

UNITED TECHNOLOGIES CORP /DE/
Form DEF 14A
February 23, 2007
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SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

[Amendment No. __]

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

United Technologies Corporation

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

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No fee required

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(4) Date Filed:

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United Technologies Corporation

One Financial Plaza

Hartford, CT 06103

February 23, 2007

NOTICE OF ANNUAL MEETING OF SHAREOWNERS

Dear Fellow Shareowner:

We are pleased to invite the shareowners of United Technologies Corporation to attend the 2007 Annual Meeting of Shareowners to be held on April 11, 2007 in the Celeste Bartos Forum of The New York Public Library, Fifth Avenue and 42nd Street, New York, New York. Shareowners may use the entrance on 42nd Street. The doors will open at 1:30 p.m. and the meeting will begin at 2:00 p.m. The meeting will address the following matters:

1. Election of fourteen directors.
2. Appointment of a firm of independent registered public accountants to serve as Independent Auditors for 2007.
3. The shareowner proposals described in the accompanying Proxy Statement.
4. Other business if properly raised.

Shareowners of record of UTC Common Stock at the close of business on February 13, 2007, the record date for the meeting, and their authorized representatives by proxy will be entitled to attend and vote at the meeting.

Since seating is limited, please request a ticket in advance in order to attend. Please refer to page 2 of the attached Proxy Statement for further information concerning tickets.

YOUR VOTE IS VERY IMPORTANT. PLEASE SUBMIT YOUR PROXY OR VOTING INSTRUCTIONS AS SOON AS POSSIBLE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING. Most shareowners have a choice of voting over the Internet, by telephone or by using a traditional proxy card. Please refer to the attached proxy materials or the information forwarded by your bank, broker or other holder of record to see which voting methods are available to you.

George David
Chairman and Chief Executive Officer

Louis R. Chênevert
President and Chief Operating Officer

PLEASE CONFIRM YOUR PREFERENCE FOR ELECTRONIC DELIVERY OF FUTURE ANNUAL MEETING MATERIALS.
You can expedite delivery of your annual meeting materials and avoid costly mailings by confirming in advance your preferred method of delivery. For further information on how to take advantage of this cost-saving service, please see page 34 of the attached Proxy Statement.

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UNITED TECHNOLOGIES CORPORATION

PROXY STATEMENT

YOUR VOTE IS VERY IMPORTANT. Whether or not you plan to attend the Annual Meeting, please submit your proxy or voting instructions as soon as possible so that your shares can be voted at the meeting in accordance with your instructions.

Our Board of Directors is soliciting proxies for the 2007 Annual Meeting of Shareowners of United Technologies Corporation (UTC or the Corporation) to be held on April 11, 2007. We began making this Proxy Statement available to shareowners on or about February 23, 2007.

GENERAL INFORMATION REGARDING THE ANNUAL MEETING.

How does the Board of Directors recommend that I vote on the matters to be considered at the meeting?

The Board recommends that you vote:

FOR each of the Board's nominees for election as directors,

FOR the appointment of PricewaterhouseCoopers LLP as our Independent Auditors for 2007, and

AGAINST each of the shareowner proposals described on pages 27 through 33.

Who is entitled to vote? You are entitled to vote the UTC Common Stock you owned at the close of business on February 13, 2007, which is referred to as the record date. We will make available a list of registered shareowners entitled to vote. The list will be available at UTC's offices, One Financial Plaza, Hartford, CT, for ten days prior to the meeting and at the meeting location during the meeting.

How can I vote my shares? If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A. (Computershare) you are considered the registered shareowner for those shares. As the registered shareowner, you have the right to vote those shares and we will send you the proxy materials and a proxy card (or provide electronic access as described below in the response to the question "Can I vote by telephone or via the Internet?").

Most UTC shareowners hold their shares through a broker, bank, trustee or another nominee, rather than registered directly in their name. In that case, you are considered the beneficial owner of shares held in street name, and the proxy materials are being forwarded to you by your broker, bank, trustee or nominee, together with a voting instruction card. As the beneficial owner, you are entitled to direct the voting of your shares by your intermediary. Because a beneficial owner is not the registered shareowner, you may not vote those shares in person at the meeting unless you obtain a legal proxy from the broker, bank, trustee or nominee that holds your shares, giving you the right to vote the shares directly. Accordingly, to vote in person, you will need to contact your broker, bank, trustee or nominee to obtain a legal proxy, and present the proxy at

the meeting in order to receive a ballot to vote at the meeting.

We recommend that you vote your shares in advance of the meeting, using the voting methods described below.

How can I vote my shares held in the UTC Employee Savings Plan? You can direct the voting of your shares in the ESOP Fund and the Common Stock Fund under the UTC Employee Savings Plan by returning a voting instruction card or by providing voting instructions by telephone or via the Internet. If you do not provide voting instructions or if the instructions are incomplete or unclear, the trustee will vote your uninstructed ESOP Fund shares with the plurality of shares in that Fund for which voting instructions have been received. The trustee will also vote your uninstructed Common Stock Fund shares with the plurality of shares in that Fund for which voting instructions have been received. The trustee will vote unallocated Common Stock in the UTC Employee Savings Plan with the plurality of instructed shares.

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What voting methods are available? We send proxy cards and offer electronic voting to all registered shareowners to enable them to vote their shares. For those registered shareowners who previously have elected to receive electronic access to their proxy materials (rather than receiving mailed copies) and many active employees who participate in the UTC Employee Savings Plan, we will send you email notification as to how to submit your proxies or voting instructions. Brokers, banks and nominees typically offer telephonic or electronic means by which the beneficial owners of shares held by them can submit voting instructions, in addition to the traditional mailed voting instruction cards. Shareowners who submit a proxy or voting instructions need not vote at the meeting. However, we will pass out written ballots to any registered shareowner, participant in the UTC Employee Savings Plan or holder of a legal proxy who wishes to vote in person at the meeting.

Can I vote by telephone or via the Internet? When voting by telephone or via the Internet, you should refer to the Proxy Card mailed to you (or the email message you receive with instructions on how to vote), since you will need to use the voter control number provided in that communication to authenticate your vote. Registered shareowners and participants in the UTC Employee Savings Plan in the United States, Canada or Puerto Rico may submit proxies or voting instructions by telephone by dialing **1-800-652-VOTE or 1-800-652-8683** and following the voice prompts. Registered shareowners outside the United States, Canada or Puerto Rico may submit proxies or voting instructions by telephone by dialing 1-781-575-2300. Registered shareowners and participants in the UTC Employee Savings Plan in the United States, Canada or Puerto Rico may also submit proxies or voting instructions via the Internet by accessing the following website and marking the appropriate boxes: www.computershare.com/expressvote. Beneficial owners of shares held through a broker, bank, trustee or nominee may submit voting instructions by telephone or via the Internet if the firm holding the shares for your account offers either of these voting methods. You should refer to the instructions on how to vote provided by that firm. Please note that the facilities for telephone and Internet voting cannot accommodate cumulative voting for the election of directors, and therefore if you wish to exercise cumulative voting rights you must submit a written proxy or voting instructions.

How will the proxy holders vote my shares? The proxy holders designated on the Proxy Card will vote your shares in accordance with the votes you submit by Proxy Card, by telephone or via the Internet. If you sign and return your Proxy Card but do not indicate voting instructions on one or more of the matters listed, the proxy holders will vote your uninstructed shares for each of the Board's nominees for election as a director, for the appointment of PricewaterhouseCoopers LLP, and against each of the shareowner proposals. If you hold your shares through a broker and do not provide your broker with specific voting instructions, under the rules that govern brokers in such circumstances, your broker will have the discretion to vote such shares on routine matters, but not on non-routine matters. As a result:

Your broker will have the authority to exercise discretion to vote your shares with respect to Proposal 1 (election of directors) and Proposal 2 (appointment of Independent Auditors) because they involve matters that are considered routine.

Your broker will not have the authority to exercise discretion to vote your shares with respect to Proposals 3 through 7 (shareowner proposals) because they involve matters that are considered non-routine.

As the proposals to be acted upon at the Annual Meeting include both routine and non-routine matters, we anticipate that a broker will turn in a proxy card for uninstructed shares that votes FOR the election of directors and appointment of Independent Auditors, but expressly states that the broker is NOT voting on the remaining proposals. The broker's instructions with respect to the remaining proposals in this case are referred to as broker non-votes. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal.

Who can attend the Annual Meeting and how can I request tickets? If you were a registered or beneficial shareowner of UTC Common Stock at the close of business on February 13, 2007, you or your authorized proxy may attend. Since seating is limited, we ask that you request tickets in advance to attend. If your shares are registered in your name on the records of Computershare, or if you are a UTC employee savings plan participant, you can request tickets by sending an email request to the Corporate Secretary at corpsec@corphq.utc.com or by returning the

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Reservation Card provided with the mailed Annual Meeting materials. If you forget to bring a ticket, you will be admitted to the meeting only if you provide proof that you were a shareowner or held shares through a UTC employee savings plan as of February 13, 2007 and provide proof of identification. If you hold shares through a broker, bank, trustee or nominee you may request a ticket by writing to the Corporate Secretary and including a copy of an account statement or a legal proxy from the broker, bank, trustee or nominee, in either case showing your ownership of shares as of the record date.

PROPOSAL 1: ELECTION OF DIRECTORS.

General Information Concerning the Board of Directors. Our entire Board is elected annually by the shareowners. The Board, upon the recommendation of the Committee on Nominations and Governance, has nominated for election as directors at the Annual Meeting the fourteen nominees listed below.

The Board has adopted independence standards for directors that conform to the independence requirements set forth in the listing standards of the New York Stock Exchange (NYSE). Copies of these independence standards are available on UTC 's website at <http://investors.utc.com/downloads/principles.pdf> and in Appendix A to this Proxy Statement.

The Board has affirmatively determined that each of the nominees for election at the Annual Meeting, other than Messrs. David and Chênevert, is independent in accordance with these standards. Specifically, none of the nominees that qualify as independent has a business, financial, family or other type of relationship with UTC (other than as a director and shareowner of UTC), except for any relationships that are immaterial under the independence standards. In determining that each such director is independent, the Board considered that UTC and its subsidiaries in the ordinary course of business sell products and services to, or purchase products and services from, companies at which some of the nominees are or have been employed as officers or serve as directors. Directors Faraci, Garnier, McGraw, Swygert, Villeneuve and Wagner serve as officers and/or directors of entities that purchase products or services from UTC. Directors Garnier, McGraw and Villeneuve serve as officers and/or directors of entities that provide products or services to UTC. In each case, the amounts paid to, or received by, UTC annually from these companies were well below the 2% of total revenue threshold in UTC 's independence standards. The Board also considered charitable contributions that UTC gave to organizations with which Directors Garnier, McGraw and Swygert are or have been associated, but which do not conflict with UTC 's independence standards since the director did not serve as an executive officer of the organization or the amounts contributed by UTC did not exceed the thresholds in UTC 's independence standards. The Board determined that none of these relationships impaired the independence of the directors.

If any of the nominees become unavailable prior to the Annual Meeting to serve as a director, the Board may select a replacement nominee or reduce the number of directors to be elected. The proxy holders will vote the shares for which they serve as proxy for any replacement candidate nominated by the Board.

Nominees. THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREOWNERS VOTE FOR EACH OF THE FOLLOWING NOMINEES:

LOUIS R. CHÊNEVERT, President and Chief Operating Officer, United Technologies Corporation. Mr. Chênevert was elected President and Chief Operating Officer on March 8, 2006. He previously served as President of the Pratt & Whitney division of UTC from April 1999 through March 2006. In 2005, he was inducted as a Fellow of the American Institute of Aeronautics and Astronautics (AIAA). Mr. Chênevert serves on the Board of Directors of the Friends of HEC Montreal, the Board of

Overseers for the Bushnell Center for the Performing Arts in Hartford, Connecticut and the Director s
Advisory Board for the Yale Cancer Center. He is 49 and has been a UTC director since March 8, 2006.

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GEORGE DAVID, Chairman and Chief Executive Officer, United Technologies Corporation. Mr. David was elected Chief Executive Officer in 1994 and Chairman in 1997. He served as UTC's President from 2002 to 2006 and from 1992 to 1999. Mr. David is a member of the Board of Directors of Citigroup Inc., a member of The Business Council and The Business Roundtable, and Vice Chairman of the Peterson Institute for International Economics. Mr. David was awarded the Order of Friendship from the Russian Federation in 1999 and in May 2002 France named him to its Legion of Honor. Mr. David is 64 and has been a UTC director since 1992.

JOHN V. FARACI has been Chairman and Chief Executive Officer of International Paper (paper, packaging and wood products) since 2003. Earlier in 2003 he was elected President and a director of International Paper, and previously served as Executive Vice President and Chief Financial Officer, with additional corporate responsibility for the company's former majority-owned New Zealand subsidiary, Carter Holt Harvey. He joined International Paper in 1974. He serves on the National Park Foundation, the Grand Teton National Park Foundation, the Citigroup International Advisory Council and the National Council for Air and Stream Improvement. He is a member of The Business Roundtable, the Denison University Board of Trustees and the Sustainable Forestry Board. Mr. Faraci is 57 and has been a UTC director since December 2005.

JEAN-PIERRE GARNIER, Ph.D., has served as Chief Executive Officer and Executive Member of the Board of Directors of GlaxoSmithKline plc (pharmaceuticals) since 2000. Dr. Garnier served as Chief Executive Officer of SmithKline Beecham plc in 2000 and as Chief Operating Officer and Executive Member of the Board of Directors of SmithKline Beecham plc from 1996 to 2000. He served as Chairman, Pharmaceuticals, SmithKline Beecham from 1994 to 1995. Dr. Garnier is a director of the Committee to Encourage Corporate Philanthropy and the Eisenhower Exchange Fellowships. He has received France's Chevalier de la Légion d'Honneur and, in 2005, was presented with the Global Business Leadership Award from Stanford Business School. In 2006 he was named to the global list of top 20 CEOs by the Best Practice Institute and appointed to Chancellor Gordon Brown's UK Advisory Council. Dr. Garnier is 59 and has been a UTC director since 1997.

JAMIE S. GORELICK is a partner at the international law firm, WilmerHale, having joined the firm in 2003. Ms. Gorelick represents companies on regulatory, compliance, governance and enforcement issues. She has held numerous positions in the U.S. Government, serving as Deputy Attorney General of the United States, as General Counsel of the Department of Defense, as Assistant to the Secretary of Energy, and most recently as a member of the bipartisan National Commission on Terrorist Threats Upon the United States. She also served as Vice Chair of Fannie Mae from 1997 to 2003. She is currently a member of the boards of Schlumberger, Ltd., the John D. and Catherine T. MacArthur Foundation, the Carnegie Endowment for International Peace, the Washington Legal Clinic for the Homeless and Legal Affairs. She is a member of the Council on Foreign Relations. Ms. Gorelick is 56 and has been a UTC director since 2000.

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CHARLES R. LEE served as the Non-Executive Chairman of the Board of Directors of Verizon Communications (telecommunications) from April 2002 until his retirement in December 2003. He was Chairman and Co-Chief Executive Officer of Verizon Communications from June 2000 to March 2002. Prior to the merger of GTE Corporation and Bell Atlantic Corporation to form Verizon Communications, Mr. Lee served as Chairman and Chief Executive Officer of GTE Corporation from 1992 to 2000. He is a director of United States Steel Corporation, Marathon Oil Corporation, The Procter & Gamble Company and The DIRECTV Group, Inc. Mr. Lee is also a member of the Board of the American Institutes for Research (AIR), Project GRAD and the Stamford Hospital Foundation. He is also a Trustee Emeritus and Presidential Councilor of Cornell University. In addition, he serves on the Board of Overseers for the Weill Cornell Medical Center and is a member of The Business Council. Mr. Lee is 67 and has been a UTC director since 1994.

RICHARD D. MCCORMICK served as Chairman of the Board of U S WEST, Inc. (telecommunications) from June 1998 until his retirement in May 1999. He was Chairman, President and Chief Executive Officer of U S WEST, Inc. from May 1992 until June 1998. He is also a director of Wells Fargo and Company, Nortel Networks Corporation, Nortel Networks Limited and HealthTrio Inc., a privately held provider of software for the healthcare industry. In addition, he is a former Chairman and Honorary Chairman of the International Chamber of Commerce, Vice Chairman of the United States Council for International Business, a trustee of the Denver Art Museum, Vice President of the Denver Art Museum Foundation and Director Emeritus of Creighton University. Mr. McCormick is 66 and has been a UTC director since 1999.

HAROLD MCGRAW III has been Chairman of the Board of The McGraw-Hill Companies (global information services) since 1999 and President and Chief Executive Officer of McGraw-Hill since 1998. Mr. McGraw was President and Chief Operating Officer of McGraw-Hill from 1993 to 1998. He is also a director of ConocoPhillips, Chairman of the Emergency Committee for American Trade, The Business Roundtable and the Committee Encouraging Corporate Philanthropy and a member of The Business Council and the State Department's Advisory Committee in Transformational Diplomacy. He served on President George W. Bush's Transition Advisory Committee on Trade. He is co-chair of Carnegie Hall's Corporate Leadership Committee and a member of its Board of Trustees. He also serves on the boards of the National Council on Economic Education, New York Public Library, National Organization on Disability, National Academy Foundation, Partnership for New York City, and Prep for Prep. Mr. McGraw is 58 and has been a UTC director since December 2003.

RICHARD B. MYERS, Ret. U.S. Air Force General, served as Chairman of the U.S. Joint Chiefs of Staff from 2001 to 2005. He was the principal military adviser to President George W. Bush, Secretary of Defense Donald Rumsfeld, and the National Security Council. Gen. Myers previously served as Vice Chairman, which included acting as Chairman of the Joint Requirements Oversight Council, Vice Chairman of the Defense Acquisition Board, and member of the National Security Council Deputies Committee and the Nuclear Weapons Council. He also serves on the boards of Aon Corp., Deere & Company, and Northrop Grumman. Gen. Myers is the Foundation Professor of Military History at Kansas State University and holds the Colin Powell Chair for Leadership, Ethics and Character at the National Defense University. He is a member of the Central Intelligence Agency's External Advisory Board, the Defense Policy Board and the Department of State's Transformation Diplomacy Advisory Board. Gen. Myers is 64 and has been a UTC director since September 2006.

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FRANK P. POPOFF served as Chairman of The Dow Chemical Company from 1992 to 2000 and as its Chief Executive Officer from 1987 to 1995. He also served as Chairman of Chemical Financial Corp. from 2004 until his retirement in 2006. Mr. Popoff also is a director of American Express Company, Qwest Communications International Inc., and Shin-Etsu Chemical Co. Ltd. He is a past chairman of the American Chemistry Council and a founder of The Business Council for Sustainable Development. He is also a member of the American Chemical Society and Director Emeritus of The Dow Chemical Company and the Indiana University Foundation. Mr. Popoff is 71 and has been a UTC director since 1996.

H. PATRICK SWYGERT has served as President of Howard University since 1995. Mr. Swygart served as President of the University at Albany, State University of New York from 1990 to 1995, and as Executive Vice President of Temple University from 1987 to 1990. He also serves on the Boards of Fannie Mae and Hartford Financial Services Group Inc. Mr. Swygart is a member of the Central Intelligence Agency's External Advisory Board, the Advisory Council for the Smithsonian Institution's National Museum of African American History and Culture, the D.C. Emancipation Commemoration Commission, the U.S. National Commission for United Nations Educational, Scientific and Cultural Organization (UNESCO) and the Commission on Presidential Debates. Mr. Swygart is 63 and has been a UTC director since 2001.

ANDRÉ VILLENEUVE has been the Non-Executive Chairman of Euronext.liffe, the London futures and derivatives exchange, since 2003. He was an executive director of Reuters from 1989 to 2000. He was Chairman of Instinet Corp., an electronic brokerage subsidiary of Reuters, from 1990 to 1999, and Executive Chairman from 1999 to 2002. He is Chairman, City of London EU Advisory Group and a member of the UK Chancellor's High Level Financial Services Group. Mr. Villeneuve was Chairman of Promethee, the French think tank, from 1998 to 2002 and non-executive director of Aviva PLC from 1996-2006. He is currently a non-executive director of IFRI (Institut Francais de Relations Internationales) and EuroArbitrage. Mr. Villeneuve is 62 and has been a UTC director since 1997.

HAROLD A. WAGNER has served as Chairman (non-executive) of Agere Systems Inc. (communications components) since 2001. He served as Chairman and Chief Executive Officer of Air Products and Chemicals, Inc. from 1992 to 2000 and as its Chairman, President and Chief Executive Officer from 1992 to 1998. He is a director of CIGNA Corporation, PACCAR Inc., and Maersk, Inc. He also serves on the Business Advisory Council of A. P. Moller, Inc. and the Board and Executive Committee of the Eisenhower Exchange Fellowships. Mr. Wagner is 71 and has been a UTC director since 1994.

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CHRISTINE TODD WHITMAN served as Administrator of the U.S. Environmental Protection Agency from January 2001 through June 2003. She was Governor of the State of New Jersey from 1994 through 2001. She has served as President of The Whitman Strategy Group (environment and public policy consulting) since December 2004. She is a director of Texas Instruments Incorporated, S.C. Johnson & Son, Inc., the Millennium Challenge Corporation and the Council on Foreign Relations. In addition, she is Co-Chairman of the National Smart Growth Council, serves on the Steering Committee of The Cancer Institute of New Jersey, the board of trustees of the Eisenhower Fellowships and the Governing Board of the Oquirrh Institute, and is a member of the board of the New America Foundation and the BP America Inc. External Advisory Board. She is also a member of the Center for Civic Engagement and Volunteerism Advisory Board at Raritan Valley Community College. Gov. Whitman is 60 and has been a UTC director since December 2003.

Committees of the Board. The standing committees of the Board consist of the Audit Committee, the Committee on Nominations and Governance, the Committee on Compensation and Executive Development, the Finance Committee and the Public Issues Review Committee. Each committee, other than the Finance Committee, is composed solely of directors determined by the Board to be independent in accordance with NYSE listing standards.

The Audit Committee assists the Board in its oversight of the integrity of UTC's financial statements and the qualifications and independence of the Independent Auditors. In its capacity as a committee of the Board, the Committee also nominates, for approval by shareowners, an accounting firm to serve as Independent Auditors and is responsible for the compensation, retention and oversight of the Independent Auditors. Directors Faraci, McCormick, Myers, Popoff (Chairman), Swygert, Villeneuve and Wagner are members of the Committee. The Board has determined that Directors Faraci, McCormick, Popoff, Villeneuve and Wagner are audit committee financial experts within the meaning of the rules of the Securities and Exchange Commission (SEC). During 2006, the Committee held eight meetings. A copy of the Committee's charter is available on UTC's website at <http://investors.utc.com/charters.cfm>.

The Committee on Nominations and Governance recommends criteria for service as a director, reviews candidates and recommends appropriate governance practices and compensation for directors. Directors Faraci, Garnier, Lee, McCormick (Chairman), Swygert, Wagner and Whitman are members of the Committee. The Committee believes candidates for the Board should have the ability to exercise objectivity and independence in making informed business decisions; extensive knowledge, experience and judgment; the highest integrity; loyalty to the interests of UTC and its shareowners in general; a willingness to devote the extensive time necessary to fulfill a director's duties; the ability to contribute to the diversity of perspectives present in board deliberations; and an appreciation of the role of the corporation in society. The Committee considers candidates meeting these criteria who are suggested by directors, management and shareowners. UTC from time to time engages one or more search firms to assist in the identification and evaluation of qualified candidates. The Committee will consider director candidates recommended by shareowners, who may submit recommendations by letter addressed to the Corporate Secretary. From time to time, the Committee recommends highly qualified candidates who are considered to enhance the strength, independence and effectiveness of the Board. During 2006, the Committee held four meetings. A copy of the Committee's charter is available on UTC's website at <http://investors.utc.com/charters.cfm>.

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The Committee on Compensation and Executive Development is responsible for review and oversight of executive compensation and development programs, approval of corporate goals and objectives relevant to Chief Executive Officer (CEO) compensation, setting the CEO s compensation based on an evaluation of performance in light of these goals and objectives, and review of long-term incentive plans and annual incentive compensation. The Committee makes compensation decisions affecting the executive officers and members of UTC s Executive Leadership Group (the ELG); the CEO, Chief Operating Officer (COO) and the Senior Vice President, Human Resources and Organization (SVP, HR) determine other executives compensation and oversee program administration. The Committee also reviews management development policies and programs.

Directors Garnier, Lee, McCormick, McGraw, Popoff and Wagner (Chairman) are members of the Committee. UTC has engaged Towers Perrin, an outside human resources consulting firm, to provide peer company compensation data. Management also provides information and proposals for the Committee s consideration. While the CEO, COO and SVP, HR attend Committee meetings regularly by invitation, the Committee is the final decision maker for the named executive officers , ELG participants and other executive officers compensation and the Committee considers certain matters in executive session. The Committee s Chairman reports to the Board on actions taken at each meeting. During 2006, the Committee held seven meetings. The Committee has authority to retain, approve fees for and terminate independent advisors to assist in fulfillment of its responsibilities. A copy of the Committee s charter is available on UTC s website at <http://investors.utc.com/charters.cfm>.

The Finance Committee reviews and makes recommendations to the Board on the management of the financial resources of UTC and major financial strategies and transactions. Directors Chênevert, David, Gorelick, Lee (Chairman), McGraw, Myers, Popoff and Villeneuve are members of the Committee. During 2006, the Committee held five meetings. A copy of the Committee s charter is available on UTC s website at <http://investors.utc.com/charters.cfm>.

The Public Issues Review Committee reviews UTC s charitable contributions program, community relations programs, political action committees, and responses to public issues such as equal employment opportunity, the environment, and safety in the workplace. The Committee also reviews UTC s annual Corporate Responsibility Report. Directors Garnier (Chairman), Gorelick, McGraw, Swygert, Villeneuve and Whitman are members of the Committee. During 2006, the Committee held four meetings. A copy of the Committee s charter is available on UTC s website at <http://investors.utc.com/charters.cfm>.

Attendance. The Board met seven times during 2006 with all directors in attendance at each meeting. Each director also attended 75% or more of the aggregate number of meetings of the Board and Committees on which he or she served. The non-management directors meet in regularly scheduled executive sessions and have selected Mr. Wagner to serve as Presiding Director at executive sessions. The Board s policy is that directors standing for reelection should attend the Annual Meeting of Shareowners if their schedules permit. All of the current directors, with the exception of General Myers, who was not a director at the time, and Mr. Popoff, who was unable to attend, were present at the last Annual Meeting in April 2006.

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Security Ownership of Directors, Executive Officers and Certain Beneficial Owners. The following table shows, as of February 13, 2007, the shares of UTC Common Stock beneficially owned by each director, each of the six named executive officers (NEOs) listed in the Summary Compensation Table on page 16 of this Proxy Statement and all directors and executive officers as a group. Each director and executive officer beneficially owned less than 1% of the outstanding Common Stock. The directors and executive officers as a group beneficially owned approximately 1.4% of the outstanding Common Stock.

<u>Name</u>	<u>Class of Securities</u>	<u>Shares Beneficially Owned (1)</u>
Louis R. Chênevert	Common	1,444,312
George David	Common	7,072,659
John V. Faraci	Common	0(2)(4)
Jean-Pierre Garnier	Common	58,925(3)(4)
Jamie S. Gorelick	Common	62,827(3)(4)
Charles R. Lee	Common	107,430(3)(4)
Richard D. McCormick	Common	65,500(3)(4)
Harold McGraw III	Common	8,000(2)(4)
Richard B. Myers	Common	0(2)(4)
Frank P. Popoff	Common	62,700(3)(4)
H. Patrick Swygert	Common	21,000(2)(4)
André Villeneuve	Common	60,200(3)(4)
H. A. Wagner	Common	81,894(3)(4)
Christine T. Whitman	Common	7,000(2)(4)
Gregory J. Hayes	Common	42,299
James E. Geisler	Common	213,417
Ari Bousbib	Common	1,237,946
Geraud Darnis	Common	950,625
Directors & Executive Officers as a Group (26 in total)	Common	14,245,831

- (1) The shares shown as beneficially owned by the listed persons include shares that are individually or jointly owned, as well as shares over which the individual has either sole or shared investment or voting authority. For the following persons, the shares shown in the Security Ownership table as beneficially owned by such person include shares in the following categories:

	<u>Shares listed person has right to acquire within 60 days by exercise of stock options</u>	<u>Shares for which listed person has sole voting and investment power</u>	<u>Shares for which listed person has sole voting but no investment power</u>
L. Chênevert	1,364,000	75,029	5,283
G. David	5,240,000	1,725,389	107,270
J. Garnier	46,700	5,825	6,400
J. Gorelick	40,920	17,907	4,000
C. Lee	73,630	25,800	8,000
R. McCormick	38,700	23,600	3,200
H. McGraw	7,000	1,000	0
F. Popoff	7,000	47,700	8,000
H. Swygert	20,000	1,000	0
A. Villeneuve	55,400	0	4,800
H. Wagner	63,860	10,034	8,000
C. Whitman	7,000	0	0
J. Geisler	210,600	0	2,817
G. Hayes	38,500	874	2,925
A. Bousbib	1,188,000	44,698	5,248
G. Darnis	902,000	37,212	11,412
Directors & Executive Officers as a group (26 in total)	11,696,110	2,188,414	361,306

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Approximately 148,810 of the shares held by Mr. David are pledged to secure a personal loan.

- (2) Not included in the Security Ownership table are certain non-voting restricted stock units acquired under the Non-employee Directors Restricted Stock Unit Plan. Directors Faraci, McGraw, Myers, Swygert and Whitman held 1,781; 2,378; 1,572; 2,978 and 2,378 of these units, respectively. Each unit is valued by reference to one share of UTC Common Stock.

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- (3) For the following persons, the shares shown in the Security Ownership table as beneficially owned by such person include the number of shares of restricted UTC Common Stock shown below opposite such person's name, for which such person had sole voting power:

J. Garnier	6,400	F. Popoff	8,000
J. Gorelick	4,000	A. Villeneuve	4,800
C. Lee	8,000	H. Wagner	8,000
R. McCormick	3,200		

- (4) Not included in the Security Ownership table are the following amounts of vested, non-voting deferred stock units acquired by the non-employee directors under the Directors Deferred Stock Unit Plan. Each unit is valued by reference to one share of Common Stock.

J. Faraci	3,980	R. Myers	2,357
J. Garnier	31,603	F. Popoff	36,548
J. Gorelick	13,467	H. Swygert	17,935
C. Lee	32,798	A. Villeneuve	27,431
R. McCormick	26,352	H. Wagner	34,163
H. McGraw III	11,640	C. Whitman	6,599

In a filing made with the SEC, State Street Bank & Trust Company, acting in various fiduciary capacities, reported that it held as of December 31, 2006 sole voting power with respect to 32,593,128 shares of UTC Common Stock, shared voting power with respect to 70,371,032 shares of UTC Common Stock, and shared dispositive with respect to 102,964,160 shares of UTC Common Stock. State Street Bank & Trust Company serves as Trustee for UTC's Employee Savings Plan and disclaims beneficial ownership of the reported shares.

Executive Compensation.**Compensation Discussion and Analysis.**

UTC maintains a peer-based executive compensation program comprised of fixed and performance variable elements. The design and operation of the program reflect the following objectives:

- Recruiting and retaining talented leadership.
- Implementing measurable performance targets.
- Correlating compensation directly with shareowner value.
- Emphasizing at-risk and performance-based compensation, progressively weighted with seniority level.
- Adherence to high ethical, environmental and safety standards.

Designing a Competitive Compensation Package

Recruitment and retention of leadership to manage the Corporation requires a competitive compensation package. The Compensation and Executive Development Committee's (the "Committee") approach emphasizes: (i) fixed compensation elements of base salary and benefits with values approximately at the median of UTC's Compensation Peer Group (the "CPG"); and (ii) above-market variable compensation contingent on above-target performance. The CPG consists of 25 major U.S. companies that compete with UTC for executive talent.⁽¹⁾ Towers Perrin provides CPG and general industry compensation data. Individual compensation will vary from program targets based on factors such as performance, job scope, abilities, tenure and retention risk. Compensation specific to the NEOs listed in the Summary Compensation Table is discussed on page

14 of this Proxy Statement.

⁽¹⁾ 3M, Alcoa, Boeing, Caterpillar, Dow Chemical, Du Pont, General Dynamics, General Electric, Hewlett-Packard, Honeywell, Intel, IBM, International Paper, Johnson & Johnson, Johnson Controls, Lockheed Martin, Merck, Motorola, Northrop Grumman, Pfizer, Raytheon, Textron, Tyco, Verizon and Wyeth.

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Fixed Compensation

Principal elements of fixed compensation not directly linked to performance targets include base salary, pension, benefits (e.g., health, life and disability insurance) and severance protection. UTC targets the value of fixed compensation generally at the median of the CPG to facilitate a competitive recruitment and retention strategy.⁽²⁾ The program targets base salary for senior executives at approximately the 50th percentile of the CPG with individual variations based on job scope, tenure, retention risk and other factors relevant to the Committee. Increases in base salary reflect assessed performance, providing a performance link to this element of fixed compensation. Also, pension value indirectly reflects performance insofar as the retirement benefit formula recognizes annual performance-based bonuses.

Pension benefits for executives under the recently adopted cash balance plan are below the median. The previous final average pay formula, which covers executives hired before 2003 (including the NEOs), is approximately at the median. Defined benefit pension benefits in excess of Internal Revenue Code (the Code) limits for tax-qualified plans are provided through an unfunded program with the same service formula as is applicable to salaried employees generally. UTC retirement benefits are detailed in the Pension Benefits table on page 21 of this Proxy Statement. UTC does not match 401(k) contributions in excess of Code limits, and this benefit for higher paid executives is accordingly below-median (most CPG companies provide savings plan matching contributions in excess of Code limits).

With the exception of the Executive Leadership Group (the ELG) outlined below, insurance benefits for executives employ the same formulae as are applicable to salaried employees and are approximately at the median.