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October 15, 2008

LETTER OF COMMENT NO. 22

Submitted via email (to director@fasb.org) and ordinary mail

Technical Director
Financial Accounting Standards Board
401 Merritt 7
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Norwalk, CT, 06856-5116

Reference: Proposed FSP FAS 140-e and FIN 46(R)-e

United Technologies Corporation (UTC) welcomes the opportunity to share its views on the proposed FASB Staff Position 140-e and FIN 46(R)-e "*Disclosures about Transfers of Financial Assets and Interests in Variable Interest Entities*" (the proposed FSP). UTC is a \$60 billion global provider of high technology products and services to the building systems and aerospace industries, operating in 186 countries around the world.

We understand and appreciate the FASB's position of the need for additional disclosures around Special Purpose Entities (SPEs) and Variable Interest Entities (VIEs) and the risk those types of structures may present. We are concerned, however, the disclosures the FASB is suggesting for VIEs do not meet the objectives the FASB intended. Additionally, we believe many of the proposed disclosures required for VIEs are meant to target financial institution off balance sheet structures and will unduly burden manufacturing companies that may have an investment in an entity that fits into the FIN 46(R) definition of a VIE.

Overall, we believe the Board should consider the amount of information it is requiring in the disclosures under this proposed FSP when determining the effective date. We understand the Board believes there is an urgent need for additional disclosures regarding SPEs and VIEs. However, requiring these disclosures for year-end 2008 for calendar year companies does not allow enough time to gather and analyze all the necessary data for the disclosures. We recommend an effective date of January 1, 2009 or later, particularly for non-financial services companies.

Additionally, we believe the Board should define the term "sponsor," as we are concerned that varying degrees of interpretation could potentially cause significant differences in reporting. The Board indicated it purposely did not provide a definition of the term "sponsor." In the basis for conclusions for this proposed FSP, the Board indicates it believes a definition of the term

“sponsor” is not necessary, and “requires professional judgment and a consideration of qualitative and quantitative factors that depend on specific facts and circumstances.” We encourage the Board to provide a definition of this term or a list of qualitative and quantitative factors that should be considered in deciding whether a company is a “sponsor” of a VIE. This will give companies guidelines to use to help determine what types of relationships are “sponsorships.”

In paragraph 8 of the proposed FSP for FIN 46(R), the Board discusses the principal objectives of the disclosures required by the proposal as follows:

- a. The judgments and assumptions made by the enterprise in determining whether the enterprise must consolidate a variable interest entity and/or disclose information about its involvement with a variable interest entity
- b. The nature of restrictions on a consolidated variable interest entity’s assets reported by the enterprise in its statement of financial position, including the carrying amounts of such assets
- c. The nature of, and changes in, the risk associated with the enterprise’s involvement with a variable interest entity
- d. The current potential financial effects from an enterprise’s involvement with a variable interest entity on the enterprise’s financial position, financial performance, and cash flows.

We agree the above objectives would provide meaningful disclosures to financial statement users. However, as discussed below, we do not agree the disclosures, as required by the proposed FSP, meet those objectives.

The Board did not provide specific questions to respond to in the proposed FSP. Therefore, this letter is structured to respond by the objectives the Board provided in paragraph 8 (related to FIN 46(R)) of the proposed FSP (included above).

a) Judgments and Assumptions Made

Paragraph 22C(a) of Appendix C of the proposed FSP requires an enterprise disclose its methodology for determining whether the enterprise is (or is not) the primary beneficiary of a variable interest entity, including significant factors and assumptions considered, and whether different assumptions or judgment could have reasonably been made that would result in a different conclusion. An enterprise’s methodology for determining whether the enterprise is (or is not) the primary beneficiary can be different, or vary, depending on the nature of the VIE. Each VIE presents a different set of risks and requires different perspectives for determining the primary beneficiary. This presents a problem for issuers of financial statements to understand what level of detail this disclosure requirement is meant to capture. Additionally, perhaps more importantly, the requirement to disclose whether different assumptions or judgment could have reasonably been made that would result in a different conclusion than was actually made seems awkward from a disclosure standpoint. If the Company has decided, based on current facts and circumstances that a VIE should be consolidated, hypothetical scenarios, assumptions and judgments provide no purpose other than to confuse the reader as to whether or not the variable

interest entity should or should not be consolidated. We believe the reader of the financial statements is better served by understanding true risks involved with the relationship in the VIE and the true facts and circumstances resulting in consolidation of the interest, not hypothetical scenarios.

b) Restrictions on Use of Assets of a Consolidated VIE

The proposed FSP requires many disclosures for VIEs which relate to risks and restrictions the entity that participates in the VIE undertakes. Examples of these requirements in this proposed FSP are: (1) carrying amount of assets and liabilities of consolidated VIEs and any restrictions on use of the assets of the VIE; (2) terms of arrangements that could require the enterprise to provide financial support to the VIE, including events or circumstances that could expose the enterprise to a loss, and; (3) the fair value of the consolidated VIE's financial assets and liabilities that are consolidated pursuant to FIN 46(R).

We are concerned the level of disclosure the proposed FSP is requiring for consolidated VIEs is different than the level of disclosure required for subsidiaries that are consolidated and not wholly owned. We do not understand why the Board is differentiating VIEs from other entities. We understand there are circumstances where VIEs may present more risks to an entity, but we believe this is why the FIN 46(R) model requires companies to understand these risks in the determination of the primary beneficiary. If the consolidated assets and liabilities of a VIE are significant to the consolidated entity, disclosures would be required under other accounting standards that would meet the objectives set forth by the Board.

We believe the above disclosures are already required by existing U.S generally accepted accounting principles (GAAP) such as SOP 94-6 "*Disclosure of Certain Significant Risks and Uncertainties.*" If these risks are significant risks to our company we would disclose them in accordance with the requirements of other U.S. GAAP. We believe the further disclosures of risks, as required by the proposed FSP, may draw attention to risks that we do not believe are material or significant to our consolidated company.

c) Nature of, and Changes in Risk Associated with Involvement in the VIE

The proposed FSP requires disclosures to be made if during the periods presented the Company provided financial or other support to a VIE that was not contractually required. As discussed previously, we do not understand why the Board is segregating VIEs from other consolidated and unconsolidated entities, or how this information corresponds with the objectives the Board set.

The proposed FSP requires that a "sponsor" that holds a variable interest in a VIE (irrespective of significance of the VIE) disclose prescribed information. We do not understand the value provided to the reader through disclosure of insignificant relationships with regard to VIEs. The proposed FSP is not required for immaterial items, and therefore by definition, an insignificant interest would be immaterial in nature. Furthermore, we believe gathering this data for VIEs that are clearly insignificant regardless of "sponsorship" presents an undue burden on the reporting entity and does not provide meaningful information to the reader of the financial statements.

d) Current and Potential Financial Effects

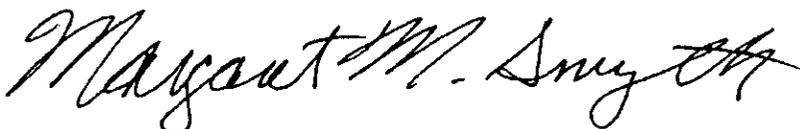
The proposed FSP would require the Company to disclose qualitative and quantitative information about the Company's involvement with the VIE. We support the Board's move to a qualitative analysis of the primary beneficiary in the FIN 46(R) Exposure Draft; however we question the disclosure requirements of both "qualitative and quantitative" information. The requirement to disclose such quantitative information negates any benefit provided by the qualitative assessment proposed in the FIN 46(R) Exposure Draft. In light of this fact, analysis will have to be performed on a quarterly basis for all entities including those that are "sponsored" with insignificant investment. We find this counter to the objectives of the FIN 46(R) Exposure Draft being qualitative first, quantitative only if required with disclosures more often.

We do not believe disclosing the "enterprise's maximum exposure to loss as a result of its involvement with the variable interest entity" "irrespective of the significance of the variable interest" is useful information to investors. We believe it would be better to qualitatively discuss the future risks involved with the relationship, focusing on those entities that are significant rather than "sponsorship" in nature.

We do not understand the need to specifically disclose the fair value of financial assets and liabilities of consolidated VIE's as required by the proposed FSP. We also do not understand the benefit provided to the reader of the financial statements of treating the financial assets and liabilities differently than a consolidated subsidiary. Other consolidated entities are not specifically discussed in the financial statements with regard to the fair value of financial assets and liabilities. The fair value of assets and liabilities held are disclosed in accordance with the fair value disclosure requirements of FAS 157.

We thank the Board for its consideration of our views and would be pleased to discuss these issues in more detail with the Board members or the FASB staff at your convenience.

Sincerely,



Margaret M. Smyth
Vice President, Controller
United Technologies Corporation