record \$438 million in losses based upon the change in estimate for the Amended Arrangements signed with the Canadian Government for the Cyclone helicopter program and an approximately \$28 million charge for the impairment of a Sikorsky joint venture investment.

2013 Compared with 2012

The organic sales decrease (8%) reflects decreased international military sales (8%), decreased U.S. Government sales (2%) due to lower volume and unfavorable Multi-year 8 reset provisions, lower volume on customer funded development programs (2%) and decreased aftermarket sales (4%) due to lower military spares activity, partially offset by higher commercial aftermarket volume. These decreases were partially offset by increased commercial aircraft sales (8%) due to increased S-92 and S-76D aircraft sales volume and completion services.

The operational profit decrease (16%) reflects lower profitability from the U.S. Government (19%), aftermarket (5%), and customer funded development programs (4%); lower international military aircraft volume (8%); higher export compliance (5%); other selling, general and administrative costs including pension and salaries (3%); and research and development (1%) costs. The decline in profitability on U.S. Government programs was due to lower aircraft volume, Multi-year 8 pricing reset provisions and aircraft cost performance, while the decline in aftermarket was due to lower military spares volume partially offset by favorable contract performance. These operational profit decreases were partially offset by lower loss provision adjustments for the previously noted CH-148 contract with the Canadian Government (18%) and higher profitability from commercial operations (10%) due to higher S-92 and S-76D aircraft sales and completions volume.

Eliminations and other

<i>(dollars in millions)</i>	Net Sales			Operating Profits		
	2014	2013	2012	2014	2013	2012
Eliminations and other	\$ (879)	\$ (768)	\$ (527)	\$ 261	\$ 22	\$ (72)
General corporate expenses	—	—	—	(488)	(481)	(426)

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. The change in sales in 2014, as compared with 2013, reflects an increase in the amount of inter-segment sales eliminations between our aerospace business segments. The change in the operating profit elimination in 2014, as compared with 2013, reflects lower divestiture costs in 2014 and an approximately \$220 million gain on an agreement with a state taxing authority for the monetization of tax credits.

The change in sales in 2013, as compared with 2012, reflects an increase in the amount of inter-segment sales eliminations due to our acquisition of Goodrich. The change in the operating profit elimination in 2013, as compared with 2012, primarily reflects the benefit of lower acquisition and divestiture costs of approximately \$70 million.

LIQUIDITY AND FINANCIAL CONDITION

<i>(dollars in millions)</i>	2014	2013
Cash and cash equivalents	\$ 5,235	\$ 4,619
Total debt	19,794	20,241
Net debt (total debt less cash and cash equivalents)	14,559	15,622
Total equity	32,564	33,219
Total capitalization (total debt plus total equity)	52,358	53,460
Net capitalization (total debt plus total equity less cash and cash equivalents)	47,123	48,841
Total debt to total capitalization	38%	38%
Net debt to net capitalization	31%	32%

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 from continuing operations, which, after netting out capital expenditures, we target to equal or exceed net income attributable to common shareowners from continuing operations. For

2015, we expect this to approximate 90% to 100% of net income attributable to common shareowners from continuing operations. 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.

The overall global economic outlook is mixed, with modest growth continuing in the global economy. Commercial aviation and commercial construction are experiencing solid growth in North America. Growth in Europe remains modest, despite recent strengthening in the United Kingdom and moderate growth in Germany and France. Asia continues to be paced by China with strong but slowing growth, while the remainder of the region is seeing slow to moderate growth.

Our domestic pension funds experienced a positive return on assets of approximately 10% during 2014. Approximately 88% of these domestic pension plans are invested in readily-liquid investments, including equity, fixed income, asset-backed receivables and structured products. The balance of these domestic pension plans (12%) is invested in less-liquid but market-valued investments, including real estate and private equity. Across our global pension plans, the impact of lower discount rates and the adoption of new mortality tables in the U.S. and Canada, partially offset by the absence of prior pension investment losses and positive returns experienced during 2014, will result in increased pension expense in 2015 of approximately \$275 million as compared to 2014.

Our strong debt ratings and financial position have historically enabled us to issue long-term debt at favorable market rates. 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 credit standing.

On April 1, 2014, we redeemed all remaining outstanding 2016 Goodrich 6.290% notes, representing approximately \$188 million in aggregate principal, under our redemption notice issued on February 28, 2014. During 2013, we repaid approximately \$1,698 million of Goodrich and UTC notes bearing interest at rates ranging from 1.200% to 6.290%, with original maturity dates ranging from 2015 to 2021, under previously disclosed redemptions and tender offers.

In 2012, we approved plans for the divestiture of a number of non-core businesses, which were completed with the sale of Rocketdyne on June 14, 2013. In 2013, business dispositions included the sale of the legacy Goodrich pumps and engine controls business, the sale of the legacy Goodrich electric power systems business and the sale of Pratt & Whitney Power Systems. Cash generated from these divestitures was used to repay debt incurred to finance the Goodrich acquisition. Tax payments related to discontinued operations, primarily the December 2012 sale of the legacy Hamilton Sundstrand Industrial businesses, were approximately \$640 million in 2013.

At December 31, 2014, we had revolving credit agreements with various banks permitting aggregate borrowings of up to \$4.35 billion pursuant to a \$2.20 billion revolving credit agreement and a \$2.15 billion multicurrency revolving credit agreement, both of which expire in May 2019. As of December 31, 2014 and 2013, 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. As of December 31, 2014, our maximum commercial paper borrowing authority was \$4.35 billion. We generally use our commercial paper borrowings for general corporate purposes, including the funding of potential acquisitions and repurchases of our common stock.

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.

At December 31, 2014, over 80% of our cash was held by UTC's foreign subsidiaries, due to our extensive international operations. 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 11, 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.

We continue to be involved in litigation with the German Tax Office in the German Tax Court with respect to certain tax benefits that we have claimed related to a 1998 reorganization of the corporate structure of Otis operations in Germany. We may be required to make payments of approximately \$350 million in 2015. See Note 17 for a further discussion of this German tax litigation.

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, 2014 and 2013, the amount of such restricted cash was approximately \$255 million and \$47 million, respectively.

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—Operating Activities of Continuing Operations

<i>(dollars in millions)</i>	2014	2013	2012
Net cash flows provided by operating activities of continuing operations	<u>\$ 7,336</u>	<u>\$ 7,505</u>	<u>\$ 6,605</u>

2014 Compared with 2013

Cash generated from operating activities of continuing operations in 2014 was \$169 million lower than 2013. Income from continuing operations and noncash deferred income tax provision and depreciation and amortization charges were \$769 million higher than 2013. The 2014 cash outflows for working capital were primarily driven by increases in inventory to support deliveries and other contractual commitments across all businesses. Reductions in accounts receivable in our aerospace businesses, driven primarily by accelerated customer collections and selected factoring primarily at Pratt & Whitney, were largely offset by increases in accounts receivable in our commercial businesses. Increases in accounts payable and accrued liabilities in our aerospace businesses, primarily related to customer advances at Pratt & Whitney, were largely offset by reductions in accounts payable and accrued liabilities in our commercial businesses. For 2013, cash outflows for working capital were similarly driven by increases in inventory to support deliveries and other contractual commitments, partially offset by increases in accounts payable and accrued liabilities, and increases in customer advances primarily related to contracts in progress at Otis and commercial aircraft orders at Sikorsky.

The funded status of our defined benefit pension plans is dependent upon many factors, including returns on invested assets, the level of market interest rates and actuarial mortality assumptions. We can contribute cash or UTC shares to our plans at our discretion, subject to applicable regulations. Total cash contributions to our global defined benefit pension plans were \$517 million, \$108 million and \$430 million during 2014, 2013 and 2012, respectively. As of December 31, 2014, the total investment by the global defined benefit pension plans in our securities was approximately 3% of total plan assets. Although our domestic defined benefit pension plans are approximately 88% funded on a projected benefit obligation basis as of December 31, 2014, and we are not required to make additional contributions through the end of 2019, we may elect to make discretionary contributions in 2015. We expect to make total contributions of approximately \$350 million to our global defined benefit pension plans in 2015, including discretionary contributions of approximately \$200 million to our domestic plans. Contributions to our global defined benefit pension plans in 2015 are expected to meet or exceed the current funding requirements.

2013 Compared with 2012

The increase in net cash flows provided by operating activities of continuing operations in 2013 as compared with 2012 was driven by the increase in income from continuing operations primarily attributable to the full year benefit in 2013 of 2012 acquisitions and continued cost reductions, as well as lower global pension contributions. Included in income from continuing operations in 2013 were approximately \$248 million of net gains from the sale of the Pratt & Whitney Power Systems business and portfolio transformation activities at UTC Climate, Controls & Security, approximately \$95 million of tax benefit as a result of enactment of the American Taxpayer Relief Act of 2012 in January 2013, and approximately \$83 million of tax and interest benefits from the conclusion of the examination by the Internal Revenue Service (IRS) of legacy Goodrich's 2009 and 2010 tax years as well as settlements for our tax years prior to 2006. In 2013, the net increase in working capital required a cash outflow of approximately \$200 million, compared to a cash inflow of approximately \$100 million in 2012. This decrease of \$300 million is attributable to an increase in accounts receivable driven by sales volumes and timing, primarily at Pratt & Whitney and UTC Aerospace Systems. Increases in inventories and contracts in progress were largely offset by increases in accounts payable and accrued liabilities.

Cash Flow—Investing Activities of Continuing Operations

<i>(dollars in millions)</i>	2014	2013	2012
Net cash flows used in investing activities of continuing operations	<u>\$ (2,305)</u>	<u>\$ (1,464)</u>	<u>\$ (18,795)</u>

2014 Compared with 2013

Cash flows used in investing activities of continuing operations for 2014 primarily reflect capital expenditures of approximately \$1.7 billion and payments related to our collaboration intangible assets and contractual rights to provide product on new aircraft platforms of approximately \$800 million. Cash flows used in investing activities of continuing operations for 2013 primarily reflect the net proceeds of approximately \$1.6 billion from business dispositions, offset by capital expenditures of approximately \$1.7 billion and payments related to our collaboration intangible assets and contractual rights to provide product on new aircraft platforms of approximately \$930 million. Business dispositions in 2013 included the sale of the legacy Goodrich pumps and engine controls business, the sale of the legacy Goodrich electric power systems business and the sale of Pratt & Whitney Power Systems.

In 2014, we increased our collaboration intangible assets by approximately \$593 million, of which \$312 million represented payments made under our 2012 agreement to acquire Rolls-Royce's ownership and collaboration interests in IAE. Capital expenditures for 2014 primarily relate to investments in new programs at Pratt & Whitney and UTC Aerospace Systems, as well as continuing Goodrich integration activities at UTC Aerospace Systems. Cash investments in businesses in 2014 were approximately \$402 million, and included the acquisition of the majority interest in a Pratt & Whitney joint venture and a number of small acquisitions, primarily in our commercial businesses. We expect total cash investments for acquisitions in 2015 to be approximately \$1 billion. However, actual acquisition spending may vary depending upon the timing, availability and appropriate value of acquisition opportunities. We expect capital expenditures in 2015 to be approximately \$1.7 billion.

Customer financing activities were a net source of cash of \$129 million in 2014 and a net use of cash of \$135 million in 2013. While we expect that 2015 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. At December 31, 2014, we had commercial aerospace financing and other contractual commitments of approximately \$11.3 billion related to commercial aircraft and certain contractual rights to provide product on new aircraft platforms, of which as much as \$1.3 billion may be required to be disbursed during 2015. As discussed in Note 1 to the Consolidated Financial Statements, we have entered into certain collaboration arrangements, which may include participation by our collaborators in these commitments. At December 31, 2014, our collaborators' share of these commitments was approximately \$2.8 billion of which as much as \$370 million may be required to be disbursed to us during 2015. Refer to Note 5 to the Consolidated Financial Statements for additional discussion of our commercial aerospace industry assets and commitments.

2013 Compared with 2012

Cash flows used in investing activities of continuing operations for 2013 primarily reflect the net proceeds of approximately \$1.6 billion from business dispositions, offset by capital expenditures of approximately \$1.7 billion and payments related to our collaboration intangible assets and contractual rights to provide product on new aircraft platforms of approximately \$930 million. Business dispositions in 2013 included the sale of the legacy Goodrich pumps and engine controls business, the sale of the legacy Goodrich electric power systems business and the sale of Pratt & Whitney Power Systems.

Cash flows used in investing activities of continuing operations in 2012 were primarily a result of net cash payments of approximately \$17.3 billion related to the Goodrich acquisition, the acquisition of Rolls-Royce's ownership and collaboration interests in IAE and the license of Rolls-Royce's V2500 intellectual property to Pratt & Whitney.

Investments in businesses during 2013 were \$151 million and included a number of small acquisitions in our commercial and aerospace businesses. Capital expenditures in 2013 increased approximately \$300 million, primarily related to investments in new programs at Pratt & Whitney and UTC Aerospace Systems, as well as continuation of Goodrich integration activities at UTC Aerospace Systems. Customer financing activities were a net use of cash of \$135 million and \$25 million in 2013 and 2012, respectively.

Cash Flow—Financing Activities of Continuing Operations

<i>(dollars in millions)</i>	2014	2013	2012
Net cash flows (used in) provided by financing activities of continuing operations	\$ (4,259)	\$ (5,940)	\$ 8,021

2014 Compared with 2013

The timing and levels of certain cash flow activities, such as acquisitions and repurchases of our stock, have resulted in the issuance of both long-term and short-term debt. Commercial paper borrowings and revolving credit facilities provide short-term liquidity to supplement operating cash flows and are used for general corporate purposes, including the funding of

potential acquisitions and repurchases of our stock. At December 31, 2014, we had no commercial paper outstanding. We had \$200 million of commercial paper outstanding at December 31, 2013.

At December 31, 2014, management had authority to repurchase approximately 37.8 million shares under the share repurchase program announced on February 4, 2013. Under this program, shares may be purchased on the open market, in privately negotiated transactions, under accelerated share repurchase programs, and under plans complying with Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended. We may also reacquire shares outside of the program from time to time in connection with the surrender of shares to cover taxes on vesting of restricted stock. In 2014, we repurchased 13.5 million shares of our common stock for approximately \$1.5 billion. We expect 2015 share repurchases to be approximately \$3 billion. Our share repurchases vary depending upon various factors including the level of our other investing activities. In 2014 and 2013, we paid aggregate dividends on common stock of approximately \$2.0 billion and \$1.9 billion, respectively.

We have an existing universal shelf registration statement filed with the SEC for an indeterminate amount of debt and equity securities for future issuance, subject to our internal limitations on the amount of securities to be issued under this shelf registration statement.

2013 Compared with 2012

In June 2012 we issued approximately \$10.9 billion of long-term debt and equity units to finance the Goodrich acquisition, and made repayments of long-term debt of approximately \$2.9 billion and \$800 million in 2013 and 2012, respectively. We had \$200 million and \$320 million of commercial paper outstanding at December 31, 2013 and 2012, respectively. Financing cash outflows for 2013 included the repurchase of 12.6 million shares of our common stock for approximately \$1.2 billion. In connection with the Goodrich acquisition, share repurchases were suspended for 2012.

In 2013, we paid aggregate dividends on common stock of approximately \$1.9 billion. During 2012, an aggregate \$1.8 billion of cash dividends were paid to common stock shareowners.

Cash Flow—Discontinued Operations

(dollars in millions)

	2013	2012
Net cash flows (used in) provided by discontinued operations	<u>\$ (277)</u>	<u>\$ 3,015</u>

There were no discontinued operations in the year ended December 31, 2014.

2013 Compared with 2012

Cash flows used in discontinued operations in 2013 primarily relate to the completed divestitures of the legacy Hamilton Sundstrand Industrial businesses in December 2012 and of Rocketdyne on June 14, 2013. Tax payments related to discontinued operations were approximately \$640 million in 2013, primarily related to transactions concluded in 2012 and reported in discontinued operations. Net cash flows used in discontinued operations for 2013 includes positive cash flows of approximately \$400 million related to the sale of Rocketdyne, and cash flows from the operating activities of Rocketdyne, and of UTC Power through its date of disposition of February 12, 2013, as well as payments made in settlement of liabilities, transaction costs, and interim funding of UTC Power and of Clipper, which was divested in 2012.

Cash flows provided by discontinued operations in 2012 primarily relate to the completed divestitures of the legacy Hamilton Sundstrand Industrial businesses for \$3.4 billion, and the disposition of Clipper to a private equity acquirer which resulted in payments totaling approximately \$367 million, including capitalization of the business prior to sale, transaction fees, and funding of operations as the acquirer took control of a business with significant net liabilities.

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 which obligates us to perform. 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 and wheels and brakes businesses, 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 measure the extent of progress toward completion on our long-term commercial aerospace equipment and helicopter production type 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 and certain aerospace development contracts. 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, and 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 \$3.4 billion at December 31, 2014 and \$3.2 billion at December 31, 2013. 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 11 to the Consolidated Financial Statements for further discussion. Also see Note 17 for discussion of UTC administrative review proceedings with the German Tax Office.

Goodwill and Intangible Assets. Our investments in businesses in 2014 totaled \$530 million (including debt assumed of \$128 million). The assets and liabilities of acquired businesses are recorded under the acquisition 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 identifiable net assets of acquired businesses. Intangible assets consist of service portfolios, patents, trademarks/tradenames, customer relationships and other intangible assets including a collaboration asset established in connection with the restructuring of IAE as discussed above and in Note 2 to the Consolidated Financial Statements. Also included within other intangible assets are payments made to secure certain contractual rights to provide product on new commercial aerospace platforms. Payments made on these contractual commitments are amortized as a reduction of sales. We amortize these intangible assets based on the pattern of economic benefit, which may result in an amortization method other than straight-line. In the aerospace industry, amortization based on the pattern of economic benefit generally results in lower amortization expense

during the development period with increasing amortization expense as programs enter full production and aftermarket cycles. If a pattern of economic benefit cannot be reliably determined, a straight-line amortization method is used. The gross value of these contractual commitments at December 31, 2014 was approximately \$4.7 billion, of which approximately \$1.4 billion has been paid to date. We record these payments as intangible assets when such payments are no longer conditional. The recoverability of these intangibles is dependent upon the future success and profitability of the underlying aircraft platforms including the associated aftermarket revenue streams.

Goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to annual, or more frequent if necessary, 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 values of these assets are reduced to fair value. In developing our estimates for the fair value of our reporting units, significant judgment is required in the determination of the appropriateness of using a qualitative assessment or quantitative assessment. When quantitative assessments are required or elected to be performed, fair value is primarily based on income approaches using discounted cash flow models which have significant assumptions. Such assumptions are subject to variability from year to year and are directly impacted by global market conditions. We completed our annual impairment testing as of July 1, 2014 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 these assets are not currently impaired, there can be no assurance that future impairments will not occur. See Note 2 to the Consolidated Financial Statements for further discussion.

Contingent Liabilities. Our operating units include businesses which sell products and services and conduct operations throughout the world. As described in Note 17 to the Consolidated Financial Statements, contractual, regulatory and other matters in the normal course of business may arise that subject us to claims or litigation. Additionally, we have significant contracts with the U.S. Government, subject to government oversight and audit, which may require significant adjustment of contract prices. We accrue for liabilities associated with these matters 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 then currently available facts with respect to each matter. When no amount within a range of estimates is more likely, the minimum is accrued. 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.

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, mortality rates, 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, 2014 :

<i>(dollars in millions)</i>	Increase in Discount Rate of 25 bps	Decrease in Discount Rate of 25 bps
Pension plans		
Projected benefit obligation	\$ (1,170)	\$ 1,214
Net periodic pension cost	(95)	96
Other postretirement benefit plans		
Accumulated postretirement benefit obligation	(18)	18
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 2014 pension expense by approximately \$ 75 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 2014 as compared with 2013 and, as a result, the weighted-average discount rate used to measure pension liabilities decreased from 4.7% in 2013 to 3.8% in 2014 . 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, the formula will change from a final average earnings (FAE) and credited service formula 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. 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. As of July 26, 2012 the same amendment was applied to legacy Goodrich salaried employees. Across our global pension plans, the impact of lower discount rates and the adoption of new mortality tables in the U.S. and Canada, partially offset by the absence of prior pension investment losses and positive returns experienced during 2014, will result in increased pension expense in 2015 of approximately \$275 million as compared to 2014.

See Note 12 to the Consolidated Financial Statements for further discussion.

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, 2014 is as follows:

<i>(dollars in millions)</i>	Total	Payments Due by Period			
		2015	2016-2017	2018-2019	Thereafter
Long-term debt—principal	\$ 19,500	\$ 1,796	\$ 2,628	\$ 1,688	\$ 13,388
Long-term debt—future interest	12,377	913	1,607	1,434	8,423
Operating leases	2,525	593	819	406	707
Purchase obligations	20,196	10,901	6,043	1,377	1,875
Other long-term liabilities	5,210	878	1,149	516	2,667
Total contractual obligations	\$ 59,808	\$ 15,081	\$ 12,246	\$ 5,421	\$ 27,060

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 23% 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, 2014 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.

In connection with the acquisition of Goodrich in 2012, we recorded assumed liabilities of approximately \$2.2 billion related to customer contractual obligations on certain OEM development programs where the expected costs exceeded the expected revenue under contract. These liabilities are being liquidated in accordance with the underlying economic pattern of obligations, as reflected by the net cash outflows incurred on the OEM contracts. Total consumption of the contractual obligations for the year ended December 31, 2014 was approximately \$249 million. Total future consumption of the contractual obligations is expected to be as follows: \$229 million in 2015, \$240 million in 2016, \$259 million in 2017, \$209 million in 2018, \$192 million in 2019 and \$480 million thereafter. These amounts are not included in the table above.

The above table also does not reflect unrecognized tax benefits of \$ 1,089 million, the timing of which is uncertain, except for approximately \$ 21 million that may become payable during 2015. Refer to Note 11 to the Consolidated Financial Statements for additional discussion on unrecognized tax benefits.

COMMERCIAL COMMITMENTS

The following table summarizes our commercial commitments outstanding as of December 31, 2014 :

<i>(dollars in millions)</i>	Committed	Amount of Commitment Expiration per Period			
		2015	2016-2017	2018-2019	Thereafter
Commercial aerospace financing commitments	\$ 3,152	\$ 574	\$ 852	\$ 824	\$ 902
Other commercial aerospace commitments	8,165	763	1,806	1,673	3,923
Commercial aerospace financing arrangements	632	13	86	147	386
Unconsolidated subsidiary debt guarantees	211	107	19	5	80
Performance guarantees	136	65	8	58	5
Total commercial commitments	\$ 12,296	\$ 1,522	\$ 2,771	\$ 2,707	\$ 5,296

In exchange for increased ownership and collaboration interests in IAE and Rolls-Royce's V2500 intellectual property license in 2012, Pratt & Whitney paid Rolls-Royce \$1.5 billion at closing with additional payments due to Rolls-Royce contingent upon each hour flown by the V2500-powered aircraft in service as of June 29, 2012 during the fifteen-year period following closing of the purchase. These payments are being capitalized as a collaboration intangible asset and amortized in relation to the economic benefits received over the projected remaining thirty-year life of the V2500 program. The estimated flight hour payments are included in Other commercial aerospace commitments in the table above.

Refer to Notes 1, 5 and 16 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, 2014, 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, 9 and 14 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 \$38 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 24 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, 2014 .

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 716 locations, mostly in the United States, at which we may have some liability for remediating contamination. We have resolved our liability at 323 of these locations. We do not believe that any individual location's exposure will have a material effect on our results of operations. Sites in the investigation, remediation or operation and maintenance stage represent approximately 92% of our accrued environmental remediation reserve.

We have been identified as a potentially responsible party under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA or Superfund) at 126 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, 2014 and 2013 , we had \$903 million and \$936 million reserved for environmental remediation, respectively. Cash outflows for environmental remediation were \$63 million in 2014, \$40 million in 2013 and \$35 million in 2012. We estimate that ongoing environmental remediation expenditures in each of the next two years will not exceed approximately \$90 million.

GOVERNMENT MATTERS

As described in "Critical Accounting Estimates—Contingent Liabilities," 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, or that certain payments be delayed or withheld. 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. See "Legal Proceedings" in Item 1 to this Form 10-K and Note 11 "Income Taxes" and Note 17 "Commitments & Contingencies" of our Consolidated Financial Statements for further discussion of these and other government matters.

Cautionary Note Concerning Factors That May Affect Future Results

This 2014 Annual Report to Shareowners (2014 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. For those statements we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995. Such risks, uncertainties and other factors include, without limitation:

- the effect of economic conditions in the industries and markets in which we operate in the U.S. 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 condition of commercial airlines, the impact of weather conditions and natural disasters and the financial condition of our customers and suppliers;
- the scope, nature, impact or timing of acquisition and divestiture activity, including among other things integration of acquired businesses into our existing businesses and realization of synergies and opportunities for growth and innovation;
- challenges in the development, production, delivery, support, performance and realization of the anticipated benefits of advanced technologies and new products and services;
- 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;
- customer and Company directed cost reduction efforts and restructuring costs and savings and other consequences thereof;
- new business opportunities;
- our ability to realize the intended benefits of organizational changes;
- the anticipated benefits of diversification and balance of operations across product lines, regions and industries;
- future repurchases of our common stock;
- the outcome of legal proceedings, investigations and other contingencies;
- pension plan assumptions and future contributions;
- the impact of the negotiation of collective bargaining agreements and labor disputes;
- the effect of changes in political conditions in the U.S. and other countries in which we operate; and
- the effect of changes in tax, environmental, regulatory (including among other things import/export) and other laws and regulations in the U.S. and other countries in which we operate.

In addition, our Annual Report on Form 10-K for 2014 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 "Note 17: Contingent Liabilities," the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the headings "Business Overview," "Results of Operations," "Liquidity and Financial Condition," and "Critical Accounting Estimates," and the section titled "Risk Factors." Our Annual Report on Form 10-K for 2014 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 2014 Annual Report in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the headings "Restructuring Costs," "Environmental Matters" and "Governmental Matters." 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, 2014 . 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 2013 . Management concluded that based on its assessment, UTC's internal control over financial reporting was effective as of December 31, 2014 . The effectiveness of UTC's internal control over financial reporting, as of December 31, 2014 , has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

/s/ Gregory J. Hayes

Gregory J. Hayes

President and Chief Executive Officer

/s/ Akhil Johri

Akhil Johri

Senior Vice President and Chief Financial Officer

/s/ John E. Stantial

John E. Stantial

Acting Controller and Assistant Controller, Financial Reporting

Report of Independent Registered Public Accounting Firm

TO THE BOARD OF DIRECTORS AND SHAREOWNERS OF UNITED TECHNOLOGIES CORPORATION:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of operations, of comprehensive income, 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, 2014 and December 31, 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 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, 2014, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. 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 5, 2015

Consolidated Statement of Operations

(dollars in millions, except per share amounts; shares in millions)

	2014	2013	2012
Net Sales:			
Product sales	\$ 47,632	\$ 45,253	\$ 40,729
Service sales	17,468	17,373	16,979
	65,100	62,626	57,708
Costs and Expenses:			
Cost of products sold	36,044	34,063	31,094
Cost of services sold	11,403	11,258	11,059
Research and development	2,635	2,529	2,371
Selling, general and administrative	6,500	6,718	6,452
	56,582	54,568	50,976
Other income, net	1,251	1,151	952
Operating profit	9,769	9,209	7,684
Interest expense, net	882	897	773
Income from continuing operations before income taxes	8,887	8,312	6,911
Income tax expense	2,264	2,238	1,711
Net income from continuing operations	6,623	6,074	5,200
Less: Noncontrolling interest in subsidiaries' earnings from continuing operations	403	388	353
Income from continuing operations attributable to common shareowners	6,220	5,686	4,847
Discontinued operations (Note 3):			
Income (loss) from operations	—	63	(998)
(Loss) gain on disposal	—	(33)	2,030
Income tax benefit (expense)	—	5	(742)
Net income from discontinued operations	—	35	290
Less: Noncontrolling interest in subsidiaries' earnings from discontinued operations	—	—	7
Income from discontinued operations attributable to common shareowners	—	35	283
Net income attributable to common shareowners	\$ 6,220	\$ 5,721	\$ 5,130
Earnings Per Share of Common Stock—Basic:			
Net income from continuing operations attributable to common shareowners	\$ 6.92	\$ 6.31	\$ 5.41
Net income attributable to common shareowners	\$ 6.92	\$ 6.35	\$ 5.73
Earnings Per Share of Common Stock—Diluted:			
Net income from continuing operations attributable to common shareowners	\$ 6.82	\$ 6.21	\$ 5.35
Net income attributable to common shareowners	\$ 6.82	\$ 6.25	\$ 5.66
Dividends Per Share of Common Stock	\$ 2.360	\$ 2.195	\$ 2.030
Weighted average number of shares outstanding:			
Basic shares	898.3	901.0	895.2
Diluted shares	911.6	915.1	906.6

See accompanying Notes to Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

<i>(dollars in millions)</i>	2014	2013	2012
Net income from continuing operations	\$ 6,623	\$ 6,074	\$ 5,200
Net income from discontinued operations	—	35	290
Net income	6,623	6,109	5,490
Other comprehensive (loss) income, net of tax			
Foreign currency translation adjustments			
Foreign currency translation adjustments arising during period	(1,302)	(523)	556
Reclassification adjustments for loss (gain) on sale of an investment in a foreign entity recognized in net income	7	25	(100)
	(1,295)	(498)	456
Pension and post-retirement benefit plans			
Net actuarial (loss) gain arising during period	(4,362)	3,987	(1,542)
Prior service (cost) credit arising during period	(5)	(225)	211
Other	121	50	(3)
Amortization of actuarial loss, prior service cost and transition obligation	416	906	689
	(3,830)	4,718	(645)
Tax benefit (expense)	1,388	(1,735)	205
	(2,442)	2,983	(440)
Unrealized gain (loss) on available-for-sale securities			
Unrealized holding gain arising during period	35	332	91
Reclassification adjustments for gain included in Other income, net	(20)	(91)	(123)
	15	241	(32)
Tax (expense) benefit	(3)	(90)	13
	12	151	(19)
Change in unrealized cash flow hedging			
Unrealized cash flow hedging (loss) gain arising during period	(263)	(134)	88
Loss (gain) reclassified into Product sales	96	25	(31)
Gain reclassified into Other income, net	—	(2)	—
	(167)	(111)	57
Tax benefit (expense)	37	29	(4)
	(130)	(82)	53
Other comprehensive (loss) income, net of tax	(3,855)	2,554	50
Comprehensive income	2,768	8,663	5,540
Less: comprehensive income attributable to noncontrolling interest	(329)	(374)	(368)
Comprehensive income attributable to common shareowners	\$ 2,439	\$ 8,289	\$ 5,172

See accompanying Notes to Consolidated Financial Statements

Consolidated Balance Sheet

(dollars in millions, except per share amounts; shares in thousands)

	2014	2013
Assets		
Cash and cash equivalents	\$ 5,235	\$ 4,619
Accounts receivable (net of allowance for doubtful accounts of \$485 and \$488)	11,317	11,458
Inventories and contracts in progress, net	9,865	10,330
Future income tax benefits, current	1,931	1,964
Other assets, current	1,410	1,071
Total Current Assets	29,758	29,442
Customer financing assets	978	1,156
Future income tax benefits	1,494	1,236
Fixed assets, net	9,276	8,866
Goodwill	27,796	28,168
Intangible assets, net	15,560	15,521
Other assets	6,427	6,205
Total Assets	\$ 91,289	\$ 90,594
Liabilities and Equity		
Short-term borrowings	\$ 126	\$ 388
Accounts payable	6,967	6,965
Accrued liabilities	14,006	15,335
Long-term debt currently due	1,796	112
Total Current Liabilities	22,895	22,800
Long-term debt	17,872	19,741
Future pension and postretirement benefit obligations	6,683	3,444
Other long-term liabilities	11,135	11,279
Total Liabilities	58,585	57,264
Commitments and contingent liabilities (Notes 5 and 17)		
Redeemable noncontrolling interest	140	111
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; 1,423,684 and 1,417,724 shares issued	15,300	14,764
Treasury Stock— 514,309 and 501,038 common shares at average cost	(21,922)	(20,431)
Retained earnings	44,611	40,539
Unearned ESOP shares	(115)	(126)
Total Accumulated other comprehensive loss	(6,661)	(2,880)
Total Shareowners' Equity	31,213	31,866
Noncontrolling interest	1,351	1,353
Total Equity	32,564	33,219
Total Liabilities and Equity	\$ 91,289	\$ 90,594

See accompanying Notes to Consolidated Financial Statements

Consolidated Statement of Cash Flows

<i>(dollars in millions)</i>	2014	2013	2012
Operating Activities of Continuing Operations:			
Net income attributable to common shareowners	\$ 6,220	\$ 5,721	\$ 5,130
Noncontrolling interest in subsidiaries' earnings	403	388	360
Net income	6,623	6,109	5,490
Less: Net income from discontinued operations	—	35	290
Income from continuing operations	6,623	6,074	5,200
Adjustments to reconcile income from continuing operations to net cash flows provided by operating activities of continuing operations:			
Depreciation and amortization	1,907	1,821	1,524
Deferred income tax provision	376	242	120
Stock compensation cost	240	275	210
Change in:			
Accounts receivable	7	(531)	(165)
Inventories and contracts in progress	(1,091)	(1,096)	(539)
Other current assets	(123)	74	(4)
Accounts payable and accrued liabilities	(40)	1,354	811
Global pension contributions	(517)	(108)	(430)
Other operating activities, net	(46)	(600)	(122)
Net cash flows provided by operating activities of continuing operations	7,336	7,505	6,605
Investing Activities of Continuing Operations:			
Capital expenditures	(1,711)	(1,688)	(1,389)
Increase in customer financing assets	(202)	(245)	(100)
Decrease in customer financing assets	331	110	75
Investments in businesses	(402)	(151)	(16,026)
Dispositions of businesses	344	1,560	425
Increase in collaboration intangible assets	(593)	(722)	(1,543)
Other investing activities, net	(72)	(328)	(237)
Net cash flows used in investing activities of continuing operations	(2,305)	(1,464)	(18,795)
Financing Activities of Continuing Operations:			
Issuance of long-term debt	99	92	10,899
Repayment of long-term debt	(305)	(2,862)	(842)
Decrease in short-term borrowings, net	(346)	(113)	(214)
Common Stock issued under employee stock plans	187	378	522
Dividends paid on Common Stock	(2,048)	(1,908)	(1,752)
Repurchase of Common Stock	(1,500)	(1,200)	—
Other financing activities, net	(346)	(327)	(592)
Net cash flows (used in) provided by financing activities of continuing operations	(4,259)	(5,940)	8,021
Discontinued Operations:			
Net cash (used in) provided by operating activities	—	(628)	41
Net cash provided by investing activities	—	351	2,974
Net cash flows (used in) provided by discontinued operations	—	(277)	3,015
Effect of foreign exchange rate changes on cash and cash equivalents	(156)	(41)	30
Net increase (decrease) in cash and cash equivalents	616	(217)	(1,124)
Cash and cash equivalents, beginning of year	4,619	4,836	5,960
Cash and cash equivalents, end of year	5,235	4,619	4,836
Less: Cash and cash equivalents of businesses held for sale	—	—	17
Cash and cash equivalents of continuing operations, end of year	\$ 5,235	\$ 4,619	\$ 4,819
Supplemental Disclosure of Cash Flow Information:			
Interest paid, net of amounts capitalized	\$ 1,077	\$ 1,047	\$ 725
Income taxes paid, net of refunds	\$ 2,024	\$ 2,789	\$ 1,772

See accompanying Notes to Consolidated Financial Statements

Consolidated Statement of Changes in Equity

(dollars in millions)

	Common Stock
Balance at December 31, 2011	\$ 13,445
Comprehensive income (loss):	
Net income	
Redeemable noncontrolling interest in subsidiaries' earnings	
Other comprehensive income (loss), net of tax	
Common Stock issued under employee plans (8 million shares), net of tax benefit of \$67	643
Treasury Stock reissued under employee plans (3.6 million shares)	138
Equity Units issuance	(216)
Dividends on Common Stock	
Dividends on ESOP Common Stock	
Dividends attributable to noncontrolling interest	
Redeemable noncontrolling interest accretion	
Purchase of subsidiary shares from noncontrolling interest	(34)
Sale of subsidiary shares in noncontrolling interest	
Other changes in noncontrolling interest	
Redeemable noncontrolling interest reclassification to noncontrolling interest	
Balance at December 31, 2012	\$ 13,976
Comprehensive income (loss):	
Net income	
Redeemable noncontrolling interest in subsidiaries' earnings	
Other comprehensive income (loss), net of tax	
Common Stock issued under employee plans (10.4 million shares), net of tax benefit of \$115	837
Common Stock repurchased (12.6 million shares)	
Dividends on Common Stock	
Dividends on ESOP Common Stock	
Dividends attributable to noncontrolling interest	
Purchase of subsidiary shares from noncontrolling interest	(49)
Sale of subsidiary shares in noncontrolling interest	
Disposition of noncontrolling interest	
Redeemable noncontrolling interest reclassification to noncontrolling interest	
Other	
Balance at December 31, 2013	\$ 14,764
Comprehensive income (loss):	
Net income	
Redeemable noncontrolling interest in subsidiaries' earnings	
Other comprehensive income (loss), net of tax	
Common Stock issued under employee plans (6.2 million shares), net of tax benefit of \$103	607
Common Stock repurchased (13.5 million shares)	
Dividends on Common Stock	
Dividends on ESOP Common Stock	
Dividends attributable to noncontrolling interest	
Purchase of subsidiary shares from noncontrolling interest	(75)
Sale of subsidiary shares in noncontrolling interest	4
Redeemable noncontrolling interest reclassification to noncontrolling interest	
Other	
Balance at December 31, 2014	\$ 15,300

Shareowners' Equity

Treasury Stock	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interest	Total Equity	Redeemable Noncontrolling Interest
\$ (19,410)	\$ 33,487	\$ (152)	\$ (5,490)	\$ 940	\$ 22,820	\$ 358
	5,130			360	5,490	
				(24)	(24)	24
			42	2	44	6
18	(20)	13			654	
141					279	
					(216)	
	(1,752)				(1,752)	
	(67)				(67)	
				(337)	(337)	(18)
	(2)				(2)	2
				(4)	(38)	(34)
				52	52	
				66	66	
				100	100	(100)
\$ (19,251)	\$ 36,776	\$ (139)	\$ (5,448)	\$ 1,155	\$ 27,069	\$ 238
	5,721			388	6,109	
				(5)	(5)	5
			2,568	(5)	2,563	(9)
20	19	13			889	
(1,200)					(1,200)	
	(1,908)				(1,908)	
	(69)				(69)	
				(355)	(355)	(5)
				(67)	(116)	(3)
				243	243	
				(7)	(7)	(82)
				17	17	(17)
				(11)	(11)	(16)
\$ (20,431)	\$ 40,539	\$ (126)	\$ (2,880)	\$ 1,353	\$ 33,219	\$ 111
	6,220			403	6,623	
				(9)	(9)	9
			(3,781)	(67)	(3,848)	(7)
9	(29)	11			598	
(1,500)					(1,500)	
	(2,048)				(2,048)	
	(71)				(71)	
				(318)	(318)	(3)
				(18)	(93)	
				11	15	
				(16)	(16)	16
				12	12	14
\$ (21,922)	\$ 44,611	\$ (115)	\$ (6,661)	\$ 1,351	\$ 32,564	\$ 140

Notes to Consolidated Financial Statements

NOTE 1: SUMMARY OF ACCOUNTING PRINCIPLES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates. Certain reclassifications have been made to the prior year amounts to conform to the 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, 2014 and 2013, the amount of such restricted cash was approximately \$255 million and \$47 million, respectively.

Accounts Receivable. Current and long-term accounts receivable as of December 31, 2014 include retainage of \$147 million and unbilled receivables of \$2,624 million, which includes approximately \$823 million of unbilled receivables under commercial aerospace long-term aftermarket contracts. Current and long-term accounts receivable as of December 31, 2013 include retainage of \$173 million and unbilled receivables of \$2,172 million, which includes approximately \$677 million of unbilled receivables under commercial aerospace long-term aftermarket contracts. See Note 5 for discussion of commercial aerospace industry assets and commitments.

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.

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 UTC Aerospace Systems and UTC Climate, Controls & Security 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 \$130 million and \$133 million at December 31, 2014 and 2013, respectively.

Costs accumulated against specific contracts or orders are at actual cost. 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. Manufacturing costs are allocated to current production and firm contracts.

Equity Method Investments. Investments in which we have the ability to exercise significant influence, but do not control, are accounted for under the equity method of accounting and are included in Other assets on the Consolidated Balance Sheet. Under this method of accounting, our share of the net earnings or losses of the investee is included in Other income, net on the Consolidated Statement of Operations since the activities of the investee are closely aligned with the operations of the business segment holding the investment. We evaluate our equity method investments whenever events or changes in circumstance indicate that the carrying amounts of such investments may be impaired. If a decline in the value of an equity method investment is determined to be other than temporary, a loss is recorded in earnings in the current period.

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.

Intangible assets consist of service portfolios, patents, trademarks/tradenames, customer relationships and other intangible assets including a collaboration asset established in connection with the restructuring of participants' interests in IAE

as discussed further in Note 2. Acquired intangible assets are recognized at fair value in purchase accounting and then amortized to cost of sales and selling, general & administrative expenses over the applicable useful lives. Also included within other intangible assets are commercial aerospace payments made to secure certain contractual rights to provide product on new aircraft platforms. Consideration paid on these contractual commitments is capitalized when it is no longer conditional.

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. These intangible assets are amortized based on the pattern in which the economic benefits of the intangible assets are consumed. For both our commercial aerospace collaboration assets and exclusivity arrangements, the pattern of economic benefit generally results in lower amortization during the development period with increasing amortization as programs enter full rate production and aftermarket cycles. If a pattern of economic benefit cannot be reliably determined, a straight-line amortization method is used. The range of estimated useful lives is as follows:

Collaboration asset	30 years
Customer relationships and related programs	2 to 32 years
Purchased service contracts	5 to 31 years
Patents & trademarks	3 to 40 years
Exclusivity assets	3 to 25 years

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 held and used exceeds the sum of the undiscounted expected future cash flows, the carrying value is written down to fair value.

Long-Term Financing Receivables. Our long-term 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 of those other receivables are not significant.

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, 2014 and 2013 :

<i>(dollars in millions)</i>	2014	2013
Long-term trade accounts receivable	\$ 838	\$ 714
Notes and leases receivable	424	583
Total long-term receivables	\$ 1,262	\$ 1,297

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.

We determine credit ratings for each customer in our 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. Customer credit ratings range from an extremely strong capacity to meet financial obligations, to customers whose uncollateralized receivable is in default. 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. Based upon the customer credit ratings, approximately 8% and 9% of the total long-term receivables reflected in the table above were considered to bear high credit risk as of December 31, 2014 and 2013, respectively. See Note 5 for further discussion of commercial aerospace industry assets and commitments.

Reserves for credit losses on receivables relate 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. Our long-term receivables reflected in the table above, which include reserves of \$10 million and \$49 million as of December 31, 2014 and 2013, respectively, are individually evaluated for impairment. At both December 31, 2014 and 2013, we did 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.

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. As a result of our diverse product and service mix and customer base, we use multiple revenue recognition practices. We recognize sales for products and services in accordance with the provisions of Staff Accounting Bulletin (SAB) Topic 13, Revenue Recognition, as applicable. Products and services included within the scope of this SAB Topic include heating, ventilating, air-conditioning and refrigeration systems, non-complex alarm and fire detection and suppression systems, commercially funded research and development contracts and non-complex aerospace components. Sales within the scope of this SAB Topic are recognized when persuasive evidence of an arrangement exists, product delivery has occurred or services have been rendered, pricing is fixed or determinable and collectability is reasonably assured. Subsequent changes in service contracts are accounted for prospectively.

Contract Accounting and Separately Priced Maintenance and Extended Warranty Aftermarket Contracts: For our construction-type and certain production-type contracts, sales are recognized on a percentage-of-completion basis following contract accounting methods. Contracts consist of enforceable agreements which form the basis of our unit of accounting for measuring sales, accumulating costs and recording loss provisions as necessary. Contract accounting requires estimates of award fees and other sources of variable consideration as well as future costs over the performance period of the contract. Cost estimates also include the estimated cost of satisfying our offset obligations required under certain contracts. Cost 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 production-type helicopter contracts is measured using units of delivery or other contractual milestones. The extent of progress towards completion on our development and other cost reimbursement contracts in our aerospace businesses and elevator and escalator sales, installation, modernization and other construction contracts in our commercial businesses is measured using cost-to-cost based input measures. Contract costs include estimated inventoriable manufacturing, engineering, product warranty and product performance guarantee costs, as appropriate.

For separately priced product maintenance and extended warranty aftermarket contracts, sales are recognized over the contract period. In the commercial businesses, sales are primarily recognized on a straight-line basis. In the aerospace businesses, sales are primarily recognized in proportion to cost as sufficient historical evidence indicates that costs of performing services under the contract are incurred on an other than straight-line basis.

Loss provisions on original equipment contracts are recognized to the extent estimated contract costs exceed the estimated consideration 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 which obligates us to perform. For existing commitments, anticipated losses on contracts are recognized in the period in which losses become evident. Products contemplated under contractual arrangements include firm quantities of products sold under contract and, in the large commercial engine and wheels and brakes businesses, future highly probable sales of replacement parts required by regulation that are expected to be sold subsequently for incorporation into the original equipment. In the large commercial engine and wheels and brakes businesses, when the combined original equipment and aftermarket arrangements for each individual sales campaign are profitable, we record original equipment product losses, as applicable, at the time of delivery.

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. Operating profits included significant net unfavorable changes in aerospace contract estimates of approximately \$240 million in 2014 driven by the \$438 million unfavorable impact of a revision in estimate on the CH-148 Canadian Maritime Helicopter program, partially offset by several net favorable contract adjustments recorded throughout the year, largely at the Pratt & Whitney segment. See Note 6 for further discussion of the CH-148 Canadian Maritime Helicopter program.

Collaborations: Sales generated from engine programs, spare parts sales, and aftermarket business under collaboration arrangements are recorded consistent with our revenue recognition policies in our consolidated financial statements. Amounts attributable to our collaborators 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 a collaborator's share of program costs is recorded as a reduction of the related expense item at that time.

Cash Payments to Customers: UTC Climate, Controls & Security 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 for our products. We account for incentive payments made as a reduction in sales. In our aerospace businesses, we may make participation payments to certain customers to secure certain contract rights. We classify the subsequent amortization of these acquired intangible assets from our customers as a reduction in sales. Contractually stated prices in arrangements with our customers that include the acquisition of intangible rights within the scope of the Intangibles - Goodwill and Other Topic of the FASB ASC and deliverables within the scope of the Revenue Recognition Topic of the FASB ASC are not presumed to be representative of fair value for determining the amounts to allocate to each element of an arrangement.

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 including specific aircraft engine sales, total aircraft engine sales volume and total year-over-year sales growth of the entity receiving the government funding. Given the conditional and uncertain nature of any repayment obligations, royalty expense is typically recorded only upon engine shipment or is otherwise accrued monthly based upon the forecasted impact for the current year. The cumulative funding received under existing relationships has been approximately \$2.2 billion of which approximately \$600 million has been repaid to date in the form of royalties.

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. Research and development costs in excess of contractual consideration is expensed as incurred.

Foreign Exchange. 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.

Derivatives and Hedging Activity. 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. 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. We enter into transactions that are subject to enforceable master netting arrangements or other similar agreements with various counterparties. However, we have not elected to offset multiple contracts with a single counterparty and, as a result, the fair value of the derivative instruments in a loss position is not offset against the fair value of derivative instruments in a gain position.

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 as a component of product sales or expenses, as applicable, when the hedged 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. Additional information pertaining to foreign currency forward contracts is included in Note 14.

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.

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.

Product Performance Obligations. 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. We accrue for such costs that are probable and can be reasonably estimated. In addition, we incur discretionary costs to service our products in connection with product performance issues. 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 16 for further discussion.

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 collaborators 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, 2014 , the collaborators' interests in all commercial engine programs ranged from 14% to 49% , 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 collaborators exceed a 31% share in an individual program. The following table illustrates the income statement classification and amounts attributable to transactions arising from the collaborative arrangements between participants for each period presented:

<i>(dollars in millions)</i>	2014	2013	2012
Collaborator share of sales:			
Cost of products sold	\$ 1,778	\$ 1,820	\$ 1,295
Cost of services sold	354	273	216
Collaborator share of program costs (reimbursement of expenses incurred):			
Cost of products sold	(103)	(127)	(97)
Research and development	(122)	(194)	(203)
Selling, general and administrative	(4)	(5)	(7)

NOTE 2: BUSINESS ACQUISITIONS, DISPOSITIONS, GOODWILL AND INTANGIBLE ASSETS

Business Acquisitions and Dispositions. Our investments in businesses in 2014 , 2013 and 2012 totaled \$530 million (including debt assumed of \$128 million), \$151 million and \$18.6 billion (including debt assumed of \$2.6 billion), respectively. Our investments in businesses in 2014 consisted of the acquisition of the majority interest in a Pratt & Whitney joint venture and a number of small acquisitions, primarily in our commercial businesses.

In 2013, we completed the sale of the Pratt & Whitney Power Systems business to Mitsubishi Heavy Industries (MHI) for \$432 million, excluding contingent consideration valued at approximately \$200 million, and we entered into a long-term engineering and manufacturing agreement with MHI, generating a pre-tax gain of approximately \$193 million (\$132 million after tax). We also completed the acquisition of Grupo Ascensores Enor, S.A. (Enor), a privately held company headquartered in Spain with operations in Spain and Portugal, which designs, manufactures, installs and services elevators. Under the terms of the transaction, Zardoya Otis, S.A. (ZOSA), a non-wholly owned subsidiary of the Company, exchanged publicly traded shares of ZOSA with a fair value of approximately \$240 million as of the transaction completion date for all of the shares of Enor.

In 2012, we issued approximately \$10.9 billion of long-term debt and equity units and completed the acquisition of Goodrich, for a total enterprise value of \$18.3 billion, including \$1.9 billion in net debt assumed. The acquired Goodrich businesses were combined with the legacy Hamilton Sundstrand businesses to form the UTC Aerospace Systems segment. In connection with the Goodrich acquisition, we recorded approximately \$11.6 billion of goodwill and \$10.1 billion of identifiable intangible assets, including approximately \$8.6 billion of customer relationship and related program assets. We recorded assumed liabilities of approximately \$2.2 billion related to customer contractual obligations on certain OEM development programs where the expected costs exceeded the expected revenue under contract. These liabilities are being liquidated in accordance with the underlying economic pattern of obligations, as reflected by the net cash outflows incurred on the OEM contracts. Total consumption of the contractual obligations was approximately \$249 million and \$278 million in 2014 and 2013, respectively. Expected consumption of the contractual obligations is as follows: \$229 million in 2015, \$240 million in 2016, \$259 million in 2017, \$209 million in 2018, \$192 million in 2019 and \$480 million thereafter.

In connection with regulatory approval of the Goodrich acquisition, regulatory authorities required UTC to dispose of the Goodrich electric power systems and the Goodrich pumps and engine controls businesses. We completed the sales of these businesses in 2013.

In 2012, UTC approved plans for the divestiture of a number of non-core businesses. Cash generated from these divestitures was used to repay debt incurred to finance the Goodrich acquisition. See Note 3 for further discussion.

On June 29, 2012, Pratt & Whitney, Rolls-Royce plc (Rolls-Royce), MTU Aero Engines AG (MTU), and Japanese Aero Engines Corporation (JAEC), participants in the IAE International Aero Engines AG (IAE) collaboration, completed a restructuring of their interests in IAE. As a result of this transaction, Pratt & Whitney holds a 61% net interest in the collaboration and a 49.5% ownership interest in IAE. IAE's business purpose is to coordinate the design, development, manufacturing and product support of the V2500 program through involvement with the collaborators. IAE retains limited equity with the primary economics of the V2500 program passed to the participants in the separate collaboration arrangement. As such, we have determined that IAE is a variable interest entity with Pratt & Whitney its primary beneficiary, and IAE has, therefore, been consolidated. The carrying amounts and classification of assets and liabilities for IAE in our Consolidated Balance Sheet as of December 31, 2014 and 2013 are as follows:

<i>(dollars in millions)</i>	2014	2013
Current assets	\$ 1,820	\$ 1,616
Noncurrent assets	756	1,066
Total assets	<u>\$ 2,576</u>	<u>\$ 2,682</u>
Current liabilities	\$ 1,795	\$ 1,895
Noncurrent liabilities	1,227	1,085
Total liabilities	<u>\$ 3,022</u>	<u>\$ 2,980</u>

UTC Climate, Controls & Security continued its portfolio transformation efforts in 2014 with the disposition of a number of businesses, resulting in a net gain of approximately \$30 million, primarily due to a gain on the sale of an interest in a joint venture in North America. UTC Climate, Controls & Security's portfolio transformation in 2013 included the disposition of a number of businesses, resulting in a net gain of approximately \$55 million, including gains from the sale of businesses in Hong Kong and Australia, and in 2012 included the disposition of a number of businesses resulting in impairment and other charges totaling approximately \$180 million. During 2012, UTC Climate, Controls & Security also sold a controlling interest in a manufacturing and distribution joint venture in Asia generating a gain of approximately \$215 million, and a controlling interest in a Canadian distribution business generating a gain of approximately \$120 million.

Goodwill. The changes in the carrying amount of goodwill, by segment, in 2014 are as follows:

<i>(dollars in millions)</i>	Balance as of January 1, 2014	Goodwill resulting from business combinations	Foreign currency translation and other	Balance as of December 31, 2014
Otis	\$ 1,741	\$ 35	\$ (112)	\$ 1,664
UTC Climate, Controls & Security	9,727	13	(332)	9,408
Pratt & Whitney	1,273	208	—	1,481
UTC Aerospace Systems	15,069	—	(177)	14,892
Sikorsky	353	—	(6)	347
Total Segments	28,163	256	(627)	27,792
Eliminations and other	5	—	(1)	4
Total	\$ 28,168	\$ 256	\$ (628)	\$ 27,796

Intangible Assets. Identifiable intangible assets are comprised of the following:

<i>(dollars in millions)</i>	2014		2013	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Amortized:				
Service portfolios	\$ 2,103	\$ (1,309)	\$ 2,234	\$ (1,295)
Patents and trademarks	361	(190)	380	(181)
IAE collaboration	2,872	(20)	2,273	—
Customer relationships and other	12,189	(2,623)	12,049	(2,199)
	17,525	(4,142)	16,936	(3,675)
Unamortized:				
Trademarks and other	2,177	—	2,260	—
Total	\$ 19,702	\$ (4,142)	\$ 19,196	\$ (3,675)

Customer relationship intangible assets include payments made to our customers to secure certain contractual rights. We amortize these intangible assets based on the underlying pattern of economic benefit, which may result in an amortization method other than straight-line. We classify amortization of such payments as a reduction of sales. Amortization of intangible assets was \$718 million, \$710 million and \$547 million in 2014, 2013 and 2012, respectively. The IAE collaboration intangible asset is amortized based upon the economic pattern of benefits as represented by the underlying cash flows. Prior to 2014, these cash flows were negative, and, accordingly, no amortization had previously been recorded. The following is the expected amortization of intangible assets for 2015 through 2019, which reflects an increase in expected amortization expense due to the pattern of economic benefit on certain aerospace intangible assets increasing over time:

<i>(dollars in millions)</i>	2015	2016	2017	2018	2019
Amortization expense	\$ 707	\$ 715	\$ 764	\$ 828	\$ 806

NOTE 3: DISCONTINUED OPERATIONS

In 2012, the UTC Board of Directors approved plans for the divestiture of a number of non-core businesses, which were completed with the sale of Pratt & Whitney Rocketdyne (Rocketdyne) on June 14, 2013. Cash generated from these divestitures was used to repay debt incurred to finance the Goodrich acquisition in 2012. On February 12, 2013, we completed the disposition of UTC Power to ClearEdge Power, and have no continuing involvement with the UTC Power business post-disposition.

On December 13, 2012, we completed the sale of the legacy Hamilton Sundstrand Industrial businesses. On August 7, 2012, we completed the disposition of Clipper Windpower (Clipper) and have no continuing involvement with the Clipper business following disposition.

The legacy Hamilton Sundstrand Industrial businesses, as well as Clipper, Rocketdyne and UTC Power all met the "held-for-sale" criteria in 2012. The results of operations, including the net realized gains and losses on disposition, and the related

cash flows which resulted from these non-core businesses, have been reclassified to Discontinued Operations in our Consolidated Statements of Operations and Cash Flows.

The following summarized financial information for our discontinued operations businesses has been segregated from continuing operations and reported as Discontinued Operations in 2013. There was no discontinued operations activity in 2014.

<i>(dollars in millions)</i>	2013
Discontinued Operations:	
Net sales	\$ 309
Income from operations	\$ 63
Income tax expense	(32)
Income from operations, net of income taxes	31
Loss on disposal	(33)
Income tax benefit	37
Net income from discontinued operations	\$ 35

NOTE 4: EARNINGS PER SHARE

<i>(dollars in millions, except per share amounts; shares in millions)</i>	2014	2013	2012
Net income attributable to common shareowners:			
Net income from continuing operations	\$ 6,220	\$ 5,686	\$ 4,847
Net income from discontinued operations	—	35	283
Net income attributable to common shareowners	\$ 6,220	\$ 5,721	\$ 5,130
Basic weighted average number of shares outstanding	898.3	901.0	895.2
Stock awards	13.3	14.1	11.4
Diluted weighted average number of shares outstanding	911.6	915.1	906.6
Earnings Per Share of Common Stock—Basic:			
Net income from continuing operations	\$ 6.92	\$ 6.31	\$ 5.41
Net income from discontinued operations	—	0.04	0.32
Net income attributable to common shareowners	6.92	6.35	5.73
Earnings Per Share of Common Stock—Diluted:			
Net income from continuing operations	\$ 6.82	\$ 6.21	\$ 5.35
Net income from discontinued operations	—	0.04	0.31
Net income attributable to common shareowners	6.82	6.25	5.66

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 2014 and 2012, there were 3.5 million and 4.7 million anti-dilutive stock awards excluded from the computation, respectively. For 2013, there were no anti-dilutive stock awards excluded from the computation.

NOTE 5: COMMERCIAL AEROSPACE INDUSTRY ASSETS AND COMMITMENTS

We have receivables and other financing assets with commercial aerospace industry customers totaling \$5,573 million and \$6,193 million at December 31, 2014 and 2013, respectively. These include customer financing assets related to commercial aerospace industry customers, consisting of products under lease of \$583 million and \$662 million, and notes and leases receivable of \$424 million and \$586 million, at December 31, 2014 and 2013, respectively.

Aircraft financing commitments, in the form of 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 consistent with market terms and conditions. We may also lease aircraft and subsequently sublease the aircraft to customers under long-term non-cancelable operating leases. 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, which are included in "Other commercial aerospace commitments" in the table below. Payments made on these contractual commitments are included in intangible assets and are amortized over the term of underlying economic benefit. Our commercial aerospace financing and other contractual commitments as of December 31, 2014 were approximately \$ 11.3 billion . We have entered into certain collaboration arrangements, which may include participation by our collaboration partners in these commitments.

The following is the expected maturity of commercial aerospace industry assets and commitments as of December 31, 2014 :

<i>(dollars in millions)</i>	Committed	2015	2016	2017	2018	2019	Thereafter
Notes and leases receivable	\$ 424	\$ 43	\$ 103	\$ 42	\$ 26	\$ 25	\$ 185
Commercial aerospace financing commitments	\$ 3,152	\$ 574	\$ 489	\$ 363	\$ 449	\$ 375	\$ 902
Other commercial aerospace commitments	8,165	763	858	948	899	774	3,923
Collaboration partners' share	(2,840)	(370)	(381)	(383)	(380)	(296)	(1,030)
Total commercial commitments	\$ 8,477	\$ 967	\$ 966	\$ 928	\$ 968	\$ 853	\$ 3,795

In exchange for the increased ownership and collaboration interests and intellectual property license, Pratt & Whitney paid Rolls-Royce \$1.5 billion at closing with additional payments due to Rolls-Royce contingent upon each hour flown by the V2500-powered aircraft in service as of June 29, 2012 during the fifteen-year period following closing of the purchase. These payments are being capitalized as a collaboration intangible asset and amortized based upon the economic pattern of benefits of the V2500 program as represented by the underlying cash flows. Prior to 2014, these cash flows were negative, and, accordingly, no amortization had previously been recorded. The flight hour payments are included in Other commercial aerospace commitments in the table above.

Our financing commitments 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 \$632 million as of December 31, 2014 .

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 unbilled receivables and deferred revenues. Unbilled receivables under these long-term aftermarket contracts totaled \$823 million and \$677 million at December 31, 2014 and 2013 , respectively, and are included in Accounts receivable and Other assets in the accompanying Consolidated Balance Sheet. Deferred revenues totaled \$3,553 million and \$3,230 million at December 31, 2014 and 2013 , respectively, and are included in Accrued liabilities and Other long-term liabilities in the accompanying Consolidated Balance Sheet.

Reserves related to aerospace receivables and financing assets were \$243 million at both December 31, 2014 and 2013 , respectively. Reserves related to financing commitments and guarantees were \$67 million and \$76 million at December 31, 2014 and 2013 , respectively.

NOTE 6: INVENTORIES & CONTRACTS IN PROGRESS

<i>(dollars in millions)</i>	2014	2013
Raw materials	\$ 2,056	\$ 1,983
Work-in-process	3,596	4,600
Finished goods	3,776	3,360
Contracts in progress	8,189	7,929
	17,617	17,872
Less:		
Progress payments, secured by lien, on U.S. Government contracts	(300)	(279)
Billings on contracts in progress	(7,452)	(7,263)
	\$ 9,865	\$ 10,330

Raw materials, work-in-process and finished goods are net of valuation reserves of \$863 million and \$1,025 million as of December 31, 2014 and 2013, respectively. 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.

During the quarter ended June 30, 2014, Sikorsky and the Canadian Government signed amendments to their existing contracts for development, production and support of the CH-148 helicopter. These amendments included significant changes in program scope, governance and delivery methodology. Accordingly, in the second quarter of 2014 we recognized a change in estimate on this program resulting in the liquidation of approximately \$1.3 billion of inventory, including all capitalized contract development costs related to this program. As of December 31, 2013, inventory included approximately \$740 million of capitalized contract development costs related to this program.

Inventory also includes capitalized contract development costs related to certain aerospace programs at UTC Aerospace Systems. As of December 31, 2014 and 2013, these capitalized costs were \$141 million and \$159 million, respectively, which will be liquidated as production units are delivered to the customer.

Our sales contracts in many cases are long-term contracts expected to be performed over periods exceeding twelve months. At December 31, 2014 and 2013, approximately 69% 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 7: FIXED ASSETS

<i>(dollars in millions)</i>	Estimated Useful Lives	2014	2013
Land		\$ 408	\$ 434
Buildings and improvements	12-40 years	5,697	5,633
Machinery, tools and equipment	3-20 years	12,375	11,353
Other, including assets under construction		1,284	1,241
		19,764	18,661
Accumulated depreciation		(10,488)	(9,795)
		\$ 9,276	\$ 8,866

Depreciation expense was \$1,122 million in 2014, \$1,050 million in 2013 and \$920 million in 2012.

NOTE 8: ACCRUED LIABILITIES

<i>(dollars in millions)</i>	2014	2013
Advances on sales contracts and service billings	\$ 5,262	\$ 6,444
Accrued salaries, wages and employee benefits	1,909	1,901
Service and warranty accruals	533	505
Litigation and contract matters	505	526
Interest payable	503	481
Income taxes payable	309	540
Accrued property, sales and use taxes	285	280
Accrued workers compensation	275	218
Accrued restructuring costs	264	337
Other	4,161	4,103
	<u>\$ 14,006</u>	<u>\$ 15,335</u>

The decline in Advances on sales contracts and service billings as of December 31, 2014, as compared with December 31, 2013, is largely attributable to the change in estimate on contract amendments signed by Sikorsky and the Canadian Government for the development, production and support for the CH-148 helicopter. This change in estimate resulted in the liquidation of customer advances of approximately \$700 million. See Note 6 for further discussion of these amendments.

NOTE 9: BORROWINGS AND LINES OF CREDIT

<i>(dollars in millions)</i>	2014	2013
Short-term borrowings:		
Commercial paper	\$ —	\$ 200
Other borrowings	126	188
Total short-term borrowings	<u>\$ 126</u>	<u>\$ 388</u>

At December 31, 2014, we had revolving credit agreements with various banks permitting aggregate borrowings of up to \$ 4.35 billion pursuant to a \$ 2.20 billion revolving credit agreement and a \$ 2.15 billion multicurrency revolving credit agreement, both of which expire in May, 2019. As of December 31, 2014, there were no borrowings under either of these revolving credit agreements. The undrawn portions of these revolving credit agreements are also available to serve as backup facilities for the issuance of commercial paper. As of December 31, 2014, our maximum commercial paper borrowing limit was \$ 4.35 billion. We use our commercial paper borrowings for general corporate purposes, including the funding of potential acquisitions and repurchases of our common stock.

The weighted-average interest rates applicable to short-term borrowings outstanding at December 31, 2014 and 2013 were 5.7% and 1.8%, respectively. At December 31, 2014, approximately \$ 816 million was available under short-term lines of credit with local banks at our various domestic and international subsidiaries.

On April 1, 2014, we redeemed all remaining outstanding 2016 Goodrich 6.290% notes, representing approximately \$188 million in aggregate principal, under our redemption notice issued on February 28, 2014.

During 2013, we repaid approximately \$1,698 million of Goodrich and UTC notes bearing interest ranging from 1.200% to 6.290%, with original maturity dates ranging from 2015 to 2021, under previously disclosed redemptions and tender offers. During 2013, a combined net extinguishment loss of approximately \$23 million was recognized within Interest expense, net in the accompanying Consolidated Statements of Operations.

Long-term debt consisted of the following as of December 31:

<i>(dollars in millions)</i>	2014	2013
LIBOR § plus 0.500% floating rate notes due 2015	\$ 500	\$ 500
4.875% notes due 2015*	1,200	1,200
6.290% notes due 2016‡	—	188
5.375% notes due 2017*	1,000	1,000
1.800% notes due 2017*	1,500	1,500
6.800% notes due 2018‡	99	99
6.125% notes due 2019*	1,250	1,250
8.875% notes due 2019	271	271
4.500% notes due 2020*	1,250	1,250
4.875% notes due 2020‡	171	171
8.750% notes due 2021	250	250
3.100% notes due 2022*	2,300	2,300
1.550% junior subordinated notes due 2022†	1,100	1,100
7.100% notes due 2027‡	141	141
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
6.800% notes due 2036‡	134	134
7.000% notes due 2038‡	159	159
6.125% notes due 2038*	1,000	1,000
5.700% notes due 2040*	1,000	1,000
4.500% notes due 2042*	3,500	3,500
Project financing obligations	147	86
Other (including capitalized leases)‡	378	394
Total principal long-term debt	19,500	19,643
Other (fair market value adjustments and discounts)‡	168	210
Total long-term debt	19,668	19,853
Less: current portion	1,796	112
Long-term debt, net of current portion	\$ 17,872	\$ 19,741

* 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.

† The junior subordinated notes are redeemable at our option, in whole or in part, on a date not earlier than August 1, 2017. The redemption price will be the principal amount, plus accrued and unpaid interest, if any, up to but excluding the redemption date. We may extend or eliminate the optional redemption date as part of a remarketing of the junior subordinated notes which could occur between April 29, 2015 and July 15, 2015 or between July 23, 2015 and July 29, 2015.

‡ Includes notes and remaining fair market value adjustments that were assumed as a part of the Goodrich acquisition on July 26, 2012.

§ The three-month LIBOR rate as of December 31, 2014 was approximately 0.2% .

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 UTC Climate, Controls & Security. The percentage of total short-term borrowings and long-term debt at variable interest rates was 4% and 5% at December 31, 2014 and 2013 , 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)

2015	\$	1,796
2016		110
2017		2,518
2018		118
2019		1,570
Thereafter		13,388
Total	\$	19,500

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 securities to be issued under this shelf registration statement.

NOTE 10: EQUITY

A summary of the changes in each component of accumulated other comprehensive (loss) income, net of tax for the years ended December 31, 2014 and 2013 is provided below:

<i>(dollars in millions)</i>	Foreign Currency Translation	Defined Benefit Pension and Post-retirement Plans	Unrealized Gains (Losses) on Available-for- Sale Securities	Unrealized Hedging (Losses) Gains	Accumulated Other Comprehensive (Loss) Income
Balance at December 31, 2012	\$ 654	\$ (6,250)	\$ 145	\$ 3	\$ (5,448)
Other comprehensive (loss) income before reclassifications, net	(509)	2,409	208	(100)	2,008
Amounts reclassified, pre-tax	25	906	(91)	23	863
Tax (benefit) expense reclassified	—	(332)	34	(5)	(303)
Balance at December 31, 2013	\$ 170	\$ (3,267)	\$ 296	\$ (79)	\$ (2,880)
Other comprehensive (loss) income before reclassifications, net	(1,228)	(2,708)	28	(205)	(4,113)
Amounts reclassified, pre-tax	7	416	(20)	96	499
Tax (benefit) expense reclassified	—	(150)	4	(21)	(167)
Balance at December 31, 2014	\$ (1,051)	\$ (5,709)	\$ 308	\$ (209)	\$ (6,661)

Amounts reclassified related to our defined benefit pension and postretirement plans include amortization of prior service costs and transition obligations, and actuarial net losses recognized during each period presented. These costs are recorded as components of net periodic pension cost for each period presented (see Note 12 for additional details).

Changes in noncontrolling 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:

<i>(dollars in millions)</i>	2014	2013	2012
Net income attributable to common shareowners	\$ 6,220	\$ 5,721	\$ 5,130
Transfers to noncontrolling interests:			
Increase in common stock for sale of subsidiary shares	4	—	—
Decrease in common stock for purchase of subsidiary shares	(75)	(49)	(34)
Net income attributable to common shareowners after transfers to noncontrolling interests	\$ 6,149	\$ 5,672	\$ 5,096

NOTE 11: INCOME TAXES

Income Before Income Taxes. The sources of income from continuing operations before income taxes are:

<i>(dollars in millions)</i>	2014	2013	2012
United States	\$ 4,270	\$ 3,658	\$ 2,595
Foreign	4,617	4,654	4,316
	<u>\$ 8,887</u>	<u>\$ 8,312</u>	<u>\$ 6,911</u>

With few exceptions, U.S. income taxes have not been provided on undistributed earnings of UTC's international subsidiaries. These earnings relate to ongoing operations and were approximately \$ 28 billion as of December 31, 2014. It is not practicable to estimate the amount of tax that might be payable. We intend to reinvest these earnings permanently outside the U.S. or to repatriate the earnings only when it is tax effective to do so.

Provision for Income Taxes. The income tax expense (benefit) for the years ended December 31, 2014, 2013 and 2012 consisted of the following components:

<i>(dollars in millions)</i>	2014	2013	2012
Current:			
United States:			
Federal	\$ 349	\$ 616	\$ 403
State	47	55	9
Foreign	1,492	1,325	1,179
	<u>1,888</u>	<u>1,996</u>	<u>1,591</u>
Future:			
United States:			
Federal	408	262	335
State	(39)	36	111
Foreign	7	(56)	(326)
	<u>376</u>	<u>242</u>	<u>120</u>
Income tax expense	<u>\$ 2,264</u>	<u>\$ 2,238</u>	<u>\$ 1,711</u>
Attributable to items credited (charged) to equity and goodwill	<u>\$ 1,535</u>	<u>\$ (1,661)</u>	<u>\$ 297</u>

Reconciliation of Effective Income Tax Rate. Differences between effective income tax rates and the statutory U.S. federal income tax rate are as follows:

	2014	2013	2012
Statutory U.S. federal income tax rate	35.0 %	35.0 %	35.0 %
Tax on international activities	(3.4)%	(5.8)%	(6.4)%
Tax audit settlements	(4.2)%	(0.4)%	(3.4)%
Other	(1.9)%	(1.9)%	(0.4)%
Effective income tax rate	<u>25.5 %</u>	<u>26.9 %</u>	<u>24.8 %</u>

The 2014 effective tax rate reflects a favorable tax adjustment of \$213 million related to the conclusion of the examination of UTC's 2009 - 2010 tax years, a favorable tax adjustment of \$84 million related to the resolution of disputed tax matters with the Appeals Division of the IRS for UTC's 2006 - 2008 tax years, a favorable tax impact of \$40 million related to the conclusion of the State of Connecticut's review of UTC's 2010 - 2012 tax years and a favorable tax impact of \$34 million related to the conclusion of the Canada Revenue Agency's examination of the company's research credits claimed in 2006-2012. Also included is a favorable tax adjustment of \$175 million associated with management's decision to repatriate additional high taxed dividends from the current year. These are partially offset by an unfavorable tax adjustment of approximately \$265 million related to the 1998 reorganization of the corporate structure of Otis operations in Germany, a matter which is currently in litigation. This is reported in the table above in tax on international activities.

The 2013 effective tax rate reflects a favorable non-cash income tax adjustment of approximately \$35 million related to the conclusion of the examination of Goodrich's 2009 - 2010 tax years and resolution of a dispute with the IRS for Goodrich's

2001 - 2006 tax years. In addition, the 2013 effective tax rate also reflects a favorable tax impact of \$ 95 million associated with the legislative corporate tax extenders enacted in January 2013, as part of the American Taxpayer Relief Act of 2012, as well as the favorable tax impact of \$24 million related to a U.K. tax rate reduction enacted in July 2013.

The 2012 effective tax rate reflects a favorable non-cash income tax adjustment of approximately \$203 million related to the conclusion of the IRS's examination of UTC's 2006 – 2008 tax years, as well as a reduction in tax expense of \$34 million related to the favorable resolution of disputed tax matters with the Appeals Division of the IRS for the tax years 2004 – 2005. The favorable income tax impact of \$225 million related to the release of non-U.S. valuation allowances resulting from internal legal entity reorganizations is also included in the 2012 effective rate. This is reported in the table above in tax on international activities.

Deferred Tax Assets and Liabilities. 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, 2014 and 2013 are as follows:

<i>(dollars in millions)</i>	2014	2013
Future income tax benefits:		
Insurance and employee benefits	\$ 1,122	\$ 747
Other asset basis differences	369	365
Other liability basis differences	1,039	1,187
Tax loss carryforwards	418	386
Tax credit carryforwards	905	1,184
Valuation allowances	(428)	(669)
	<u>\$ 3,425</u>	<u>\$ 3,200</u>
Future income taxes payable:		
Insurance and employee benefits	\$ (1,911)	\$ (992)
Other asset basis differences	4,584	4,649
Other items, net	(124)	(178)
Tax loss carryforwards	(242)	(346)
Tax credit carryforwards	(58)	(68)
Valuation allowances	184	273
	<u>\$ 2,433</u>	<u>\$ 3,338</u>

The future income taxes payable balances of \$2,433 million and \$3,338 million, reflected in the table above, for the years ended December 31, 2014 and 2013, respectively, are reported in accrued liabilities and other long-term liabilities on our Consolidated Balance Sheet.

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. The table above reflects reductions in 2014 to tax credit carryforwards and valuation allowances associated with an agreement with a state taxing authority for the monetization of tax credits.

Tax Credit and Loss Carryforwards. At December 31, 2014, tax credit carryforwards, principally state and foreign, and tax loss carryforwards, principally state and foreign, were as follows:

<i>(dollars in millions)</i>	Tax Credit Carryforwards	Tax Loss Carryforwards
Expiration period:		
2015-2019	\$ 29	\$ 555
2020-2024	10	242
2025-2034	243	726
Indefinite	681	2,118
Total	<u>\$ 963</u>	<u>\$ 3,641</u>

Unrecognized Tax Benefits. At December 31, 2014, we had gross tax-effected unrecognized tax benefits of \$1,089 million, of which, \$ 1,002 million, 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, 2014, 2013 and 2012 is as follows:

<i>(dollars in millions)</i>	2014	2013	2012
Balance at January 1	\$ 1,223	\$ 1,073	\$ 946
Additions for tax positions related to the current year	164	113	232
Additions for tax positions of prior years	435	211	221
Reductions for tax positions of prior years	(47)	(41)	(21)
Settlements	(686)	(133)	(305)
Balance at December 31	<u>\$ 1,089</u>	<u>\$ 1,223</u>	<u>\$ 1,073</u>
Gross interest expense related to unrecognized tax benefits	<u>\$ 180</u>	<u>\$ 51</u>	<u>\$ 40</u>
Total accrued interest balance at December 31	<u>\$ 292</u>	<u>\$ 262</u>	<u>\$ 270</u>

Included in the balance at December 31, 2014 is \$ 87 million of tax positions whose tax characterization is highly certain but for which there is uncertainty about the timing of tax return inclusion. Because of the impact of deferred tax accounting, other than interest and penalties, the timing would not impact the annual effective tax rate but could accelerate the payment of cash to the taxing authority to an earlier period.

We conduct business globally and, as a result, UTC or one or more of our subsidiaries 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, Brazil, Canada, China, France, Germany, Hong Kong, India, Italy, Japan, Singapore, South Korea, 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 2003.

During the quarter ended December 31, 2014, the Company resolved certain litigation and Internal Revenue Service (IRS) Appeals proceedings related to an issue involving the proper timing of deductions taken by Goodrich Corporation in its tax years 2005 through 2010, prior to its acquisition by UTC. As a result, the Company recognized non-cash gains of approximately \$ 93 million during the fourth quarter of 2014, primarily comprised of pre-tax interest.

During the quarter ended September 30, 2014, IRS Appeals proceedings for UTC tax years 2006 through 2008 were completed. Additionally, during the quarter ended September 30, 2014, an agreement was reached between the Company and the Canada Revenue Agency (CRA) with respect to the amount of the research credits to which the Company was entitled for tax years 2006 through 2012. As a result of the completed IRS Appeals activity and agreement with the CRA, the Company recognized predominantly non-cash gains of approximately \$141 million, including a pre-tax interest adjustment of \$ 23 million. Additionally, during the third quarter of 2014, the IRS commenced audits of UTC tax years 2011 and 2012 as well as pre-acquisition Goodrich tax years 2011 and 2012 through the date of acquisition by UTC, both of which are expected to continue beyond the next twelve months.

During the quarter ended June 30, 2014, the Examination Division of the IRS completed a review of UTC tax years 2009 and 2010 and the Examination Division of the Connecticut Department of Revenue Services completed a review of UTC's tax years 2010 through 2012. As a result of the completion of these examinations, the Company recognized predominantly non-cash gains of approximately \$ 274 million, including a pre-tax interest adjustment of \$ 21 million. The Company also reached an agreement with a state taxing authority during the second quarter of 2014 for the monetization of tax credits resulting in a gain of approximately \$ 220 million through Other income, net in the quarter ended June 30, 2014. Additionally, a dispute related to a proposed disallowance of certain deductions claimed in France for tax years 2008 through

2011 was settled with the French Tax Authority during the quarter ended June 30, 2014 consistent with reserves that had been established for the matter.

During 2013, the Company recognized a predominantly non-cash settlement gain of approximately \$ 34 million for interest relating to the closure of IRS audits of UTC through 2005. During 2013, the IRS also completed examination activity of Goodrich tax years 2009 and 2010, prior to its acquisition by UTC, resulting in a non-cash settlement gain of approximately \$ 24 million , including \$ 2 million of interest. Additionally, certain litigation regarding the proper timing of deductions taken by Goodrich in its tax years 2001 and 2002, prior to its acquisition by UTC, was resolved in 2013 resulting in recognition of a non-cash settlement gain of approximately \$ 25 million , including \$ 12 million of interest.

During 2012, the IRS completed examination fieldwork for our 2006 through 2008 tax years and issued its audit report. During 2012, we also reached final resolution with the Appeals Division of the IRS for our 2004 and 2005 tax years regarding certain proposed adjustments with which we did not agree. As a result of the above described events with respect to our 2004 - 2005 and 2006 - 2008 tax years, we recorded reductions in tax expense in 2012 in the aggregate amount of \$ 237 million .

It is reasonably possible that over the next 12 months the amount of unrecognized tax benefits may change within a range of a net increase of \$ 95 million to a net decrease of \$ 445 million 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.

See Note 17, Contingent Liabilities, for discussion regarding uncertain tax positions, included in the above range, related to pending litigation with respect to certain deductions claimed in Germany.

NOTE 12: 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 \$330 million , \$335 million and \$256 million for 2014 , 2013 and 2012 , respectively.

Our non-union domestic employee savings plan uses an Employee Stock Ownership Plan (ESOP) for employer matching 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 UTC 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, 2014 , 29.9 million common shares had been allocated to employees, leaving 14.2 million unallocated common shares in the ESOP Trust, with an approximate fair value of \$1.6 billion .

Pension Plans. We sponsor both funded and unfunded domestic and foreign defined benefit pension plans that cover a large number of our employees. Our plans use a December 31 measurement date consistent with our fiscal year.

<i>(dollars in millions)</i>	2014	2013
Change in Benefit Obligation:		
Beginning balance	\$ 33,026	\$ 35,708
Service cost	487	569
Interest cost	1,517	1,373
Actuarial loss (gain)	5,277	(3,027)
Total benefits paid	(1,939)	(1,601)
Net settlement and curtailment gain	(1)	(53)
Plan amendments	5	224
Other	(519)	(167)
Ending balance	<u>\$ 37,853</u>	<u>\$ 33,026</u>
Change in Plan Assets:		
Beginning balance	\$ 31,355	\$ 29,928
Actual return on plan assets	3,140	3,019
Employer contributions	615	236
Benefits paid from plan assets	(1,939)	(1,601)
Other	(433)	(227)
Ending balance	<u>\$ 32,738</u>	<u>\$ 31,355</u>
Funded Status:		
Fair value of plan assets	\$ 32,738	\$ 31,355
Benefit obligations	(37,853)	(33,026)
Funded status of plan	<u>\$ (5,115)</u>	<u>\$ (1,671)</u>
Amounts Recognized in the Consolidated Balance Sheet Consist of:		
Noncurrent assets	\$ 681	\$ 768
Current liability	(104)	(74)
Noncurrent liability	(5,692)	(2,365)
Net amount recognized	<u>\$ (5,115)</u>	<u>\$ (1,671)</u>
Amounts Recognized in Accumulated Other Comprehensive Loss Consist of:		
Net actuarial loss	\$ 9,068	\$ 5,261
Prior service credit	(27)	(37)
Net amount recognized	<u>\$ 9,041</u>	<u>\$ 5,224</u>

Included within "Actuarial loss (gain)" in the Change in Benefit Obligation in 2014 above, is a \$1.1 billion increase to the projected benefit obligation resulting from the adoption of the new mortality base table (RP-2014) with projection scale (MP-2014) that was published by the Society of Actuaries in 2014. The amounts included in "Other" in the preceding table primarily reflect the impact of foreign exchange translation, primarily for plans in the U.K. and Canada.

In 2014, we offered a voluntary lump-sum pension payout program to certain eligible terminated vested participants (generally any terminated vested participant with a lump sum value of \$50,000 or less) that would settle our obligation to those participants accepting the offer. The program provides participants with a one-time choice of electing to receive a lump-sum settlement in lieu of receiving a future monthly pension benefit. Payments to participants who accepted the offer began in 2014 and will be completed in early 2015. In 2014, as part of this voluntary lump sum program, the Company settled \$311 million of its projected benefit obligation, and expects to settle approximately another \$147 million in early 2015.

Qualified domestic pension plan benefits comprise approximately 75% 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 and an additional \$204 million reduction in the projected benefit obligation as of July 26, 2012 when applied to legacy Goodrich salaried employees. 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 \$200 million of cash contributions to our domestic defined benefit pension plans and made \$317 million of cash contributions to our foreign defined benefit pension plans in 2014. In 2013, we made no significant contributions to our domestic defined benefit pension plans and made \$108 million of cash contributions to our foreign defined benefit pension plans.

Information for pension plans with accumulated benefit obligations in excess of plan assets:

<i>(dollars in millions)</i>	2014	2013
Projected benefit obligation	\$ 34,261	\$ 22,142
Accumulated benefit obligation	33,495	21,475
Fair value of plan assets	28,478	19,884

The accumulated benefit obligation for all defined benefit pension plans was \$36.9 billion and \$31.9 billion at December 31, 2014 and 2013, respectively.

The components of the net periodic pension cost are as follows:

<i>(dollars in millions)</i>	2014	2013	2012
Pension Benefits:			
Service cost	\$ 487	\$ 569	\$ 500
Interest cost	1,517	1,373	1,331
Expected return on plan assets	(2,215)	(2,107)	(1,944)
Amortization of prior service credit	(8)	(34)	(24)
Amortization of unrecognized net transition obligation	—	—	1
Recognized actuarial net loss	429	954	722
Net settlement and curtailment loss	13	1	77
Net periodic pension cost - employer	\$ 223	\$ 756	\$ 663

Net settlements and curtailment losses for pension benefits includes curtailment gains of approximately \$24 million related to, and recorded in, discontinued operations for the year ended December 31, 2013.

Other changes in plan assets and benefit obligations recognized in other comprehensive loss in 2014 are as follows:

<i>(dollars in millions)</i>	
Current year actuarial loss	\$ 4,353
Amortization of actuarial loss	(429)
Current year prior service cost	5
Amortization of prior service credit	8
Other	(120)
Total recognized in other comprehensive loss	\$ 3,817
Net recognized in net periodic pension cost and other comprehensive loss	\$ 4,040

The estimated amount that will be amortized from accumulated other comprehensive loss into net periodic pension cost in 2015 is as follows:

<i>(dollars in millions)</i>	
Net actuarial loss	\$ 888
Prior service credit	(13)
	\$ 875

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		
	2014	2013	2014	2013	2012
Discount rate	3.8%	4.7%	4.7%	4.0%	4.6%
Salary scale	4.2%	4.2%	4.2%	4.2%	4.3%
Expected return on plan assets	—	—	7.6%	7.7%	7.7%

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 plans' investment management objectives include maintaining an adequate level of diversification, reducing interest rate and market risk, and providing adequate liquidity to meet immediate and future benefit payment requirements. Globally, investment strategies target a mix of 55% to 65% of growth seeking assets and 35% to 45% income generating and hedging 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, approximately 10% of the total investment 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 to 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 mainly government and broadly diversified high quality corporate bonds.

The plans have continued their pension risk management techniques designed to reduce the plan's interest rate risk. More specifically, the plans have incorporated liability hedging programs that include the adoption of a risk reduction objective as part of the long-term investment strategy. Under this objective the interest rate hedge is dynamically increased as funded status improves. The hedging programs incorporate a range of assets and investment tools, each with ranging interest rate sensitivity. The investment portfolios are currently hedging approximately 35% to 45% of the interest rate sensitivity of the pension plan liabilities.

The fair values of pension plan assets at December 31, 2014 and 2013 by asset category are as follows:

<i>(dollars in millions)</i>	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset Category:				
Public Equities				
Global Equities	\$ 6,569	\$ 2	\$ —	\$ 6,571
Global Equity Commingled Funds ¹	—	5,431	—	5,431
Enhanced Global Equities ²	292	2,191	525	3,008
Private Equities ³	—	—	1,400	1,400
Fixed Income Securities				
Governments	509	1,132	—	1,641
Corporate Bonds	4	9,190	309	9,503
Structured Products ⁴	—	124	—	124
Real Estate ⁵	—	12	1,913	1,925
Other ⁶	—	2,244	—	2,244
Cash & Cash Equivalents ⁷	201	247	—	448
Subtotal	\$ 7,575	\$ 20,573	\$ 4,147	32,295
Other Assets & Liabilities ⁸				443
Total at December 31, 2014				\$ 32,738
Public Equities				
Global Equities	\$ 6,840	\$ 1	\$ —	\$ 6,841
Global Equity Commingled Funds ¹	—	4,881	—	4,881
Enhanced Global Equities ²	261	2,241	500	3,002
Private Equities ³	—	—	1,339	1,339
Fixed Income Securities				
Governments	424	1,307	—	1,731
Corporate Bonds	—	8,461	296	8,757
Structured Products ⁴	—	80	—	80
Real Estate ⁵	—	13	1,800	1,813
Other ⁶	—	2,110	—	2,110
Cash & Cash Equivalents ⁷	2	207	—	209
Subtotal	\$ 7,527	\$ 19,301	\$ 3,935	30,763
Other Assets & Liabilities ⁸				592
Total at December 31, 2013				\$ 31,355

Note 1 Represents commingled funds that invest primarily in common stocks.

Note 2 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.

Note 3 Represents limited partner investments with general partners that primarily invest in debt and equity.

Note 4 Represents mortgage and asset-backed securities.

Note 5 Represents investments in real estate including commingled funds and directly held properties.

Note 6 Represents insurance contracts and global balanced risk commingled funds consisting mainly of equity, bonds and some commodities.

Note 7 Represents short-term commercial paper, bonds and other cash or cash-like instruments.

Note 8 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 3% of total plan assets at December 31, 2014 and 2013. 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:

<i>(dollars in millions)</i>	Enhanced Global Equities	Private Equities	Corporate Bonds	Real Estate	Total
Balance, December 31, 2012	\$ 447	\$ 1,202	\$ 276	\$ 1,785	\$ 3,710
Realized gains	—	195	—	20	215
Unrealized gains (losses) relating to instruments still held in the reporting period	50	(9)	2	102	145
Purchases, sales, and settlements, net	3	(49)	18	(107)	(135)
Balance, December 31, 2013	500	1,339	296	1,800	3,935
Realized gains	35	257	—	11	303
Unrealized (losses) gains relating to instruments still held in the reporting period	(23)	(23)	1	79	34
Purchases, sales, and settlements, net	13	(173)	12	23	(125)
Balance, December 31, 2014	\$ 525	\$ 1,400	\$ 309	\$ 1,913	\$ 4,147

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

Although we are not required to make additional contributions to our domestic defined benefit pension plans through the end of 2019, we may elect to make discretionary contributions in 2015. We expect to make total contributions of approximately \$350 million to our global defined benefit pension plans in 2015, including discretionary contributions of approximately \$200 million to our domestic defined benefit pension plans. Contributions do not reflect benefits to be paid directly from corporate assets.

Benefit payments, including amounts to be paid from corporate assets, and reflecting expected future service, as appropriate, are expected to be paid as follows: \$1,994 million in 2015, \$1,824 million in 2016, \$1,895 million in 2017, \$1,975 million in 2018, \$2,040 million in 2019, and \$11,091 million from 2020 through 2024.

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 88% of the benefit obligation. The postretirement plans are unfunded.

<i>(dollars in millions)</i>	2014	2013
Change in Benefit Obligation:		
Beginning balance	\$ 987	\$ 1,106
Service cost	3	3
Interest cost	41	38
Actuarial loss (gain)	7	(62)
Total benefits paid	(107)	(119)
Other	21	21
Ending balance	\$ 952	\$ 987
Change in Plan Assets:		
Beginning balance	\$ —	\$ —
Employer contributions	85	95
Benefits paid from plan assets	(107)	(119)
Other	22	24
Ending balance	\$ —	\$ —
Funded Status:		
Fair value of plan assets	\$ —	\$ —
Benefit obligations	(952)	(987)
Funded status of plan	\$ (952)	\$ (987)
Amounts Recognized in the Consolidated Balance Sheet Consist of:		
Current liability	\$ (89)	\$ (86)
Noncurrent liability	(863)	(901)
Net amount recognized	\$ (952)	\$ (987)
Amounts Recognized in Accumulated Other Comprehensive Loss Consist of:		
Net actuarial gain	\$ (113)	\$ (124)
Prior service cost (credit)	1	(1)
Net amount recognized	\$ (112)	\$ (125)

We modified the postretirement medical benefits provided to legacy Goodrich salaried employees by eliminating any company subsidy for retirements that occur after January 31, 2014. This resulted in a \$16 million reduction in the projected benefit obligation as of July 26, 2012.

The components of net periodic benefit cost are as follows:

<i>(dollars in millions)</i>	2014	2013	2012
Other Postretirement Benefits:			
Service cost	\$ 3	\$ 3	\$ 3
Interest cost	41	38	37
Amortization of prior service credit	(1)	(10)	(4)
Recognized actuarial net gain	(4)	(4)	(6)
Net settlement and curtailment gain	—	—	(2)
Net periodic other postretirement benefit cost	\$ 39	\$ 27	\$ 28

Other changes in plan assets and benefit obligations recognized in other comprehensive loss in 2014 are as follows:

(dollars in millions)

Current year actuarial loss	\$	9
Amortization of prior service credit		1
Amortization of actuarial net gain		4
Other		(1)
Total recognized in other comprehensive loss	\$	13
Net recognized in net periodic other postretirement benefit cost and other comprehensive loss	\$	52

The estimated amounts that will be amortized from accumulated other comprehensive loss into net periodic benefit cost in 2015 include actuarial net gains of \$4 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		
	2014	2013	2014	2013	2012
Discount rate	3.8%	4.4%	4.4%	3.6%	4.2%

Assumed health care cost trend rates are as follows:

	2014	2013
Health care cost trend rate assumed for next year	7.0%	7.5%
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:

<i>(dollars in millions)</i>	2014 One-Percentage-Point	
	Increase	Decrease
Effect on total service and interest cost	\$ 3	\$ (3)
Effect on postretirement benefit obligation	54	(46)

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: \$89 million in 2015, \$86 million in 2016, \$81 million in 2017, \$75 million in 2018, \$69 million in 2019, and \$281 million from 2020 through 2024.

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.

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 2014 and 2013 is for the plan's year-end at June 30, 2013 , and June 30, 2012 , 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% funded and does not require a financial improvement plan (FIP) or a rehabilitation plan (RP).

<i>(dollars in millions)</i>	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/ RP Status	Contributions			Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
		2014	2013	Pending/ Implemented	2014	2013	2012		
National Elevator Industry Pension Plan	23-2694291	Green	Green	No	\$ 79	\$ 71	\$ 63	No	July 8, 2017
Other funds					34	34	36		
					\$ 113	\$ 105	\$ 99		

For the plan years ended June 30, 2013 and 2012, respectively, we were listed in the National Elevator Industry Pension Plan 's Forms 5500 as providing more than 5% of the total contributions for the plan. At the date these financial statements were issued, Forms 5500 were not available for the plan year ending June 30, 2014.

In addition, we participate in several multiemployer arrangements that provide postretirement benefits other than pensions, with the National Elevator Industry Health Benefit 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 \$14 million , \$12 million and \$11 million for 2014, 2013 and 2012, respectively.

Stock-based Compensation. UTC's long-term incentive plan authorizes various types of market and performance based incentive awards that may be granted to officers and employees. Our Long-Term Incentive Plan (LTIP) was amended and restated effective April 28, 2014. Since the LTIP's inception in 2005, a total of 149 million shares have been authorized for issuance pursuant to awards under the LTIP. All equity-based compensation awards are made exclusively through the LTIP. As of December 31, 2014 , approximately 53 million shares remain available for awards under the LTIP. The LTIP does not contain an aggregate annual award limit. We expect that the shares awarded on an annual basis will range from 1.0% to 1.5% of shares outstanding. The LTIP will expire after all shares have been awarded or April 30, 2020 , whichever is sooner.

Under the LTIP and predecessor 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 may become vested and exercisable subject to certain terms and conditions. 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, vesting for awards held more than one year does not accelerate but may vest as scheduled based on actual performance relative to target metrics. 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 Consolidated Statement of Operations. For the years ended December 31, 2014 , 2013 and 2012 , \$240 million , \$275 million and \$210 million , respectively, of compensation cost was recognized in operating results. The associated future income tax benefit recognized was \$80 million , \$97 million and \$76 million for the years ended December 31, 2014, 2013 and 2012 , respectively.

For the years ended December 31, 2014, 2013 and 2012 , the amount of cash received from the exercise of stock options was \$187 million , \$378 million and \$381 million , respectively, with an associated tax benefit realized of \$125 million , \$194 million and \$111 million , respectively. In addition, for the years ended December 31, 2014, 2013 and 2012 , the associated tax benefit realized from the vesting of performance share units and other restricted awards was \$49 million , \$26 million and \$15 million , respectively. Also, in accordance with the Compensation—Stock Compensation Topic of the FASB ASC, for the years ended December 31, 2014, 2013 and 2012 , \$103 million , \$115 million and \$67 million , respectively, of certain tax benefits have been reported as operating cash outflows with corresponding cash inflows from financing activities.

At December 31, 2014 , there was \$182 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.

A summary of the transactions under all long-term incentive plans for the year ended December 31, 2014 follows:

<i>(shares and units in thousands)</i>	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, 2013	6,239	\$ 57.88	38,215	\$ 72.33	2,701	\$ 78.77	1,478
Granted	194	112.54	4,516	112.47	688	112.49	387
Ancillary***	—	—	—	—	292	79.00	—
Exercised/earned	(3,846)	51.57	(3,941)	66.54	(1,095)	79.00	(324)
Cancelled	(299)	52.91	(386)	89.16	(54)	88.09	(46)
December 31, 2014	2,288	\$ 73.76	38,404	\$ 77.48	2,532	\$ 87.65	1,495

* weighted-average exercise price

** weighted-average grant stock price

*** ancillary shares granted based on actual performance achieved on the 2011 award

The weighted-average grant date fair value of stock options and stock appreciation rights granted during 2014, 2013, and 2012 was \$28.36 , \$19.91 and \$19.32 , respectively. The weighted-average grant date fair value of performance share units, which vest upon achieving certain performance metrics, granted during 2014, 2013, and 2012 was \$125.41 , \$91.71 and \$82.15 , respectively. The total fair value of awards vested during the years ended December 31, 2014, 2013 and 2012 was \$226 million , \$219 million and \$187 million , respectively. 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, 2014, 2013 and 2012 was \$425 million , \$608 million and \$370 million , respectively. The total intrinsic value (which is the stock price at vesting) of performance share units and other restricted awards vested was \$154 million , \$75 million and \$46 million during the years ended December 31, 2014, 2013 and 2012 , respectively.

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, 2014 :

<i>(shares in thousands; aggregate intrinsic value in millions)</i>	Equity Awards Vested and Expected to Vest				Equity Awards That Are Exercisable			
	Awards	Average Price*	Aggregate Intrinsic Value	Remaining Term**	Awards	Average Price*	Aggregate Intrinsic Value	Remaining Term**
Stock Options/Stock Appreciation Rights	40,553	\$ 76.56	\$ 1,559	5.6	24,763	\$ 68.13	\$ 1,161	4.0
Performance Share Units/Restricted Stock	3,230	—	371	1.1				

* 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, 2014, 2013 and 2012 . Lattice-based option models incorporate ranges of assumptions for inputs, those ranges are as follows:

	2014	2013	2012
Expected volatility	22% - 26%	26% - 27%	30% - 35%
Weighted-average volatility	26%	27%	30%
Expected term (in years)	7.6 - 8.0	7.3 - 7.6	7.4 - 7.7
Expected dividends	2.2%	2.6%	2.3%
Risk-free rate	0.0% - 3.1%	0.1% - 1.9%	0.0% - 2.0%

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 13: RESTRUCTURING COSTS

During 2014 , we recorded net pre-tax restructuring costs totaling \$368 million for new and ongoing restructuring actions. We recorded charges in the segments as follows:

(dollars in millions)

Otis	\$	87
UTC Climate, Controls & Security		116
Pratt & Whitney		64
UTC Aerospace Systems		82
Sikorsky		14
Eliminations and other		5
Total	\$	368

Restructuring charges incurred in 2014 primarily relate to actions initiated during 2014 and 2013 , and were recorded as follows:

(dollars in millions)

Cost of sales	\$	183
Selling, general and administrative		185
Total	\$	368

2014 Actions. During 2014 , 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 \$345 million for restructuring actions initiated in 2014 , consisting of \$155 million in cost of sales and \$190 million in selling, general and administrative expenses.

We are targeting to complete in 2015 the majority of the remaining workforce and all facility related cost reduction actions initiated in 2014 . No specific plans for significant other actions have been finalized at this time. The following table summarizes the accrual balances and utilization by cost type for the 2014 restructuring actions:

<i>(dollars in millions)</i>	Severance	Asset Write-Downs	Facility Exit, Lease Termination & Other Costs	Total
Net pre-tax restructuring costs	\$ 275	\$ 8	\$ 62	\$ 345
Utilization and foreign exchange	(113)	(8)	(53)	(174)
Balance at December 31, 2014	\$ 162	\$ —	\$ 9	\$ 171

The following table summarizes expected, incurred and remaining costs for the 2014 restructuring actions by segment:

<i>(dollars in millions)</i>	Expected Costs	Cost Incurred During 2014	Remaining Costs at December 31, 2014
Otis	\$ 137	\$ (98)	\$ 39
UTC Climate, Controls & Security	122	(86)	36
Pratt & Whitney	84	(64)	20
UTC Aerospace Systems	115	(72)	43
Sikorsky	20	(20)	—
Eliminations and other	5	(5)	—
Total	\$ 483	\$ (345)	\$ 138

2013 Actions. During 2014 , we recorded net pre-tax restructuring costs totaling \$29 million for restructuring actions initiated in 2013 , consisting of \$30 million in cost of sales offset by a reduction of \$1 million in selling, general and administrative expenses. The 2013 actions relate to ongoing cost reduction efforts, including workforce reductions and the consolidation of field operations. The following table summarizes the accrual balances and utilization by cost type for the 2013 restructuring actions:

<i>(dollars in millions)</i>	Severance	Asset Write-Downs	Facility Exit, Lease Termination and Other Costs	Total
Restructuring accruals at January 1, 2014	\$ 196	\$ —	\$ 19	\$ 215
Net pre-tax restructuring costs	9	1	19	29
Utilization and foreign exchange	(137)	(1)	(21)	(159)
Balance at December 31, 2014	\$ 68	\$ —	\$ 17	\$ 85

The following table summarizes expected, incurred and remaining costs for the 2013 programs by segment:

<i>(dollars in millions)</i>	Expected Costs	Costs Incurred During 2013	Costs Incurred During 2014	Remaining Costs at December 31, 2014
Otis	\$ 69	\$ (69)	\$ —	\$ —
UTC Climate, Controls & Security	121	(89)	(25)	7
Pratt & Whitney	162	(154)	(5)	3
UTC Aerospace Systems	86	(71)	(7)	8
Sikorsky	30	(38)	8	—
Total	\$ 468	\$ (421)	\$ (29)	\$ 18

2012 Actions. During 2014, we reversed net pre-tax restructuring accruals totaling \$6 million for restructuring actions initiated in 2012. As of December 31, 2014, there are no remaining costs to complete the 2012 actions.

NOTE 14: 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.

The four quarter rolling average of the notional amount of foreign exchange contracts hedging foreign currency transactions was \$ 13.9 billion and \$ 12.3 billion at December 31, 2014 and 2013, respectively. Additional information pertaining to foreign exchange and hedging activities is included in Note 1.

The following table summarizes the fair value of derivative instruments as of December 31, 2014 and 2013 which consist solely of foreign exchange contracts:

<i>(dollars in millions)</i>	Asset Derivatives		Liability Derivatives	
	2014	2013	2014	2013
Derivatives designated as hedging instruments	\$ 3	\$ 59	\$ 248	\$ 103
Derivatives not designated as hedging instruments	139	31	71	54

The impact from foreign exchange derivative instruments that qualified as cash flow hedges was as follows:

<i>(dollars in millions)</i>	Year Ended December 31,	
	2014	2013
Loss recorded in Accumulated other comprehensive loss	\$ (263)	\$ (136)
Loss reclassified from Accumulated other comprehensive loss into Product sales (effective portion)	\$ 96	\$ 25

Assuming current market conditions continue, a \$ 121 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, 2014, all derivative contracts accounted for as cash flow hedges mature by January 2017.

We recognized a gain of \$51 million and \$22 million in Other income, net on the Consolidated Statement of Operations from foreign exchange contracts not designated as hedging instruments in 2014 and 2013 , respectively.

NOTE 15: FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures Topic of the FASB ASC establishes a valuation hierarchy for disclosure of the inputs to the valuations used to measure 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. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly;
- Level 3 - unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value.

The following table provides the assets and liabilities carried at fair value measured on a recurring and nonrecurring basis as of December 31, 2014 and 2013 :

2014 <i>(dollars in millions)</i>	Total	Level 1	Level 2	Level 3
Recurring fair value measurements:				
Available-for-sale securities	\$ 961	\$ 961	\$ —	\$ —
Derivative assets	142	—	142	—
Derivative liabilities	(319)	—	(319)	—
Nonrecurring fair value measurements:				
Business dispositions	3	—	3	—
2013 <i>(dollars in millions)</i>				
	Total	Level 1	Level 2	Level 3
Recurring fair value measurements:				
Available-for-sale securities	\$ 988	\$ 988	\$ —	\$ —
Derivative assets	90	—	90	—
Derivative liabilities	(157)	—	(157)	—
Nonrecurring fair value measurements:				
Business dispositions	66	—	66	—

We have recorded net gains of approximately \$23 million , including a \$48 million gain during 2014 , as a result of fair value adjustments related to the acquisition of the majority interest in a Pratt & Whitney joint venture. During 2014 , we also recorded an approximately \$30 million net gain from UTC Climate, Controls & Security's ongoing portfolio transformation, primarily due to a gain on the sale of an interest in a joint venture in North America, and a charge of approximately \$28 million to adjust the fair value of a Sikorsky joint venture investment.

During 2013 , we recorded an approximately \$55 million net gain from UTC Climate, Controls & Security's portfolio transformation, primarily due to a gain on the sale of businesses in Hong Kong and Australia. In addition, we recorded an approximately \$193 million gain from the sale of Pratt & Whitney Power Systems business (see Note 2), as well as an approximately \$25 million charge to adjust the fair value of a Pratt & Whitney joint venture investment.

Valuation Techniques. Our available-for-sale securities include equity investments that are traded in active markets, either domestically or internationally and are measured at fair value using closing stock prices from active markets. 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. As of December 31, 2014 , there were no significant transfers in and out of Level 1 and Level 2.

As of December 31, 2014 , 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, 2014 and 2013 :

<i>(dollars in millions)</i>	December 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term receivables	\$ 214	\$ 204	\$ 655	\$ 586
Customer financing notes receivable	262	260	394	366
Short-term borrowings	(126)	(126)	(388)	(388)
Long-term debt (excluding capitalized leases)	(19,634)	(22,254)	(19,807)	(21,525)
Long-term liabilities	(80)	(74)	(283)	(253)

The following table provides the valuation hierarchy classification of assets and liabilities that are not carried at fair value in our Consolidated Balance Sheet as of December 31, 2014 :

<i>(dollars in millions)</i>	Total	Level 1	Level 2	Level 3
Long-term receivables	\$ 204	\$ —	\$ 204	\$ —
Customer financing notes receivable	260	—	260	—
Short-term borrowings	(126)	—	—	(126)
Long-term debt (excluding capitalized leases)	(22,254)	—	(21,883)	(371)
Long-term liabilities	(74)	—	(74)	—

NOTE 16: GUARANTEES

We extend a variety of financial guarantees to third parties. As of December 31, 2014 and 2013 , the following financial guarantees were outstanding:

<i>(dollars in millions)</i>	December 31, 2014		December 31, 2013	
	Maximum Potential Payment	Carrying Amount of Liability	Maximum Potential Payment	Carrying Amount of Liability
Commercial aerospace financing arrangements (see Note 5)	\$ 632	\$ 21	\$ 615	\$ 25
Credit facilities and debt obligations—unconsolidated subsidiaries (expire 2015 to 2034)	211	15	231	6
Performance guarantees	136	—	150	—

As disclosed in Note 3, we completed the sale of substantially all operations of Rocketdyne to GenCorp Inc. on June 14, 2013. Following the sale, certain guarantees of Rocketdyne's performance under existing contracts remain in place, which resulted in an increase in our performance guarantees of approximately \$81 million , with no associated significant carrying amount of a liability as of December 31, 2014 .

We also have obligations arising from sales of certain businesses and assets, including those 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 \$186 million and \$189 million at December 31, 2014 and 2013 , respectively. For additional information regarding the environmental indemnifications, see Note 17.

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 the FASB ASC we record these liabilities at fair value.

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, 2014 and 2013 are as follows:

<i>(dollars in millions)</i>	Year ended December 31,	
	2014	2013
Balance as of January 1	\$ 1,360	\$ 1,332
Warranties and performance guarantees issued	337	313
Settlements made	(344)	(287)
Other	(40)	2
Balance as of December 31	<u>\$ 1,313</u>	<u>\$ 1,360</u>

NOTE 17: CONTINGENT LIABILITIES

Except as otherwise noted, while we are unable to predict the final outcome, based on information currently available, we do not believe that resolution of any of the following matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

Leases. We occupy space and use certain equipment under lease arrangements. Rental commitments of \$2,525 million at December 31, 2014 under long-term non-cancelable operating leases are payable as follows: \$593 million in 2015, \$479 million in 2016, \$340 million in 2017, \$235 million in 2018, \$171 million in 2019 and \$707 million thereafter. Rent expense was \$464 million in 2014, \$456 million in 2013 and \$457 million in 2012.

Additional information pertaining to commercial aerospace rental commitments is included in Note 5 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. As of December 31, 2014 and 2013, we had \$903 million and \$936 million reserved for environmental remediation, respectively. 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, or that certain payments be delayed or withheld. 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.

Legal Proceedings.

F100 Engine Litigation

As previously disclosed, the United States Government sued us in 1999 in the United States District Court for the Southern District of Ohio, claiming that Pratt & Whitney violated the civil False Claims Act and common law. The claims relate to the "Fighter Engine Competition" between Pratt & Whitney's F100 engine and General Electric's F110 engine. The government alleged that it 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, which ended in April, 2005, the government claimed Pratt & Whitney's liability to be approximately \$624 million. On August 1, 2008, the trial court held that the Air Force had not suffered any actual damages because Pratt &

Whitney had made significant price concessions after the alleged overstatements were made. However, the trial court judge found that Pratt & Whitney violated the False Claims Act due to inaccurate statements contained in its 1983 initial engine pricing proposal. In the absence of actual damages, the trial court awarded the government the maximum civil penalty of approximately \$7 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 government and UTC appealed the decision to the United States Court of Appeals for the Sixth Circuit. On November 18, 2010, the Sixth Circuit affirmed Pratt & Whitney's liability for the civil penalty under the False Claims Act, but remanded the case to the trial court for further proceedings on the issues of False Claims Act damages and common law liability and damages.

On June 18, 2012, the trial court found that Pratt & Whitney had breached obligations imposed by common law based on the same conduct with respect to which the court previously found liability under the False Claims Act. Under the common law claims, the U.S. Air Force is entitled to seek damages for events occurring before March 3, 1989, which are not recoverable under the False Claims Act.

On June 17, 2013, the trial court awarded the government approximately \$473 million in damages and penalties, plus prejudgment interest in an amount to be determined. On July 1, 2013, the trial court, after determining the amount of prejudgment interest, entered judgment in favor of the government in the amount of approximately \$664 million. The trial court also awarded postjudgment interest on the full amount of the judgment to accrue from July 2, 2013, at the federal variable interest rate determined pursuant to 28 U.S.C. § 1961. The judgment included four different components of damages: (1) common law damages of approximately \$109 million; (2) prejudgment interest on common law damages of approximately \$191 million; (3) False Claims Act treble damages of approximately \$357 million; and (4) penalties of approximately \$7 million. The penalty component of the judgment previously was affirmed by the United States Court of Appeals in 2010.

We strongly disagree with the trial court's analysis and conclusions. We filed an appeal from the judgment to the United States Court of Appeals for the Sixth Circuit on August 26, 2013. Oral argument in the appeal was held on December 2, 2014, and a decision from the Sixth Circuit is expected in early 2015. Based on our analysis, we continue to believe that there is no basis for any common law liability for the inaccurate statements. We also believe that the government suffered no actual damages as a result of the inaccurate statements made in 1983 and, therefore, there is no basis in fact or law for the award of common law damages, prejudgment interest or False Claims Act treble damages. If, contrary to our expectations, all or any portion of the judgment should ultimately be affirmed, we estimate a range of reasonably possible loss from approximately \$24 million to \$657 million in excess of amounts previously accrued, plus postjudgment interest. 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 and cash flows for the period in which damages would be paid.

Cost Accounting Standards Claims

As previously disclosed, in December 2008, the Department of Defense (DOD) issued a contract claim against Sikorsky to recover overpayments the DOD alleges that it made to Sikorsky since January 2003 in connection with cost accounting changes approved by the DOD and implemented by Sikorsky in 1999 and 2006. These changes relate to the calculation of material overhead rates in government contracts. The DOD claimed that Sikorsky's liability was approximately \$100 million (including interest through December 31, 2014). We believed this claim was without merit and Sikorsky filed an appeal in December 2009 with the U.S. Court of Federal Claims. Trial in the matter concluded in January 2013 and on March 22, 2013, the U.S. Court of Federal Claims issued a written decision in favor of Sikorsky determining that the DOD had failed to prove its claims because Sikorsky's calculation of material overhead complied with the cost accounting standards. DOD appealed this decision to the United States Court of Appeals for the Federal Circuit. On December 10, 2014, the Federal Circuit affirmed the judgment of the U.S. Court of Federal Claims in favor of Sikorsky.

By letter dated December 24, 2013, a Divisional Administrative Contracting Officer of the United States Defense Contract Management Agency asserted a claim and demand for payment of \$210,968,414 against Pratt & Whitney. The claim is based on Pratt & Whitney's alleged noncompliance with cost accounting standards from January 1, 2005 to December 31, 2012, due to its method of determining the cost of collaborator parts used in the calculation of material overhead costs for government contracts. On March 18, 2014, Pratt & Whitney filed an appeal to the Armed Services Board of Contract Appeals. Pratt & Whitney's appeal is still pending and we continue to believe the government's claim is without merit.

German Tax Litigation

As previously disclosed, UTC has been involved in administrative review proceedings with the German Tax Office, which concern approximately €215 million (approximately \$265 million) of tax benefits that we have claimed related to a 1998 reorganization of the corporate structure of Otis operations in Germany. Upon audit, these tax benefits were disallowed by the German Tax Office. UTC estimates interest associated with the aforementioned tax benefits is an additional approximately €115 million (approximately \$140 million). On August 3, 2012, we filed suit in the local German Tax Court (Berlin-Brandenburg). In 2008 the German Federal Tax Court (FTC) denied benefits to another taxpayer in a case involving a German tax law relevant

to our reorganization. The determination of the FTC 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 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 FTC for further consideration of certain related issues. In May 2010, the FTC released its decision, in which it resolved certain tax issues that may be relevant to our suit and remanded the case to a lower court for further development. In 2012, the lower court decided in favor of the other taxpayer and the German Government again appealed the findings to the FTC. In November 2014, the FTC ruled in favor of the German Government, and against the other taxpayer. The FTC decision in the case involving the other taxpayer is not determinative of the outcome in our case and we will continue vigorously to litigate the matter. However, in light of the FTC decision in the case involving the other taxpayer, we have fully accrued for the matter during the quarter ended December 31, 2014.

Other.

As described in Note 16 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 five principal segments. The segments are generally determined based on the management structure of the businesses and the grouping of similar operating companies, where each management organization has 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.

UTC Climate, Controls & Security products and related services include HVAC and refrigeration systems, building controls and automation, fire and special hazard suppression systems and equipment, security monitoring and rapid response systems, provided to a diversified international customer base principally in the industrial, commercial and residential property and commercial transportation sectors.

Pratt & Whitney products include commercial, military, business jet and general aviation aircraft engines, parts and services, industrial gas generators, 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.

UTC Aerospace Systems provides aerospace products and aftermarket services for commercial, military, business jet and general aviation customers worldwide. Products include electric power generation, management and distribution systems, flight control systems, engine control systems, intelligence, surveillance and reconnaissance systems, engine components, environmental control systems, fire protection and detection systems, propeller systems, aircraft nacelles, and interior, actuation, landing and electronic systems.

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

We have reported our financial and operational results for the periods presented herein under the five principal segments noted above, consistent with how we have reviewed our business operations for decision-making purposes, resource allocation and performance assessment during 2014 .

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:

<i>(dollars in millions)</i>	Net Sales			Operating Profits		
	2014	2013	2012	2014	2013	2012
Otis	\$ 12,982	\$ 12,484	\$ 12,056	\$ 2,640	\$ 2,590	\$ 2,512
UTC Climate, Controls & Security	16,823	16,809	17,090	2,782	2,590	2,425
Pratt & Whitney	14,508	14,501	13,964	2,000	1,876	1,589
UTC Aerospace Systems	14,215	13,347	8,334	2,355	2,018	944
Sikorsky	7,451	6,253	6,791	219	594	712
Total segment	65,979	63,394	58,235	9,996	9,668	8,182
Eliminations and other	(879)	(768)	(527)	261	22	(72)
General corporate expenses	—	—	—	(488)	(481)	(426)
Consolidated	\$ 65,100	\$ 62,626	\$ 57,708	\$ 9,769	\$ 9,209	\$ 7,684

<i>(dollars in millions)</i>	Total Assets			Capital Expenditures			Depreciation & Amortization		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Otis	\$ 9,313	\$ 9,354	\$ 8,866	\$ 87	\$ 122	\$ 141	\$ 209	\$ 209	\$ 220
UTC Climate, Controls & Security	21,217	21,543	22,253	228	266	265	349	380	418
Pratt & Whitney	18,143	17,062	15,938	692	617	462	390	319	324
UTC Aerospace Systems	35,034	35,461	35,589	533	510	367	807	761	412
Sikorsky	4,973	5,762	4,975	116	119	94	86	85	85
Total segment	88,680	89,182	87,621	1,656	1,634	1,329	1,841	1,754	1,459
Eliminations and other	2,609	1,412	1,788	55	54	60	66	67	65
Consolidated	\$ 91,289	\$ 90,594	\$ 89,409	\$ 1,711	\$ 1,688	\$ 1,389	\$ 1,907	\$ 1,821	\$ 1,524

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.

<i>(dollars in millions)</i>	External Net Sales			Operating Profits			Long-Lived Assets		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
United States Operations	\$ 38,155	\$ 35,994	\$ 32,175	\$ 5,236	\$ 4,780	\$ 3,663	\$ 4,798	\$ 4,483	\$ 4,311
International Operations									
Europe	12,630	12,652	11,823	2,292	2,419	2,100	1,645	1,796	1,804
Asia Pacific	8,795	8,696	8,733	1,719	1,773	1,648	1,020	957	947
Other	5,513	5,274	4,964	749	696	772	1,383	1,203	1,122
Eliminations and other	7	10	13	(227)	(459)	(499)	430	427	334
Consolidated	\$ 65,100	\$ 62,626	\$ 57,708	\$ 9,769	\$ 9,209	\$ 7,684	\$ 9,276	\$ 8,866	\$ 8,518

Sales from U.S. operations include export sales as follows:

<i>(dollars in millions)</i>	2014	2013	2012
Europe	\$ 4,960	\$ 4,489	\$ 3,117
Asia Pacific	4,508	4,517	2,998
Other	4,301	3,165	3,086
	\$ 13,769	\$ 12,171	\$ 9,201

Major Customers. Net Sales include sales under prime contracts and subcontracts to the U.S. Government, primarily related to Pratt & Whitney, UTC Aerospace Systems and Sikorsky products, as follows:

<i>(dollars in millions)</i>	2014	2013	2012
Pratt & Whitney	\$ 3,126	\$ 3,559	\$ 3,718
UTC Aerospace Systems	2,459	2,530	1,742
Sikorsky	3,837	3,648	4,512
Other	197	142	126
	<u>\$ 9,619</u>	<u>\$ 9,879</u>	<u>\$ 10,098</u>

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

<i>(dollars in millions, except per share amounts)</i>	2014 Quarters				2013 Quarters			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Net Sales	\$ 14,745	\$ 17,191	\$ 16,168	\$ 16,996	\$ 14,399	\$ 16,006	\$ 15,462	\$ 16,759
Gross margin	4,055	4,260	4,702	4,636	3,934	4,454	4,442	4,475
Net income attributable to common shareowners	1,213	1,680	1,854	1,473	1,266	1,560	1,432	1,463
Earnings per share of Common Stock:								
Basic—net income	\$ 1.35	\$ 1.87	\$ 2.07	\$ 1.64	\$ 1.40	\$ 1.73	\$ 1.59	\$ 1.62
Diluted—net income	\$ 1.32	\$ 1.84	\$ 2.04	\$ 1.62	\$ 1.39	\$ 1.71	\$ 1.57	\$ 1.60

COMPARATIVE STOCK DATA (UNAUDITED)

<i>(common stock)</i>	2014			2013		
	High	Low	Dividend	High	Low	Dividend
First quarter	\$ 118.31	\$ 107.91	\$ 0.590	\$ 93.59	\$ 83.55	\$ 0.535
Second quarter	\$ 120.09	\$ 113.10	\$ 0.590	\$ 97.55	\$ 91.05	\$ 0.535
Third quarter	\$ 115.93	\$ 103.79	\$ 0.590	\$ 112.00	\$ 93.80	\$ 0.535
Fourth quarter	\$ 117.24	\$ 99.17	\$ 0.590	\$ 113.80	\$ 102.76	\$ 0.590

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 20,639 registered shareholders at January 31, 2015 .

PERFORMANCE GRAPH (UNAUDITED)

The following graph presents the cumulative total shareholder return for the five years ending December 31, 2014 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, 2009 .

COMPARISON OF CUMULATIVE FIVE YEAR TOTAL RETURN



	December					
	2009	2010	2011	2012	2013	2014
United Technologies Corporation	\$ 100.00	\$ 116.24	\$ 110.46	\$ 127.14	\$ 180.37	\$ 186.12
S&P 500 Index	\$ 100.00	\$ 115.06	\$ 117.49	\$ 136.30	\$ 180.44	\$ 205.14
Dow Jones Industrial Average	\$ 100.00	\$ 114.06	\$ 123.62	\$ 136.28	\$ 176.69	\$ 194.44

BOARD OF DIRECTORS

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Retired Chairman and
Chief Executive Officer
International Paper
(Paper, Packaging and Distribution)

Jean-Pierre Garnier

Chairman of the Board
Actelion
(Biopharmaceutical Company)
Operating Partner
Advent International
(Global Private Equity Firm)
Retired Chief Executive Officer
GlaxoSmithKline

Gregory J. Hayes

President and Chief Executive Officer
United Technologies Corporation
(Diversified Manufacturer)

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)

Marshall O. Larsen

Former Chairman, President
and Chief Executive Officer
Goodrich Corporation
(Aerospace and Defense Systems and Services)

Harold McGraw III

Chairman of the Board
McGraw Hill Financial
*(Ratings, Benchmarks and Analytics
for Financial Markets)*

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
ICE Benchmark Administration Limited
*(Administrator LIBOR
Benchmark Interest Rate)*

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

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John V. Faraci
Ellen J. Kullman
Richard B. Myers
H. Patrick Swygert
André Villeneuve

Committee on Compensation and Executive Development

Jean-Pierre Garnier, Chair
Edward A. Kangas
Harold McGraw III
Richard B. Myers
H. Patrick Swygert

Executive Committee

Edward A. Kangas, Chair
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Gregory J. Hayes

Finance Committee

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Marshall O. Larsen
Harold McGraw III
André Villeneuve
Christine Todd Whitman

Committee on Nominations and Governance

H. Patrick Swygert, Chair
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Jean-Pierre Garnier
Edward A. Kangas
Harold McGraw III
Richard B. Myers
Christine Todd Whitman

Public Issues Review Committee

Christine Todd Whitman, Chair
Jean-Pierre Garnier
Ellen J. Kullman
Marshall O. Larsen
André Villeneuve

SHAREOWNER INFORMATION

CORPORATE OFFICE

United Technologies Corporation
United Technologies Building
Hartford, CT 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 27, 2015, in Palm Beach Gardens, Florida. The proxy statement will be made available to shareowners on or about March 13, 2015, 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.

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, address changes, and the Stock Purchase and Dividend Reinvestment Plan administered by Computershare should be directed to:

Computershare Trust Company, N.A.

250 Royall Street

Canton, MA 02021

Telephone:

Within the U.S.: 1.800.488.9281

Outside the U.S.: 1.781.575.2724

Website: 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 2014 filed with the Securities and Exchange Commission certificates of its Chief Executive Officer, Chief Financial Officer and Acting 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.

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, without charge, a copy of the UTC Annual Report on Form 10-K for fiscal year 2014 filed with the Securities and Exchange Commission by writing to:

Corporate Secretary
United Technologies Corporation
United Technologies Building
Hartford, CT 06101

For additional information about UTC, please contact Investor Relations at the above corporate office address or visit our website at: **www.utc.com**.

SHAREOWNER INFORMATION SERVICES

Shareowners may call 24-hours-a-day, our toll-free telephone service that includes pre-recorded shareholder information on UTC's transfer agent, stock price information and material requests.

To access the service, dial 1.800.881.1914 from any touch-tone phone and follow the recorded instructions.

For additional shareowner information, you may visit our website at: **www.utc.com** .

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.

ENVIRONMENTALLY FRIENDLY REPORT

This annual report is printed on recycled and recyclable paper.

www.utc.com

www.bis.utc.com

www.otis.com

www.pw.utc.com

www.sikorsky.com

www.utcaerospacesystems.com

United Technologies Corporation
Subsidiary and Affiliate Listing
December 31, 2014

Exhibit 21

<u>Entity Name</u>	<u>Place of Incorporation</u>
3090445 Nova Scotia Limited	Nova Scotia
3234808 Nova Scotia Limited	Nova Scotia
Allyn Holdings, Inc.	Delaware
Augusta (Gibraltar) Holdings I Limited	Gibraltar
Augusta (Gibraltar) Holdings II S.C.S.	Grand-Duchy of Luxembourg
Australia Holdings Inc.	Delaware
Auxiliary Power International Corp	Delaware
Beesail Limited	England
Belgium Parkview BVBA	Belgium
Blades Technology Ltd.	Israel
Bridgecam (Ireland) Limited	Ireland
Cambridge Luxembourg S.à r.l.	Grand-Duchy of Luxembourg
Caricor Ltd., Delaware	Delaware
Carrier Air Conditioning Sales & Service (Shanghai) Co Ltd	China
Carrier Asia Limited	Hong Kong
Carrier Commercial Refrigeration, Inc.	Delaware
Carrier Corporation	Delaware
Carrier Enterprise, LLC	Delaware
Carrier HVACR Investments B.V.	Netherlands
Carrier Kältetechnik Deutschland GmbH	Germany
Carrier Mexico S.A. de C.V.	Mexico
Carrier Technologies ULC	Alberta
Ceesail Limited	England
Chubb Fire & Security Limited	England
Chubb Fire & Security Pty Ltd	Australia
Chubb Fire Limited	England
Chubb Group Limited	England
Chubb Group Security Limited	England
Chubb International (Netherlands) BV	Netherlands
Chubb International Holdings Limited	England
Chubb International Limited	England
Chubb Limited	England
Chubb Nederland B.V.	Netherlands
Chubb Security Holdings Australia Pty Ltd	Australia
Chubb Systems Limited	UK
Commonwealth Luxembourg Holdings S.à r.l.	Grand-Duchy of Luxembourg
CTU of Delaware (formerly Mostek)	Delaware
Delavan Inc.	Delaware
Derco Logistics, Inc.	Wisconsin

United Technologies Corporation
Subsidiary and Affiliate Listing
December 31, 2014

<u>Entity Name</u>	<u>Place of Incorporation</u>
Devonshire Switzerland Holdings GmbH	Switzerland
Elevadores Otis Ltda.	Brazil
Empresas Carrier, S. De R.L. De C.V.	Mexico
Fyrnetics (Hong Kong) Limited	Hong Kong
Goodrich Aerospace Canada Ltd	Canada
Goodrich Aftermarket Services Limited, United Kingdom	United Kingdom
Goodrich Corporation	New York
Goodrich Inertial Limited	United Kingdom
Goodrich Landing Gear, LLC	Delaware
Goodrich Limited	United Kingdom
Goodrich Pump & Engine Control Systems, Inc.	Delaware
Goodrich Systems Limited	United Kingdom
Goodrich XCH Luxembourg B.V./S.a.r.l.	Netherlands
Gulf Security Technology Company Limited	China
Hamilton Sundstrand Aviation Services, Inc.	Delaware
Hamilton Sundstrand Corporation	Delaware
Hamilton Sundstrand Holdings, Inc.	Delaware
Hamilton Sundstrand International Holdings (Luxembourg) S.à r.l.	Grand-Duchy of Luxembourg
HEJ Holding, Inc.	Delaware
Helicopter Support, Inc.	Connecticut
IAE International Aero Engines AG	Switzerland
International Aero Engines, LLC	Delaware
JMS I Corporation	Delaware
Kidde America Inc.	Delaware
Kidde Fire Protection Inc.	Delaware
Kidde Graviner Limited	England
Kidde Holdings Limited	England
Kidde International Limited	England
Kidde Products Limited	England
Kidde Technologies Inc. (*)	Delaware
Kidde UK	England
Kidde US Holdings Inc.	Delaware
KNA Inc.	Delaware
Latin American Holding, Inc.	Delaware
Lenel Systems International, Inc.	Delaware
Netherlands Parkview Coöperatief U.A.	Netherlands
Nippon Otis Elevator Company	Japan
NSI, Inc.	Delaware
Otis Elevator (China) Company Limited	China
Otis Elevator (China) Investment Company Limited	China
Otis Elevator Company	New Jersey

United Technologies Corporation
Subsidiary and Affiliate Listing
December 31, 2014

<u>Entity Name</u>	<u>Place of Incorporation</u>
Otis Elevator Company (India) Limited	India
Otis Elevator Korea	Korea, Republic of
Otis Far East Holdings Limited	Hong Kong
Otis Holdings GmbH & Co. OHG	Germany
Otis International Holdings GmbH	Germany
Otis Investments Limited	England
Otis Limited	England
Otis Pacific Holdings B.V.	Netherlands
Otis S.C.S.	France
Parkview Participations LLC	Delaware
Parkview Treasury Services (UK) Limited	United Kingdom
Polskie Zakłady Lotnicze Sp. zo.o (PZL Mielec)	Poland
Pratt & Whitney Aero Engines International GmbH	Switzerland
Pratt & Whitney Canada Corp.	Nova Scotia
Pratt & Whitney Canada Holdings Corp.	Nova Scotia
Pratt & Whitney Canada Leasing, Limited Partnership	Quebec
Pratt & Whitney Component Solutions, Inc.	Michigan
Pratt & Whitney Engine Leasing, LLC	Delaware
Pratt & Whitney Holdings LLC	Cayman Islands
Pratt Aero Limited Partnership	Nova Scotia
Ratier-Figeac, SAS	France
Rohr, Inc.	Delaware
Rosemount Aerospace Inc.	Delaware
Sensitech Inc.	Delaware
SICLI Holding SAS	France
Sikorsky Aircraft Corporation	Delaware
Sikorsky International Operations, Inc.	Delaware
Simmonds Precision Products, Inc.	New York
Sirius Korea Limited	England
South American Coöperatief U.A.	Netherlands
Trenton Luxembourg S.à r.l.	Grand-Duchy of Luxembourg
Trumbull Holdings SCS	France
United Technologies Australia Holdings Limited	Australia
United Technologies Canada, Ltd.	New Brunswick
United Technologies Cortran, Inc.	Delaware
United Technologies Electronic Controls, Inc.	Delaware
United Technologies Far East Limited	Hong Kong
United Technologies Finance (U.K.) Limited	England
United Technologies France SAS	France

United Technologies Corporation
Subsidiary and Affiliate Listing
December 31, 2014

<u>Entity Name</u>	<u>Place of Incorporation</u>
United Technologies Holding GmbH	Germany
United Technologies Holdings Italy Srl	Italy
United Technologies Holdings Limited	England
United Technologies Holdings SAS	France
United Technologies Intercompany Lending Ireland Limited	Ireland
United Technologies International Corporation	Delaware
United Technologies International Corporation-Asia Private Limited	Singapore
United Technologies International SAS	France
United Technologies Luxembourg S.à r.l.	Grand-Duchy of Luxembourg
United Technologies Paris SNC	France
UT Finance Corporation	Delaware
UT Luxembourg Holding II S.à r.l.	Grand-Duchy of Luxembourg
UT Park View, Inc.	Delaware
UTC (US) LLC	Delaware
UTC Canada Corporation	New Brunswick
UTC Corporation	Delaware
UTC Fire & Security Americas Corporation, Inc.	Delaware
UTC Fire & Security Canada	Ontario
UTC Fire & Security Corporation	Delaware
UTC Fire & Security Luxembourg S.a r.l.	Grand-Duchy of Luxembourg
UTCL Holdings, Limited	New Brunswick
UTCL Investments B.V.	Netherlands
UTX Holdings S.C.S.	France
Walter Kidde Portable Equipment Inc.	Delaware
Wytworknia Sprzetu Komunikacyjnego PZL-Rzeszow S.A.	Poland
Xizi Otis Elevator Company Limited	China
Zardoya Otis, S.A.	Spain

* Kidde Technologies Inc. also conducts business as Kidde Aerospace & Defense, Fenwal Safety Systems and Kidde Dual Spectrum.

Other subsidiaries of the Registrant have been omitted from this listing since, considered in the aggregate as a single subsidiary, they would not constitute a significant subsidiary, 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. 333-188957), and in the Registration Statements on Form S-8 (Nos. 333-197704, 333-183123, 333-177520, 333-177517, 333-175781, 333-150643, 333-125293, 333-110020, 333-100724, 333-100723, 333-100718, 333-77817, and 033-51385) of United Technologies Corporation of our report dated February 5, 2015 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 5, 2015 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 5, 2015

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, PETER J. GRABER-LIPPERMAN and AKHIL JOHRI, 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, 2014, 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 2nd day of February, 2015.

/s/ JOHN V. FARACI

John V. Faraci

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints CHARLES D. GILL, PETER J. GRABER-LIPPERMAN and AKHIL JOHRI, 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, 2014, 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 2nd day of February, 2015.

/s/ JEAN-PIERRE GARNIER

Jean-Pierre Garnier

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 2nd day of February, 2015.

/s/ EDWARD A. KANGAS

Edward A. Kangas

UNITED TECHNOLOGIES CORPORATION
Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 2nd day of February, 2015.

/s/ ELLEN J. KULLMAN

Ellen J. Kullman

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, PETER J. GRABER-LIPPERMAN and AKHIL JOHRI, 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, 2014, 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 2nd day of February, 2015.

/s/ MARSHALL O. LARSEN

Marshall O. Larsen

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 2nd day of February, 2015.

/s/ HAROLD W. MCGRAW III

Harold W. McGraw III

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 2nd day of February, 2015.

/s/ RICHARD B. MYERS

Richard B. Myers

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 2nd day of February, 2015.

/s/ H. PATRICK SWYGERT

H. Patrick Swygert

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints CHARLES D. GILL, PETER J. GRABER-LIPPERMAN and AKHIL JOHRI, 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, 2014, 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 2nd day of February, 2015.

/s/ ANDRÉ VILLENEUVE

André Villeneuve

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints CHARLES D. GILL, PETER J. GRABER-LIPPERMAN and AKHIL JOHRI, 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, 2014, 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 2nd day of February, 2015.

/s/ CHRISTINE TODD WHITMAN

Christine Todd Whitman

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/ G REGORY J. H AYES

Gregory J. Hayes

President and Chief Executive Officer

Date: February 5, 2015

CERTIFICATION

I, Akhil Johri, 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/ A KHIL J OHRI

Akhil Johri

Senior Vice President and Chief Financial Officer

Date: February 5, 2015

CERTIFICATION

I, John E. Stantial, 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/ JOHN E. STANTIAL

John E. Stantial

Acting Controller and Assistant Controller, Financial Reporting

Date: February 5, 2015

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, 2014 (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.

/s/ G REGORY J. H AYES

Gregory J. Hayes

President and Chief Executive Officer

Date: February 5, 2015

/s/ A KHIL J OHRI

Akhil Johri

Senior Vice President and Chief Financial Officer

Date: February 5, 2015

/s/ J OHN E. S TANTIAL

John E. Stantial

Acting Controller and Assistant Controller, Financial Reporting

Date: February 5, 2015