

# UNITED TECHNOLOGIES CORP /DE/

## FORM 10-K (Annual Report)

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Telephone	8607287000
CIK	0000101829
Symbol	UTX
SIC Code	3724 - Aircraft Engines and Engine Parts
Industry	Conglomerates
Sector	Conglomerates
Fiscal Year	12/31

### **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: \$83 million in 2010, \$80 million in 2011, \$77 million in 2012, \$74 million in 2013, \$71 million in 2014, and \$278 million from 2015 through 2019.

*Stock-Based Compensation* . We have long-term incentive plans authorizing various types of market and performance-based incentive awards that may be granted to officers and employees. Prior to April 13, 2005, our long-term incentive plan provided for the annual grant of awards in an amount not to exceed 2% of the aggregate number of shares of outstanding common stock, treasury shares and potential common stock (as determined by us in the calculation of earnings per share on a diluted basis) for

the preceding year. On April 9, 2008, the shareowners approved an amendment to the 2005 Long Term Incentive Plan (LTIP) which authorized the delivery of up to an additional 33 million shares of common stock pursuant to awards under the LTIP. The amendment increased the maximum number of shares of common stock that may be awarded under the LTIP to 71 million shares. As of December 31, 2009, approximately 27 million shares remain available for awards under the LTIP. The LTIP does not contain an annual award limit. We expect that the shares awarded on an annual basis will range from 1% to 1.5% of shares outstanding. The LTIP will expire after all shares have been awarded or April 30, 2014, whichever is sooner. Following initial approval of the LTIP on April 13, 2005, we may not grant any new awards under previously existing equity compensation plans. Under all long-term incentive plans, the exercise price of awards is set on the grant date and may not be less than the fair market value per share on that date. Generally, stock appreciation rights and stock options have a term of ten years and a minimum three-year vesting period. In the event of retirement, awards held for more than one year shall immediately become vested and exercisable. In addition, under the LTIP, awards with performance-based vesting generally have a minimum three-year vesting period and vest based on performance against pre-established metrics. In the event of retirement, awards held more than one year remain eligible to vest. We have historically repurchased shares in an amount at least equal to the number of shares issued under our equity compensation arrangements and expect to continue this policy.

We measure the cost of all share-based payments, including stock options, at fair value on the grant date and recognize this cost in the statement of operations. For the years ended December 31, 2009, 2008 and 2007, \$153 million, \$211 million and \$198 million, respectively, of compensation cost was recognized in operating results. The associated future income tax benefit recognized was \$49 million, \$72 million and \$67 million for the years ended December 31, 2009, 2008 and 2007, respectively.

For the years ended December 31, 2009, 2008 and 2007, the amount of cash received from the exercise of stock options was \$341 million, \$163 million and \$415 million, respectively, with an associated tax benefit realized of \$25 million, \$40

At December 31, 2009, there was \$140 million of total unrecognized compensation cost related to non-vested equity awards granted under long-term incentive plans. This cost is expected to be recognized ratably over a weighted-average period of 1.5 years.

A summary of the transactions under all long-term incentive plans for the three years ended December 31, 2009 follows:

(shares and units in thousands)

	Stock Options		Stock Appreciation Rights		Performance Share Units		Other Incentive Shares/Units
	Shares	Average Price *	Shares	Average Price *	Units	Average Price **	
Outstanding at:							
December 31, 2006	71,976	\$ 37.71	6,860	\$ 56.78	1,141	\$ 56.53	549
Granted	275	64.49	7,578	65.33	1,085	62.81	125
Exercised/earned	(14,458)	31.39	(61)	45.16	—	—	(85)
Cancelled	(782)	39.35	(491)	60.22	(69)	59.63	(2)
December 31, 2007	57,011	\$ 39.42	13,886	\$ 61.37	2,157	\$ 59.59	587
Granted	192	74.57	7,221	74.23	948	75.21	174
Exercised/earned	(6,095)	32.65	(14)	47.34	—	—	(144)
Cancelled	(110)	44.75	(798)	66.57	(111)	64.59	(55)
December 31, 2008	50,998	\$ 40.35	20,295	\$ 65.75	2,994	\$ 64.35	562
Granted	325	54.95	8,239	54.92	1,302	54.95	180
Exercised/earned	(12,095)	35.04	(346)	56.42	(1,064)	56.53	(96)
Cancelled	(332)	43.54	(651)	62.75	(120)	63.50	(15)
<b>December 31, 2009</b>	<b>38,896</b>	<b>\$ 42.10</b>	<b>27,337</b>	<b>\$ 62.70</b>	<b>3,112</b>	<b>\$ 63.12</b>	<b>631</b>

\* weighted-average exercise price

\*\* weighted-average grant stock price

The weighted-average grant date fair value of stock options and stock appreciation rights granted during 2009, 2008 and 2007 was \$16.01, \$21.16 and \$19.10, respectively. The weighted-average grant date fair value of performance share units, which vest upon achieving certain performance metrics, granted during 2009, 2008, and 2007 was \$61.56, \$84.01 and \$71.28, respectively. The total fair value of awards vested during the years ended December 31, 2009, 2008 and 2007 was \$235 million, \$144 million and \$216 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, 2009, 2008 and 2007 was \$296 million, \$173 million and \$575 million, respectively. The total intrinsic value (which is the stock price at vesting) of performance share units vested was \$100 million during the year ended December 31, 2009.

The following table summarizes information about equity awards outstanding that are expected to vest and equity awards outstanding that are exercisable at December 31, 2009:

	Equity Awards Outstanding Expected to Vest				Equity Awards Outstanding That Are Exercisable			
	Awards	Average Price *	Aggregate Intrinsic Value	Remaining Term **	Awards	Average Price *	Aggregate Intrinsic Value	Remaining Term **
<i>(shares thousands, aggregate intrinsic value in millions)</i>								
Stock Options/Stock Appreciation Rights	65,661	\$ 50.34	\$ 1,252	5.1	45,879	\$ 44.50	\$ 1,143	3.9
Performance Share Units/Restricted Stock	2,419	—	\$ 168	1.4				

\* 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, 2009, 2008 and 2007.

Because lattice-based option models incorporate ranges of assumptions for inputs, those ranges are as follows:

	2009	2008	2007
Expected volatility	30% - 42%	23% - 26%	22% - 23%
Weighted-average volatility	30%	23%	22%
Expected term (in years)	7.4 - 7.9	7.9 - 8.7	7.8 - 8.2
Expected dividends	2.1%	1.6%	1.6%
Risk-free rate	0% - 2.5%	2.9% - 4.0%	4.6% - 5.0%

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.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-144830), in the Registration Statement on Form S-4 (No. 333-77991) as amended by Post-Effective Amendment No. 1 on Form S-8 (No. 333-77991) and in the Registration Statements on Form S-8 (Nos. 333-163822, 333-156390, 333-156385, 333-150643, 333-125293, 333-110020, 333-100724, 333-100723, 333-100718, 333-82911, 333-77817, 333-21853, 333-21851, 033-57769 and 033-51385) of United Technologies Corporation of our report dated February 11, 2010 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the Annual Report to Shareowners, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 11, 2010 relating to the financial statement schedule, which appears on page S-I of this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Hartford, Connecticut  
February 11, 2010