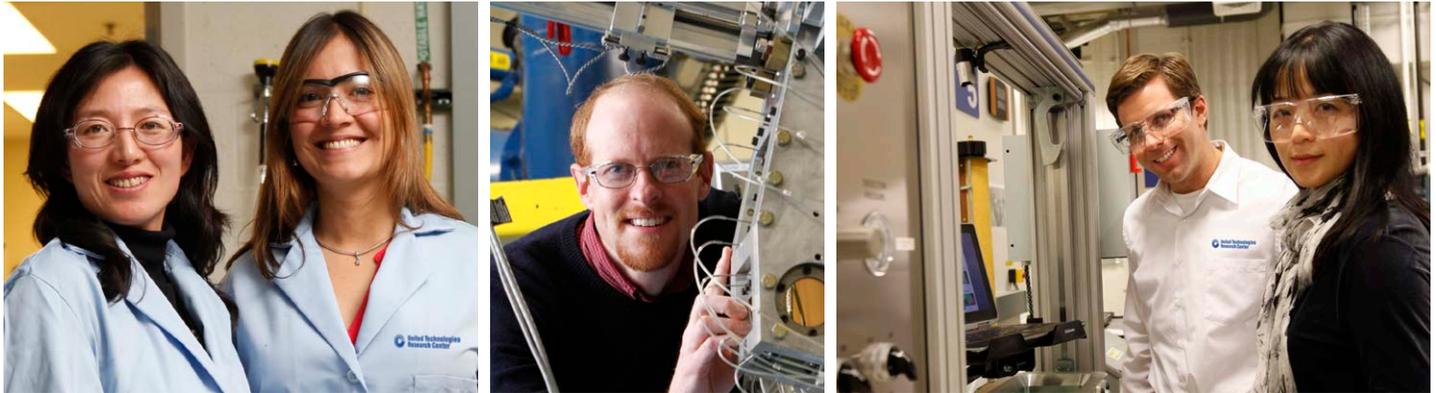




United Technologies



Design Concept

# Powering the Future of Connecticut Aerospace

United Technologies Chairman & CEO Louis Chênevert and Connecticut Governor Dannel Malloy announced an agreement under which UTC will invest up to \$500 million to upgrade and expand its aerospace research, development and manufacturing facilities over the next 5 years. During the same time period, the company expects to invest up to \$4 billion in research and other capital expenditures in the state.

This agreement ensures that Connecticut will remain the center of UTC's aerospace research and development activities and the home of Pratt & Whitney's and Sikorsky's headquarters for years to come.

To maintain UTC's leadership position in the aerospace industry, the company will invest in world-class facilities and laboratories to support its cutting-edge research and development.

These investments will also allow UTC to continue to attract and retain today's best engineering talent and Connecticut's next generation of innovators by providing exciting opportunities for top engineering and science graduates – including the best and brightest from the state's colleges and universities.

# THE UTC INVESTMENTS

Design Concepts

**1.** Pratt & Whitney's new 425,000-square-foot world headquarters and engineering facility on the East Hartford campus will attract global engineering talent and be a collaboration hub for Pratt & Whitney's manufacturing facilities around the world.

**2.** The state-of-the-art United Technologies Research Center will include 100,000 square feet of new and refurbished lab and office space designed to facilitate research in advanced product and manufacturing technologies, enable collaboration between UTC and university researchers and help UTC attract the top scientists and engineers from around the world.

**3.** The renovated UTC Aerospace Systems facility in Windsor Locks will include a world-class customer training center, cutting-edge engineering labs and newly renovated workspace for professional staff. The 500,000 square feet of new and refurbished space will house 3,000 employees and enable the company to train hundreds of customers every year from around the globe.

**4.** Sikorsky improvements will include upgrades to its advanced engineering labs and its state-of-the-art simulator for the new S-97 Raider™ and other development programs, including the Joint Multi-Role helicopter.



The centerpiece of the agreement is a new 425,000-square-foot global headquarters and world-class engineering building for UTC's Pratt & Whitney division in East Hartford, along with significant capital investments in its factory operations in Middletown and East Hartford.

United Technologies will also:

- Upgrade and expand 100,000 square feet of research and engineering labs at its research facility in East Hartford.
- Build new engineering labs and a 12,000-square-foot global customer training center at its Aerospace Systems business in Windsor Locks.
- Make significant capital investments at its Sikorsky facility in Stratford, including improvements to engineering and design labs and upgrading its manufacturing capabilities.

Construction is expected to begin in 2014 and continue through 2018.



## CONNECTICUT'S SUPPORT

To support these investments, the State of Connecticut – pending legislative approval of *The Connecticut Aerospace Reinvestment Act* – will allow UTC to use income tax credits earned for past R&D activities in Connecticut to offset certain future sales and income tax obligations.

The agreement does not require any borrowing or cash payments by the State of Connecticut.

Following the company's capital investments, UTC will be eligible to receive tax offsets of up to \$400 million over 14 years. To fully achieve the benefits of this package, UTC will have to continue to invest billions more in aerospace research and development in Connecticut and maintain strong levels of employment in the state at its Pratt & Whitney and UTC Aerospace Systems divisions and the United Technologies Research Center – including high-skilled,

high-paying engineering jobs. Today this represents approximately 14,000 jobs, including 4,900 engineers.

The agreement incentivizes the company to further expand aerospace and engineering employment in Connecticut and make additional capital investments at Sikorsky.

In addition, United Technologies has committed to maintain its Pratt & Whitney division headquarters in Connecticut for 15 years and its Sikorsky headquarters in Connecticut for at least 5 years.

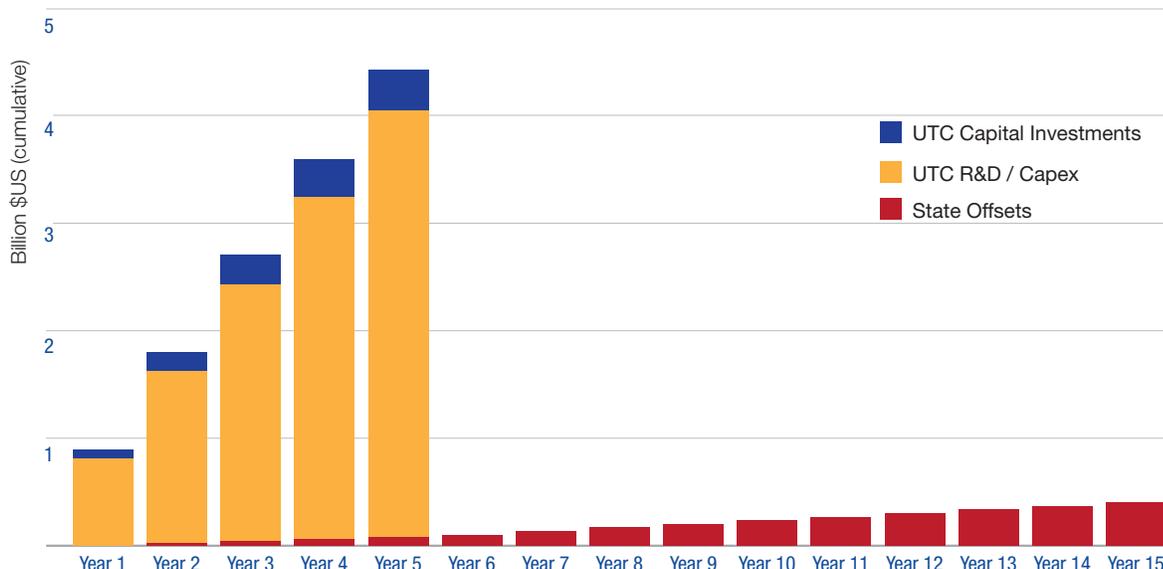
If the company fails to meet any of its obligations under the agreement, the tax benefits to the company will be significantly reduced or eliminated.

# AGREEMENT DETAILS AND KEY PROVISIONS

- UTC will invest up to \$500 million in capital improvements over the next 5 years to upgrade and expand its aerospace research, development and manufacturing capabilities.
- The State of Connecticut will support this investment by allowing the company to exchange income tax credits earned for past R&D activities in Connecticut to offset future sales and income tax obligations.
- The company will make its investments over the next 5 years. The tax offsets provided by the state will be extended over 14 years.
- UTC could receive up to \$375 million in sales and income tax benefits if the company's Pratt & Whitney, UTC Aerospace Systems and United Technologies Research Center complete the anticipated construction projects and remain within specified levels of research expenditures, employment – including engineering employment – and gross wages.
- To receive the full benefit of the tax offsets, UTC must keep its Pratt & Whitney headquarters in Connecticut for 15 years after construction of the new building is completed. The company would also lose tax offsets if either the new United Technologies Research Center labs or the UTC Aerospace Systems customer training facility is closed within 10 years of completion or is not utilized as intended during that time.
- UTC will also be eligible for additional sales and income tax offsets (of up to \$50 million) for certain in-state capital investments and research expenditures at its Sikorsky business. To receive the full benefit of the tax offsets for capital investments at Sikorsky, UTC must keep Sikorsky headquartered in Connecticut for at least 5 years.
- The total income tax credits exchanged by UTC cannot exceed \$400 million, irrespective of the total amount of capital investments made by the company.
- Over the next 14 years, when UTC is exchanging R&D tax credits for sales and income tax offsets, UTC will not be eligible to earn any new R&D income tax credits.
- Tax offsets will be issued following actual company expenditures and verification of all commitments by the State of Connecticut.

## Aerospace Investment Profile for Pratt & Whitney, UTC Aerospace Systems and United Technologies Research Center

Under the terms of the agreement, UTC commits to certain capital expenditures, R&D investments and employment levels. In return, the state agrees to offset certain UTC sales and corporate income tax obligations over 14 years, beginning in year 2.



# CALCULATING TAX OFFSETS

## Formula for Pratt & Whitney (P&W), UTC Aerospace Systems (UTAS) and United Technologies Research Center (UTRC)

P&W, UTAS and UTRC collectively intend to make \$375 million in capital investments over 5 years, as shown in Table 1. The amount of tax credit that can be exchanged to help fund these investments is calculated using a four-factor formula that considers: (i) Engineering Headcount; (ii) Total Headcount; (iii) Gross Payroll; and (iv) R&D and Capital Expenditures (exclud-

ing the capital investments in Table 1) for the company's P&W, UTAS and UTRC divisions.

Each of these four factors is assigned a weighting percentage as shown in Table 2. That weighting and the company's performance in each of the four areas will determine the amount of offset the company receives for that year's capital investments. For example, if the

company's actual capital investments in Year 1 equal \$80 million it will receive \$80 million in offsets only if its engineering headcount equals or exceeds 5,000; its total headcount equals or exceeds 14,400; its gross payroll equals or exceeds \$1,565 million; and its R&D and capital expenditures equal or exceed \$810 million as illustrated in the sample calculation below.

**Table 1**

Target Spend	
(\$MILLIONS)	
Year 1	80
Year 2	100
Year 3	100
Year 4	75
Year 5	20
<b>Total</b>	<b>\$375</b>

**Table 2**

Engineering Headcount		Total Headcount		Gross Payroll		R&D / Capex	
	YEARS 1 TO 5		YEARS 1 TO 5	(\$MILLION)	YEARS 1 TO 5	(\$MILLION)	YEARS 1 TO 5
Weighting	20%	Weighting	30%	Weighting	30%	Weighting	20%
Below 4,350	0%	Below 12,450	0%	Below 1,370	0%	Below 680	0%
4,350	35%	12,450	35%	1,370	35%	680	35%
4,400	40%	12,600	40%	1,385	40%	690	40%
4,450	45%	12,750	45%	1,400	45%	700	45%
4,500	50%	12,900	50%	1,415	50%	710	50%
4,550	55%	13,050	55%	1,430	55%	720	55%
4,600	60%	13,200	60%	1,445	60%	730	60%
4,650	65%	13,350	65%	1,460	65%	740	65%
4,700	70%	13,500	70%	1,475	70%	750	70%
4,750	75%	13,650	75%	1,490	75%	760	75%
4,800	80%	13,800	80%	1,505	80%	770	80%
4,850	85%	13,950	85%	1,520	85%	780	85%
4,900	90%	14,100	90%	1,535	90%	790	90%
4,950	95%	14,250	95%	1,550	95%	800	95%
5,000	100%	14,400	100%	1,565	100%	810	100%

□ Current Level

### Sample Calculation for Year 1

<b>ENGINEERING HEADCOUNT FACTOR</b>	
\$80 million capital investment x 20% weighting = \$16 million x 100% exchange level = \$16 million	
<b>TOTAL HEADCOUNT FACTOR</b>	+
\$80 million capital investment x 30% weighting = \$24 million x 100% exchange level = \$24 million	
<b>GROSS PAYROLL FACTOR</b>	+
\$80 million capital investment x 30% weighting = \$24 million x 100% exchange level = \$24 million	
<b>R&amp;D / CAPITAL EXPENDITURE FACTOR</b>	+
\$80 million capital investment x 20% weighting = \$16 million x 100% exchange level = \$16 million	
<b>Total Offset Amount</b>	<b>\$80 million</b>

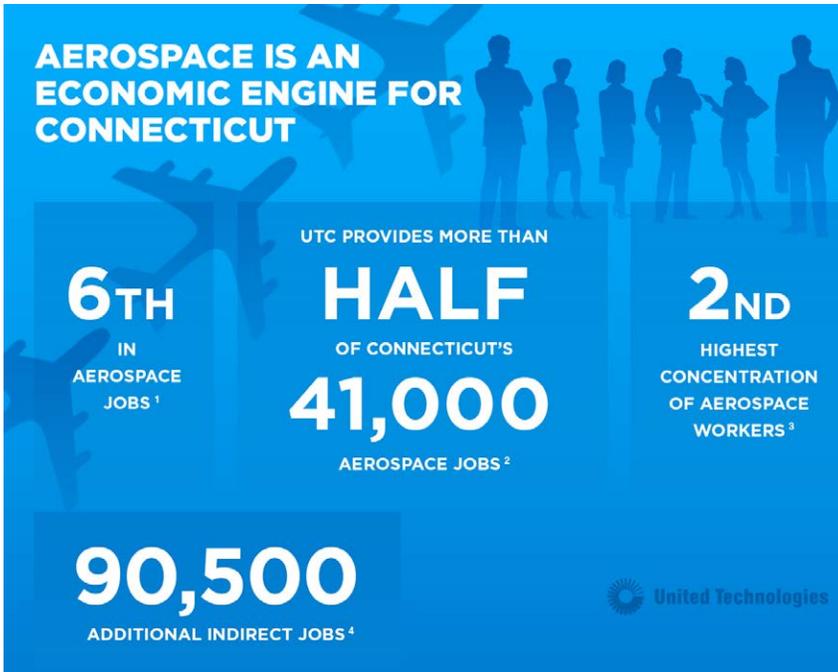
The company will receive less than \$80 million in offsets should its performance fail to meet the 100 percent funding level requirement for any of the four factors. The actual offset amount will be determined by applying a lower funding level percentage from Table 2 for any factor that does not meet the 100 percent funding level requirement.

### Formula for Sikorsky

Assuming favorable program decisions, it is anticipated that Sikorsky will invest up to \$125 million over the next 5 years. A two-part formula will be used to determine the credit exchange in relation to Sikorsky investments and expenditures. Exchange amounts are capped at \$50 million.

<b>R&amp;D</b>
\$1 million for new R&D projects in Connecticut over \$10 million that retain 100 or more employees
<b>CAPEX</b>
40% for capital expenditure projects within Connecticut over \$1 million

# CONNECTICUT'S AEROSPACE HUB



<sup>1</sup> Deloitte, *The Aerospace and Defense Industry in the U.S. – A financial and economic impact study*, March 2012, page 31. (Commissioned by the Aerospace Industries Association)

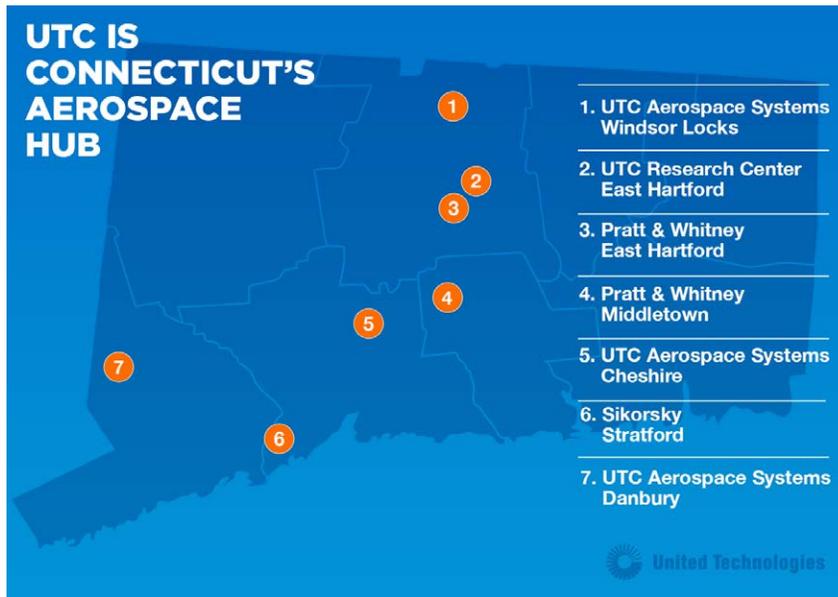
<sup>2</sup> Ibid, page 67.  
<sup>3</sup> Ibid, page 72.  
<sup>4</sup> Ibid, page 37.

Because of UTC's long history in Connecticut, the state has become a global aerospace hub.

This agreement delivers investments that support thousands of jobs at Pratt & Whitney, UTC Aerospace Systems, United Technologies Research Center, Sikorsky and their many suppliers – in Connecticut.

It provides increased economic security for the thousands of small businesses across Connecticut that support UTC while creating tremendous job opportunities for the state's best students.

This announcement also ensures that aerospace research, development and manufacturing will drive Connecticut's economic growth for the next generation.

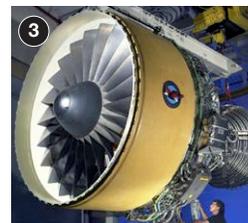


**1, 5, 7. UTC Aerospace Systems'** engineering center, customer response center and precision manufacturing capability are located in Connecticut, as is a key facility for the company's ISR (Intelligence, Surveillance and Reconnaissance) business.

**2. UTC's central research center** is home to some of the world's best scientific and engineering talent, 75 percent of whom have earned at least one doctorate.

**3, 4. Pratt & Whitney** headquarters, engineering center, global customer training facility and advanced manufacturing, assembly and test facilities are located in Connecticut.

**6. Sikorsky** world headquarters, research and development center, manufacturing, assembly and test operations, and customer service facilities are all in the state.



# THE VALUE TO CONNECTICUT

While U.S. defense spending will remain uncertain for the foreseeable future, the beginning of a historic ramp-up in commercial aerospace is underway, spurred by growing demand, especially in emerging markets around the world. Today's aerospace investments will ensure UTC and Connecticut share the benefits of this growth.

“This agreement secures the future of aerospace in Connecticut. It positions the state at the leading edge of aerospace innovation for years to come, creating additional opportunities for our employees, our suppliers and the future graduates of the state's colleges and universities.”

LOUIS CHÉNEVERT, CHAIRMAN & CHIEF EXECUTIVE OFFICER

This agreement represents the start of a bright new chapter for UTC, for the thousands of Connecticut businesses that work with the company, and for the people of the state. It means that Pratt & Whitney, Sikorsky and UTC Aerospace Systems will continue to help drive economic growth in the state. And that Connecticut remains UTC's worldwide center for aerospace engineering, innovation and product development for years to come.

## Technology Developed in Connecticut

**Pratt & Whitney's  
Geared Turbofan Engine**



**Pratt & Whitney's  
F135 Engine**



## ABOUT UTC

United Technologies Corporation (UTC) provides a broad range of high-technology products and services for the aerospace and commercial building industries. UTC's aerospace businesses include Sikorsky helicopters, Pratt & Whitney aircraft engines and UTC Aerospace Systems. The company also operates a central research organization that develops new technologies and ways to improve the performance and energy efficiency of UTC products and processes.

## UTC IN CONNECTICUT

United Technologies, Pratt & Whitney and Sikorsky have long and proud histories of innovation in Connecticut.

UTC has called Connecticut home for nearly a century. The company's roots reach all the way back to 1925 when Frederick Rentschler founded Pratt & Whitney, marking the beginning of a long and prosperous relationship with the people of Connecticut.

Sikorsky moved to Stratford in 1929 and has been the world's leading provider of helicopters and innovative flight solutions ever since.

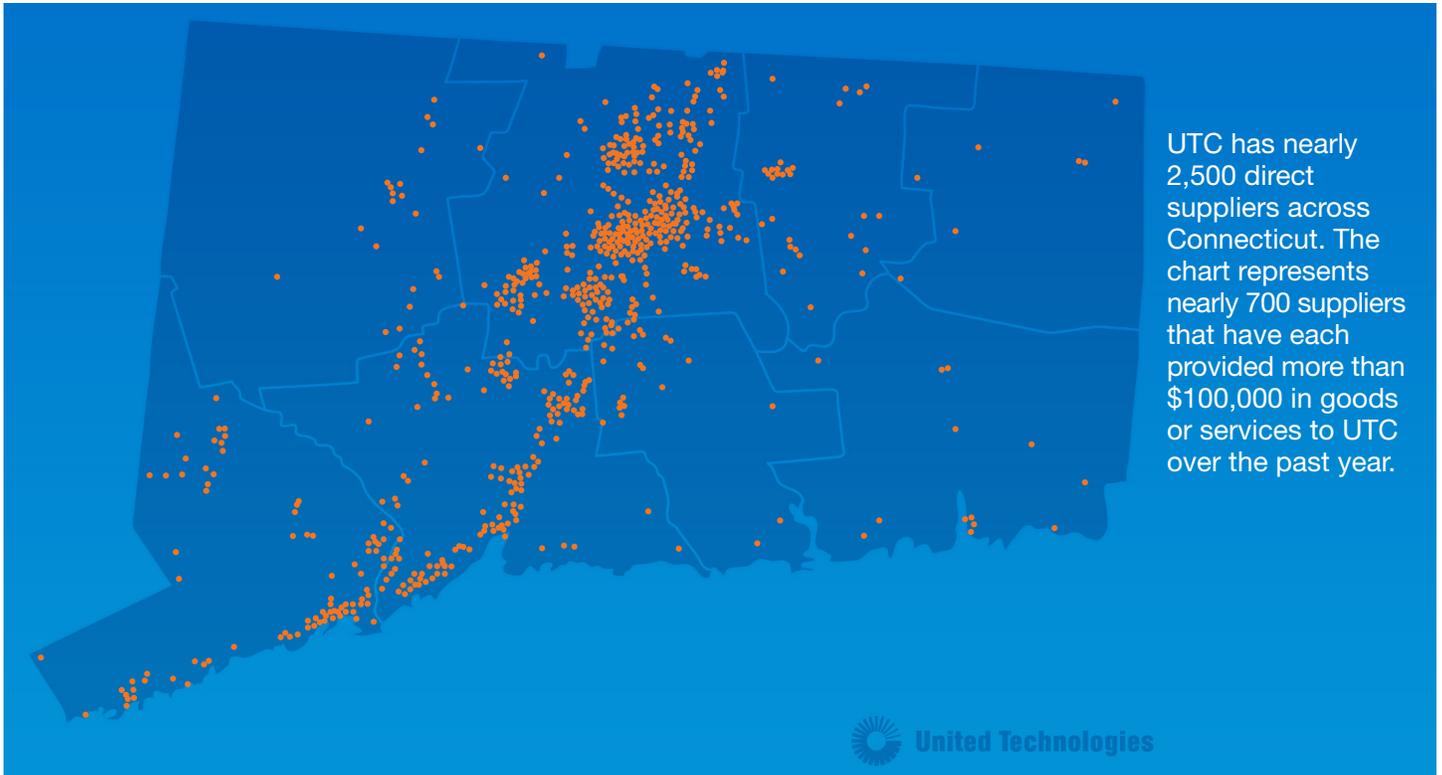
**UTC Aerospace Systems'  
Advanced Integrated Systems**



**Sikorsky's  
BLACK HAWK Helicopter**



# UTC SUPPLIERS IN CONNECTICUT

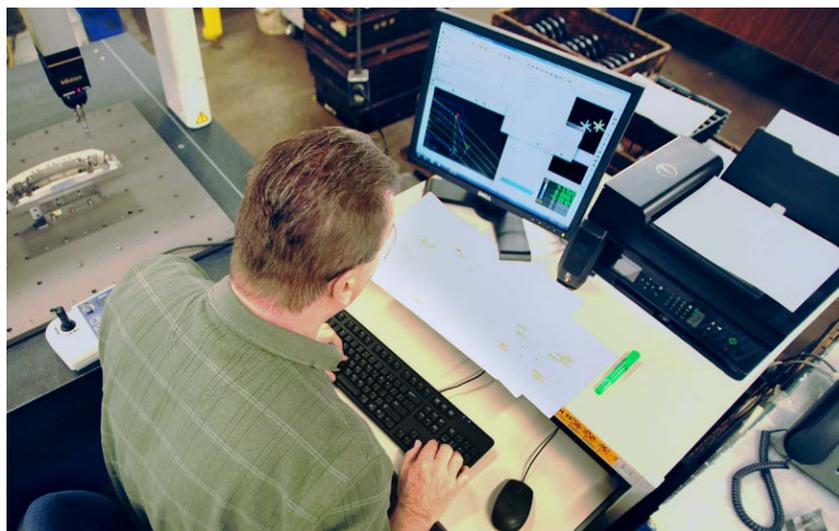


## Supplier Profile

### The Whitcraft Group

With more than 400 workers at operations in Eastford, Farmington and Plainville, the Whitcraft Group provides complex sheet metal assemblies and precision-machined parts to customers worldwide, including Pratt & Whitney, Sikorsky and UTC Aerospace Systems.

“Our employees are hardworking and highly skilled – working well-compensated American jobs,” said Whitcraft CEO Colin Cooper. “Pratt & Whitney and its next-generation programs, like the F135 military engine and the transformational PurePower® commercial engine, help us keep those jobs here in Connecticut.”



Whitcraft uses the most advanced manufacturing techniques to meet the highest industry quality standards. Cooper, a former UTC employee, says opportunities provided by Pratt & Whitney have helped grow Whitcraft’s business.

“We are successful because of our culture of continuous improvement, our technology and our great Connecticut workforce,” Cooper said. “UTC helps make all of these possible by supporting our best-in-class lean manufacturing training, supporting our investments in capacity and capability, and by investing in the local workforce through partnerships with UConn and other area colleges.

“Since the 1960s, Whitcraft has been a Connecticut company and, because of our skilled workforce coupled with the support we receive from UTC, we are confident we will stay a Connecticut company.”

# UTC INVESTS IN CONNECTICUT'S INNOVATORS OF THE FUTURE

UTC has invested more than \$1.1 billion in employee education through its award-winning **Employee Scholar Program**, including \$430 million in Connecticut.

UTC has also built **partnerships with major universities**, including the University of Connecticut. At UConn, the company funded construction of the UTC School of Engineering building and endowed the Pratt & Whitney professorship in engineering. At the school's Pratt & Whitney Center of Excellence, the company's engineers and UConn faculty and students collaborate on the design and development of more efficient gas turbine engines. In 2013, Pratt & Whitney partnered with UConn to establish one of the nation's most advanced additive manufacturing laboratories.

Most recently, UTC committed \$10 million to support the launch of the **Institute for Advanced Systems Engineering at UConn** to provide students opportunities to train in one of the fastest growing fields in engineering.

UTC aerospace companies provide **more than 500 internship/co-op opportunities** to students in Connecticut every year. More than half of these are in engineering.

**UTC Leadership Development Programs** provide exceptional experience to an average of 150 recent graduates each year in the fields of finance, supply chain management, manufacturing, operations, quality, information technology and other disciplines.

In addition, Connecticut-based UTC employees collectively receive an average of **400,000 hours of training** every year.



## LEADING IN THE COMMUNITY

With the belief that financial performance and corporate responsibility go hand in hand, UTC has a long and proud legacy of support for charitable and social causes throughout Connecticut. **In the past 5 years alone, UTC has contributed more than \$30 million to non-profit organizations throughout the state, including the United Way, Yale Cancer Center, Connecticut's colleges and universities, and many more.**

UTC's corporate philanthropy is aimed at inspiring the next generation of scientists and engineers through STEM education, building sustainable cities, and supporting vibrant communities. At the same time, UTC employees are engaged around the state through targeted volunteer programs, such as Relay For Life, Day of Caring, Green Apple Day of Service, Junior Achievement, *FIRST*® Robotics, and many more. Together these efforts drive the company's social responsibility agenda to "Make Things Better." To learn more visit [utc.com/makethingsbetter](http://utc.com/makethingsbetter).

# UTC — A PROVEN, RESPECTED INNOVATOR

## Five-Time Collier Trophy Winner Since 2000

Since 2000, UTC has been part of a winning team for the Collier Trophy five times. The award is America's most prestigious for achievement in aeronautics.



2010

Sikorsky Aircraft Corporation and the X2 Technology team won for demonstrating a revolutionary 250-knot helicopter.



2006

A team including Pratt & Whitney won for designing, testing and operating the revolutionary F-22 Raptor. Pratt & Whitney powers the F-22 Raptor with the F119 propulsion system.



2005

The Eclipse 500 Very Light Jet, powered by two Pratt & Whitney PW610F engines, won for the advancement of general aviation through the design, development and manufacture of the world's first very light jet.



2002

A Sikorsky team won for designing, manufacturing, testing and introducing into service the S-92 helicopter, raising the standard for rotary wing air travel.



2001

A Pratt & Whitney-led team won for designing, developing and demonstrating the integrated lift fan propulsion system on the F-35 Joint Strike Fighter.

## 2,000+ PATENTS

### CONNECTICUT'S PATENT LEADER

Over the past decade, UTC engineers in Connecticut have been awarded more than 2,000 U.S. patents — three times as many as the next closest company in the state across all industries.

## 'Most Admired' Aerospace Company and Other Recognitions

*Fortune* named UTC as the "Most Admired" U.S. aerospace and defense company 11 times in the past 13 years. UTC ranked second in 2008 and 2013.

### 2012 & 2013

UTC was one of only three Connecticut companies ranked among the Top 100 Global Innovators by *Thomson Reuters*.

### 2005-2013

UTC was ranked among *Barron's* list of the World's Most Respected Companies.

### 2013

*R&D Magazine* named UTC's PureStorage flow battery energy storage device as one of the 100 most technologically significant products introduced during the year.

2011

*TIME Magazine* named Pratt & Whitney's PurePower® PW1000G engine as one of "The 50 Best Inventions of 2011," describing it as the most important development in aviation that year.

