UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 84087 / September 12, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18745

In the Matter of

UNITED TECHNOLOGIES CORPORATION,

Respondent.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act"), against United Technologies Corporation ("UTC" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

SUMMARY

1. These proceedings arise from violations of the Foreign Corrupt Practices Act of 1977 (the "FCPA") [15 U.S.C. 78dd] by Respondent United Technologies Corporation ("UTC"), a building systems and aerospace company with operations around the world.

2. From approximately 2012 through 2014, UTC, through Otis Elevator Company, made unlawful payments to Azerbaijan officials to facilitate the sales of elevator equipment. Improper payments were also made in connection with a kickback scheme to sell elevators in China in 2012. In addition, from 2009 to 2013, UTC, through International Aero Engines, a joint venture of Pratt & Whitney, a division of UTC, made unsupported payments to an agent, disregarding the high probability that at least some of the money would be used to make unlawful payments to a Chinese official to obtain confidential information to sell engines to a Chinese state-owned airline. Finally, from 2009 through 2015, UTC through Pratt & Whitney and Otis Elevator Company improperly provided trips and gifts to various foreign officials in China, Kuwait, South Korea, Pakistan, Thailand, and Indonesia in connection with its business. UTC obtained a benefit of over $9 million from the conduct.

3. With regard to these various schemes, UTC failed to accurately and fairly record the transactions in its books and records and failed to devise and maintain a sufficient system of internal accounting controls.

RESPONDENT

4. **United Technologies Corporation** is a Delaware corporation that was founded in 1934 and is headquartered in Farmington, Connecticut. UTC designs, manufactures and markets high-technology products and services to the building systems and aerospace industries worldwide. UTC stock is registered under Section 12(b) of the Exchange Act, and it is traded on the New York Stock Exchange under the symbol "UTX."

OTHER RELEVANT ENTITIES

5. **Otis Elevator Company** ("Otis"), a wholly-owned subsidiary of UTC, manufactures and maintains elevators, escalators and moving walkways, and operates worldwide through a series of affiliated companies and joint ventures. These include "Otis Russia," its manufacturing and sales operations based in St. Petersburg and Moscow that market to Russia and CIS countries; "Otis China," its operations in China that include two joint ventures majority-owned

[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

by UTC; and "Otis Kuwait," comprised of a joint venture in which UTC had majority ownership. Otis's financials are consolidated with those of UTC.

6. **Pratt & Whitney** ("Pratt") is an operating division of UTC that is headquartered in East Hartford, Connecticut. Pratt designs, manufactures, and services aircraft engines and auxiliary power units for commercial and military aircraft. Pratt's financials are consolidated with those of UTC.

7. **International Aero Engines** ("IAE") is a joint venture, founded in 1983 by five aerospace companies, including Pratt & Whitney. It designs, manufactures, and services engines for single-aisle, commercial aircraft with an office in East Harford, Connecticut. On June 29, 2012, Pratt & Whitney obtained a majority interest in IAE's shares. IAE's relevant financials were reported, and its books and records later consolidated, into UTC's books and records.

FACTS

Russian and Azerbaijani Improper Payment Scheme

8. In 2012, the Azerbaijan government began to upgrade the elevators in public housing in Baku. Otis engaged in various schemes to sell Otis elevator equipment to Baku Liftremont, a municipal entity, responsible for procuring and maintaining the elevators in Baku's public housing. The schemes involved the use of sham subcontractors and intermediaries to make improper payments to Liftremont officials.

9. The first scheme in March 2012 was in connection with a direct sale from Otis Russia to Liftremont of elevator equipment valued at $1.8 million. At the direction of the Chief Operations Officer, the scheme was facilitated through the use of two subcontractors that were used to make payments to Liftremont officials. No due diligence was performed on the subcontractors, and they were paid over $790,000, which represented nearly 44% of the total contract value. No meaningful review was conducted on the contracts with the subcontractors, and payments to the subcontractors were made without appropriate documentation of services being provided.

10. Between February 2013 and December 2014, Otis sought to win additional contracts from Liftremont. At the direction of a Liftremont Senior Official, Otis Russia involved four different intermediaries which acted as conduits to make improper payments in order to secure nine contracts from Liftremont. In each instance, Otis Russia sold elevator equipment to the intermediary at one price, knowing that the intermediary would sell the equipment to Liftremont at a significantly higher price. The spread between the prices, at least $11.8 million, was intended in part for Liftremont officials.

11. Despite a corporate policy that required it, no due diligence was performed on the intermediaries, which were small entities registered in either Russia or Estonia. None of them had local experience in Azerbaijan or reliable experience in either import/export or the elevator

industry. In fact, one of the intermediaries was not a registered entity until February 2014, well after participating in Otis's transactions with Liftremont in 2013.

12. The transactions with the intermediaries should have raised significant red flags because Otis Russia already had an approved joint venture ("JV") partner that was authorized to make the sales in Azerbaijan, and no legitimate business justification was provided for using the four intermediaries instead.

13. At the direction of the Otis Russia Sales and Business Development Manager ("Manager"), Otis Russia staff drafted the contracts between Otis Russia and the intermediaries, as well as the contracts between the intermediaries and Liftremont reflecting payment terms. In several instances, the Liftremont Senior Official was copied on emails reflecting the contractual payments and shipping arrangements with the intermediaries. All payments to the intermediaries, from Liftremont or from other intermediaries, were in U.S. dollar denominations and involved U.S. correspondent banks.

14. On multiple contracts, at the direction of the Liftremont Senior Official, Otis Russia staff arranged the transportation of the elevator equipment sold to the intermediaries and prepared the customs paperwork to facilitate the intermediaries' transportation of the equipment across borders and into Azerbaijan. Otis Russia directed monies to countries outside of Russia or Azerbaijan. For example, email traffic in November 2013 among the Liftremont Senior Official and Otis regional managers referenced a "Turkey balance" of TRY 214,126. (approximately $104,465) followed by a statement that "It's good for now, [the Liftremont Senior Official] calmed down."

15. The scheme also involved allowing Liftremont officials to use Otis Russia signature stamps to falsify documents. For example, the Otis Russia Manager emailed the Liftremont Senior Official and his assistant an electronic image of the stamp of an Otis Russia branch and the signature of the head of the company. In the email, the Manager wrote that the assistant could prepare a certificate and apply the official Otis stamp and signature.

16. The transactions with the intermediaries did not follow normal procedures, yet between 2012 and 2014, Legal, Finance, and business employees all failed to prevent the improper transactions. Before the contracts were executed, Legal personnel merely confirmed that the contracts contained standard terms. No reviewer sought to confirm that the intermediaries had undergone due diligence as required by Otis policies or inquired about contractual terms that showed that the intermediaries were acting as distributors. Further, there was no review of the financing structure that would have identified the pricing differentials that generated excess funds intended for Liftremont officials.

17. Other methods were also used to funnel improper payments to Liftremont officials. In one scheme, Liftremont was made a distributor so that certain Liftremont officials could receive additional monies from the sale of Otis elevator equipment and services. The Otis Regional President negotiated the distributorship agreement with the Liftremont Senior Official. In May-June 2013, Otis Legal, Finance, and business employees at the local and regional levels and the

Otis Regional President approved using Liftremont as a distributor for municipal and government elevator projects in Azerbaijan despite numerous red flags, including the fact that Liftremont was the government entity responsible for the selection of the supplier for Baku municipal and government projects. The Liftremont distributorship agreement was finalized and executed but not implemented.

18. Otis's JV partner that sold Otis elevators in the Baku market raised numerous concerns about improper transactions between Otis and Liftremont. Otis selected Liftremont as its distributor for a Baku municipal elevator project instead of the JV partner, which led to the Managing Director of the JV raising concerns with the Otis Regional President. The Managing Director told the Regional President that he should look into the Liftremont contracts because they did not comply with "the rules." Between July and September 2013, the Managing Director emailed the Regional President eight times to request a confidential meeting regarding the Liftremont contracts. Instead, the Regional President forwarded the Managing Director's emails to lower-level Otis Russia staff involved in the Liftremont contracts and took no steps to look into the concerns or to elevate those concerns.

19. In the summer of 2014, Otis ignored additional red flags when the Liftremont Senior Official instructed Otis Russia to replace one intermediary with a new intermediary. Otis Russia staff drafted a contract with the new intermediary for the sale and circulated it for review.

20. In September 2014, the head of the Otis Russia Legal Department ("Russia lawyer") initially refused to approve the contract and requested information about the ownership of the new intermediary and a written explanation from Liftremont as to why it needed the intermediary. In October 2014, the Russia lawyer elevated the issue to his supervisor, the head of Otis's Regional Legal Department ("Regional lawyer"), who contacted the CFO of Otis Russia ("Russia CFO"), and engaged in an extended discussion about whether Legal, Finance, or Security had responsibility for screening customers and intermediaries.

21. Ultimately, in December 2014, the Russia lawyer gave the Regional lawyer a letter from the Liftremont Senior Official containing a perfunctory explanation for why Liftremont needed the new intermediary inserted into the contract. Although the Regional lawyer initially challenged the perfunctory explanation, he ultimately approved the contract. However, the intermediary had already entered into a contract with Otis Russia for the Liftremont business four months earlier, in August 2014.

22. As a result of the schemes, the intermediaries obtained at least $11.8 million, some of which was intended for Liftremont officials so that Otis would win the nine contracts. UTC failed to detect the conduct and first learned of it in April 2017, when media reports alleged that the Otis Chief Operations Officer paid the Liftremont Senior Official at least $1.7 million to induce Liftremont to enter into a contract with Otis.

23. The media reports, which were based on statements made by a relative of the Liftremont Senior Official, also alleged that the Senior Official used the $1.7 million from Otis to purchase four luxury apartments in an elite Istanbul residential complex. Altogether, between

March 2012 and August 2014, Otis Russia entered into ten contracts totaling $14.6 million to sell elevator equipment to Liftremont.

China Aviation Scheme

A. Improper Commissions to Sales Agent

24. In the mid-2000s, IAE and Pratt sought to sell airplane engines to Chinese, state-owned, commercial airlines. In 2006, a Pratt executive recommended that IAE retain a Chinese sales agent to increase IAE's market share in China. The agent was an entity with no background or expertise in the airline industry and until 2006 had been in the toll road business. IAE and Pratt conducted minimal due diligence before engaging the sales agent. Nonetheless, beginning in May 2006, IAE entered into a sales representative agreement and series of amendments with the agent providing a success fee commission of between 1.75 and 4% of sales to Chinese airlines. In October 2009, Pratt engaged the same Chinese sales agent. From 2009 to 2013, IAE paid approximately $55 million in commissions to the agent.

25. In early 2009, IAE competed for a contract with Air China Limited, a state-owned entity, potentially worth hundreds of millions at the time less discounts. IAE's General Manager ("GM") was leading the Air China campaign along with his supervisor, the VP of Customer Business ("VP") based in the Connecticut office. The GM and VP were employees of Pratt who were seconded to IAE.

26. The agent assisted IAE with the Air China campaign, pursuant to the sales representative agreement in effect at the time, which provided for a 4% success fee commission rate. In February 2009, the agent requested a commission advance of $2 million purportedly for an office expansion. The agent provided no documentation to support its need for the advance. Moreover, there was little basis to believe that the agent, who mainly arranged introductions and meetings, actually intended a $2 million office expansion. The GM and VP agreed to advance the commissions to the agent.

27. The following month, in March 2009, a Chinese airline official, formerly a senior purchasing official at Air China, emailed the agent information labeled proprietary and confidential about the Air China tender. That same day, the agent emailed the confidential information to IAE's GM, who in turn emailed the VP that "we have some significant new information."

28. The GM prepared a comparison of IAE's bid to the information contained in the confidential document. The next day, the GM emailed the VP a copy of the comparison and the email from the agent with the confidential document. The VP did not ask how the agent obtained the confidential document. IAE subsequently modified its bid. One month later, in April 2009, IAE won the Air China contract.

29. UTC's policy directed an employee who received proprietary information from outside the company to consult the Legal Department. The GM and VP were both aware of the policy, as well as a UTC policy that prohibited improper payments. Neither the GM nor the VP

informed the Legal Department that they had received the confidential document or that they had modified their bid after they received confidential information.

30. The VP and GM disregarded the substantial risk that the agent would use the funds to make improper payments to Chinese airline officials for the confidential information used to win the bid. Between March and December 2009, the agent made at least six payments totaling over $160,000 to the airline official who provided the confidential document. In April 2011, Chinese officials arrested the airline official in connection with a corruption investigation. In May 2013, Chinese media reported that the sales agent made improper payments to the airline official, who was convicted of corruption. UTC halted all future payments to the agent. Between 2009 and 2013, the agent was paid $4.3 million in success fee payments for the Air China contract.

B. Improper Sponsorships

31. In addition to requests for advance commission payments for an "office expansion," the agent also requested advance payments for sponsorship of an event for Chinese officials. In November 2009, the agent asked IAE to co-sponsor a golf event for senior executives of Chinese state-owned airlines that was to take place in January 2010. At that point IAE's GM had been promoted to a VP at IAE ("GM/VP"). The GM/VP obtained approval from IAE's president to contribute $30,000 toward the event, which he referred to as "a weekend event (golf mostly) . . . for the top level executives from the Major Chinese Airlines." The president's approval was contingent on the approval of the IAE Legal and Business Practices groups.

32. In December 2009, the GM/VP emailed the president of the agent that he was "working the legal approval for this event and as usual it is becoming difficult." The GM/VP wrote that he needed certain information for Legal including:

> They have asked for an agenda; We need to call this an Conference in order to ease getting this through legal and minimize the Golf event portion. Hopefully we can come up with something that looks like an organized meeting . . . Lastly they want conformation that the IAE money will not be spent on "gifts" for the attendees . . . we need to be careful how we handle the legal approval.

33. The president of the agent told the GM/VP that Pratt had committed to contributing $40,000. Thus, the intent was to have IAE contribute $30,000 and Pratt contribute $40,000 to the golf event. The president of the agent provided the GM/VP an agenda for the two-and-a-half day conference that consisted of two rounds of golf and approximately nine hours of business-related sessions. The president of the agent also stated that "none of the funding will end up in the attendees pockets." On December 23, 2009, IAE Legal approved the $30,000 contribution. Although the sales agent provided no documentation to support the expense, on December 29, 2009, IAE wired $30,000 to the sales agent for the golf event.

34. Due to various scheduling conflicts, the golf event was postponed one year to 2011. The sales agent asked Pratt for an additional $30,000 golf contribution despite the fact that IAE had already paid $30,000 in 2009 for the same event. In April 2011, Pratt's Business Practices

Office ("BPO") approved a $30,000 expense for the golf event without determining what had happened to the prior $30,000 that IAE had paid for the same golf event. In July 2011, BPO requested an agenda for the golf event. The President of Pratt & Whitney China ("President") responded, "[U]se this one," and provided an agenda for a two-day conference that consisted of one round of golf, a second social event, and approximately seven hours of business-related sessions. An IAE employee suggested "some changes to make that invitation look more like . . . a forum, instead of a pure golf event."

35. The golf event took place on October 28-30, 2011. At the event, the GM/VP and the President learned that the sales agent gave the Chinese airline executives expensive gifts, such as iPads and luggage. After the event, neither informed Legal or BPO of the gifts. Pratt paid $30,000 to the resort that hosted the golf event.

Improper Payments for Otis Elevator Sales in China

36. In 2012, Otis China sought a contract to sell and install four elevator units to a branch of a Chinese, state-owned bank located in Wuhan, China ("Bank"). A Bank official organizing the bidding process approached the Sales Supervisor of the Otis China Wuhan branch and asked to receive a kickback payment if Otis won the contract. The supervisor agreed to the kickback and proposed using a distributor to accomplish the kickback scheme.

37. The supervisor arranged for an approved Otis China distributor to bid for the Bank contract. He justified using the distributor by falsely asserting that the Bank insisted on terms that were not acceptable to Otis China. The business justification for the use of the distributor was not questioned. No one reviewed the terms of the transaction for appropriateness or questioned whether the cost differential between a direct sale by Otis China and a sale involving a distributor allowed enough spread for a kickback. Further, the distributor inserted an unauthorized distributor into the project using a fake chop.

38. The distributor passed $98,000 to the Otis China sales supervisor. The sales supervisor paid a portion to the Bank official and kept the remainder for himself. UTC learned of the conduct after Chinese authorities convicted the Otis China sales supervisor of bribery in connection with this conduct.

Leisure Travel

39. UTC funded leisure travel and entertainment for foreign officials from several countries, including China, Kuwait, South Korea, Pakistan, Thailand, and Indonesia. UTC policies required the Legal Department to review and approve all leisure travel and entertainment as gifts to a foreign official. Nonetheless, employees frequently circumvented this requirement by submitting travel for foreign officials for approval without disclosing the leisure and entertainment component. On occasion, the travel was included as a cost component in the contract with the end customer and was therefore not submitted for appropriate approval.

40. For example, from at least 2009 to 2015 in connection with business meetings, Pratt provided improper entertainment and leisure travel for up to five officials of the Republic of Korea Air Force ("ROKAF") on seven occasions. At the time, ROKAF was purchasing aftermarket spare parts and repair services from Pratt under short-term contracts, and Pratt was seeking to enter into a long-term contract to facilitate greater predictability. The leisure travel provided to the ROKAF officials was approved with little or no required review. On those occasions when Legal reviewed the contracts, it failed to identify the FCPA risks presented by sponsored travel. Furthermore, when Pratt supervisors reviewed the travel as required, they failed to note basic red flags such as travel to tourist destinations, including Orlando, FL, where Pratt did not have facilities. Most of the trips included a ROKAF senior official, who would attend only one meeting and then spend the remainder of the trip engaged in leisure activities. Pratt and ROKAF entered into a long-term services contract in November 2012, and the improper travel of ROKAF officials continued. Pratt spent over $26,000 on entertainment and leisure travel for ROKAF officials during this period.

41. Similarly, Otis also provided improper travel in connection with sales in China. For example, in 2008, the Hangzhou branch of Otis China obtained a $27.6 million contract for the Hangzhou Metro Line 1 project. In 2010, the Otis China project manager approved a 2011 trip to Italy and Greece for seven foreign officials associated with the project. Although the ostensible reason for the trip was to inspect equipment in use in subways, the inspections did not occur, and the manager knew the trip was purely for leisure.

42. Also in 2008, the Shenzhen branch of Otis China obtained a $3.3 million contract for the Shenzhen Metro Line 5 project. In 2011, the Otis China Major Project Manager approved travel to the United States for seven foreign officials. Although the ostensible reason for the trip was to inspect subways in New York City and Otis facilities in the United States, the inspections did not occur. Instead, the foreign officials visited New York City and Washington, DC. Otis China spent $37,926 for this trip.

43. In addition to the purely leisure trips arranged by Otis to influence foreign officials, at times UTC businesses provided excessive leisure travel and entertainment in conjunction with legitimate business travel. For example, from 2012 to 2014, the Pratt Belgium Engine Center paid for excessive, leisure hotel stays in Belgium and Amsterdam for Air Force officials from Pakistan, Thailand, and Indonesia. In some instances, the leisure component was four times as long as the legitimate business component (*e.g.*, four days of leisure and one day of business). Similarly, Otis Kuwait paid for leisure travel to Europe and China on seven trips for 27 foreign officials. The provision of these purely leisure trips, or those that contained an excessive leisure component, violated UTC's corporate policies.

44. Between 2009 and 2015, UTC improperly recorded over $134,000 in improper travel and entertainment for foreign officials in the company's books and records as legitimate business expenses.

LEGAL STANDARDS AND VIOLATIONS

45. Under Section 21C(a) of the Exchange Act, the Commission may impose a cease-and-desist order upon any person who is violating, has violated, or is about to violate any provision of the Exchange Act or any rule or regulation thereunder, and upon any other person that is, was, or would be a cause of the violation, due to an act or omission the person knew or should have known would contribute to such violation.

46. As a result of the conduct described in paragraphs 8 through 23, UTC violated Section 30A of the Exchange Act, which prohibits any issuer with securities registered pursuant to Section 12 of the Exchange Act or which is required to file reports under Section 15(d) of the Exchange Act, or any officer, director, employee, or agent acting on its behalf, to make use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an effort to pay or offer to pay anything of value to foreign officials for the purpose of influencing their official decision-making, in order to assist in obtaining or retaining business.

47. Further, as a result of the conduct described above, UTC violated Section 13(b)(2)(A) of the Exchange Act, which requires issuers to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and disposition of the assets of the issuer.

48. In addition, as a result of the conduct described above, UTC violated Section 13(b)(2)(B) of the Exchange Act, which requires issuers to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary (I) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (II) to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

UTC'S SELF-DISCLOSURE, COOPERATION, AND REMEDIAL EFFORTS

49. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded the Commission staff. UTC self-reported the misconduct and timely provided facts developed during its internal investigation. UTC also cooperated with the Commission investigation by timely producing documents, including key document binders and translations of key documents as needed, providing the facts developed in its internal investigation, and making current or former employees available to the Commission staff, including those who needed to travel to the United States.

50. UTC provided information regarding its remedial efforts, including termination of employees and third parties responsible for the misconduct and enhancements to its internal accounting controls. UTC strengthened its global compliance organization; enhanced its policies

and procedures regarding travel, the due diligence process, and the use of third parties; created positions to address potential risks; and increased training of employees on anti-bribery issues.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent UTC's Offer.

Accordingly, it is hereby ORDERED that**:**

A. Pursuant to Section 21C of the Exchange Act, Respondent UTC cease and desist from committing or causing any violations and any future violations of Sections 13(b)(2)(A), 13(b)(2)(B), and 30A of the Exchange Act.

B. Respondent shall, within 10 days of the entry of this Order, pay disgorgement of $9,067,142, prejudgment interest of $919,392, and a civil money penalty of $4,000,000, to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 and 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

(1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying UTC as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Charles E. Cain, Chief of the FCPA Unit, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549-5631B.

C. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

D. Respondent acknowledges that the Commission is not imposing a civil penalty in excess of $4,000,000 based upon its cooperation in a Commission investigation and related enforcement action. If at any time following the entry of the Order, the Division of Enforcement ("Division") obtains information indicating that Respondent knowingly provided materially false or misleading information or materials to the Commission, or in a related proceeding, the Division may, at its sole discretion and with prior notice to the Respondent, petition the Commission to reopen this matter and seek an order directing that the Respondent pay an additional civil penalty. Respondent may contest by way of defense in any resulting administrative proceeding whether it knowingly provided materially false or misleading information, but may not: (1) contest the findings in the Order; or (2) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

By the Commission.

Brent J. Fields
Secretary