

Americas Credit Derivatives Determinations Committee Statement – July 1, 2020

Raytheon Company Successor Determination

DC Issue Number 2020061801

The Americas DC considered the General Interest Question relating to Raytheon Company (DC Issue Number 2020061801) under (a) the 2014 ISDA Credit Derivatives Definitions (the **2014 Definitions**) and (b) the 2003 ISDA Credit Derivatives Definitions, as supplemented by the 2009 ISDA Credit Derivatives Determinations Committees, Auction Settlement and Restructuring Supplement (as supplemented, the **Updated 2003 Definitions**, and together with the 2014 Definitions, the **Definitions**), each as published by the International Swaps and Derivatives Association, Inc., and Resolved on July 1 2020 that, as a result of an exchange offer involving Raytheon Technologies Corporation (**RTX**), each of Raytheon Company and RTX became a Successor to Raytheon Company under both the 2014 Definitions and the Updated 2003 Definitions.¹

The Americas DC is providing the following statement in connection with its Successor determination.

1. SUMMARY OF EVENTS

- (a) On May 11, 2020, RTX announced the commencement of offers to exchange validly tendered outstanding notes issued by Raytheon Company, and other subsidiaries of RTX, for new notes to be issued by RTX (the **Offer**).² On May 26, 2020, the early results of the Offer were announced.³ The Offer expired on June 8, 2020.⁴ On June 10, 2020, RTX filed a Form 8-K confirming that the Offer had been completed and that RTX had issued the new notes pursuant to an amended and restated indenture dated as of May 1, 2001 (the **RTX Notes**).⁵
- (b) The Americas DC identified the notes listed in the table below issued by Raytheon Company (the **Raytheon Company Notes**). As noted in the table below, all but one series of the Raytheon Company Notes were included in the Offer. Based on Eligible Information (including a Form 10-K filed by Raytheon Company on February 12, 2020⁶ and Raytheon Company's publicly filed Consolidated Financial Statements for the quarters ended March 29, 2020 and March 31, 2019⁷), the Americas DC did not identify any bonds or loans of Raytheon Company, other than the Raytheon Company Notes, outstanding at the time of the Offer.⁸

¹ Each capitalized term used but not defined in this Statement shall have the meaning given to it in (a) the Credit Derivatives Determinations Committees Rules (September 28, 2018 version, as amended as of the date hereof) (the **DC Rules**) or (b) the Definitions, as applicable.

² See the following news release in connection with the announcement of the Offer (dated May 11, 2020): <https://raytheon.mediaroom.com/2020-05-11-Raytheon-Technologies-commences-private-exchange-offers-and-consent-solicitations-for-outstanding-notes-of-Goodrich-Corporation-Raytheon-Company-and-Rockwell-Collins-Inc>.

³ See the following news release in connection with the early results of the Offer (dated May 26, 2020): <https://www.prnewswire.com/news-releases/raytheon-technologies-announces-early-tender-results-and-receipt-of-requisite-consents-to-amend-outstanding-notes-and-related-indentures-of-goodrich-corporation-raytheon-company-and-rockwell-collins-inc-301064756.html>.

⁴ See the following news release in connection with the announcement of the Offer (dated May 11, 2020): <https://raytheon.mediaroom.com/2020-05-11-Raytheon-Technologies-commences-private-exchange-offers-and-consent-solicitations-for-outstanding-notes-of-Goodrich-Corporation-Raytheon-Company-and-Rockwell-Collins-Inc>.

⁵ See the following RTX Form 8-K filed in connection with completion of the Offer (dated June 10, 2020): https://www.sec.gov/ix?doc=/Archives/edgar/data/101829/000114036120013509/nc10012700x1_8k.htm.

⁶ See the following Form 10-K of Raytheon Company (dated February 12, 2020): <https://www.sec.gov/ix?doc=/Archives/edgar/data/1047122/000104712220000009/rtn-12312019x10k.htm>.

⁷ See Raytheon Company's publicly filed Consolidated Financial Statements (for the quarters ended March 29, 2020 and March 31, 2019): <https://www.sec.gov/ix?doc=/Archives/edgar/data/101829/000010182920000033/exhibit991-03292020ray.htm>.

⁸ We note that, on page 11 of Raytheon Company's publicly filed Consolidated Financial Statements (for the quarters ended March 29, 2020 and March 31, 2019, <https://www.sec.gov/ix?doc=/Archives/edgar/data/101829/000010182920000033/exhibit991-03292020ray.htm>), there is a reference to Raytheon Company guaranteeing financing of certain affiliates. However, it is not clear whether such guarantees would constitute Relevant Guarantees, and in any event, the quantum of such guarantees is described as USD 2mm and therefore would not affect the conclusions reached in this Statement.

Title of Series/ CUSIP	Aggregate Amount (USD mm)	Principal Outstanding	Aggregate Principal Amount Tendered and Accepted (USD mm)
<i>Raytheon Company Notes included in the Offer⁹</i>			
2.500% Notes due 2022 / 755111BX8	1,100		901.92
3.150% Notes due 2024 / 755111BY6	300		242.75
7.200% Notes due 2027 / 755111AF8	381.67		318.71
7.000% Notes due 2028 / 755111AP6	185.18		163.54
4.875% Notes due 2040 / 755111BU4	600		533.56
4.700% Notes due 2041 / 755111BW0	425		406.52
4.200% Notes due 2044 / 755111BZ3	300		257.4
Total amount	3,292		2,824.4
<i>Raytheon Company Notes not included in the Offer¹⁰</i>			
3.125% Notes due 2020 / 755111BT7	1,000		N/A
Total amount	1,000		N/A
<i>Total Raytheon Company Notes</i>			
Total amount	4,292		2,824.4

2. APPROACH UNDER THE DEFINITIONS

Under both the 2014 Definitions and the Updated 2003 Definitions, the determination of a Successor focuses on the proportion of "Relevant Obligations" that an entity "succeeds" to on a given date.

⁹ Amounts have been extracted from the news release in connection with the early results of the Offer (dated May 26, 2020) and have been rounded to two (2) decimal points: <https://www.prnewswire.com/news-releases/raytheon-technologies-announces-early-tender-results-and-receipt-of-requisite-consents-to-amend-outstanding-notes-and-related-indentures-of-goodrich-corporation-raytheon-company-and-rockwell-collins-inc-301064756.html>.

¹⁰ Amounts have been extracted from page 107 of Raytheon Company's Form 10-K (dated February 12, 2020): <https://www.sec.gov/ix?doc=/Archives/edgar/data/1047122/000104712220000009/rtn-12312019x10k.htm>.

The Raytheon Company Notes were exchanged via the Offer for the RTX Notes, which were issued on June 10, 2020.¹¹ Therefore, the Americas DC identified June 10, 2020 as the relevant potential Succession Date for purposes of the 2014 Definitions.¹² The Americas DC also identified June 10, 2020 as the relevant "legally effective date" of the potential Succession Event for purposes of the Updated 2003 Definitions.¹³

3. ANALYSIS UNDER THE 2014 DEFINITIONS

- (a) Under the 2014 Definitions, an entity "succeeds" to a Reference Entity and its Relevant Obligations when it "(i) assumes or becomes liable for such Relevant Obligations whether by operation of law or pursuant to any agreement [...] or (ii) issues Bonds or incurs Loans (the "Exchange Bonds or Loans") that are exchanged for Relevant Obligations, and in either case the Reference Entity is not thereafter a direct obligor or a provider of a Relevant Guarantee with respect to such Relevant Obligations or such Exchange Bonds or Loans, as applicable".¹⁴ "Relevant Obligations" are defined to mean "the Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan" and which are outstanding immediately prior to the Succession Date".¹⁵
- (b) The Americas DC determined that the Raytheon Company Notes constituted Relevant Obligations of the Raytheon Company immediately prior to June 10, 2020 and that the principal amount outstanding of the Raytheon Company Notes was the denominator of the Successor calculations for purposes of Section 2.2(a) of the 2014 Definitions.
- (c) The Americas DC determined that the Raytheon Company Notes that were tendered and accepted in the Offer, and that were therefore exchanged for RTX Notes, constituted Relevant Obligations that were succeeded to by RTX, and this amount was therefore the numerator of the Successor calculations under Section 2.2(a) of the 2014 Definitions.
- (d) For the reasons set out above, the relevant calculation to determine the percentage of the Relevant Obligations that had been succeeded to by RTX was as follows: $\text{USD } 2824.4\text{mm} / \text{USD } 4292\text{mm} = 65.8\%$.¹⁶
- (e) The Americas DC therefore determined that (i) RTX had succeeded to more than 25% of the Relevant Obligations of Raytheon Company, (ii) more than 25% of the Relevant Obligations remained with Raytheon Company, and (iii) therefore Section 2.2(a)(iv) of the 2014 Definitions applied. As a result, each of Raytheon Company and RTX were determined to be Successors, and the provisions of Section 2.2(n) of the 2014 Definitions¹⁷ applied to outstanding Credit Derivative Transactions that specified Raytheon Company as the Reference Entity.

¹¹ See the following news release, which states that RTX will issue the RTX Notes "on the settlement date, which is expected to be on June 10, 2020" (dated May 26, 2020): <https://raytheon.mediaroom.com/2020-05-26-Raytheon-Technologies-announces-early-tender-results-and-receipt-of-requisite-consents-to-amend-outstanding-notes-and-related-indentures-of-Goodrich-Corporation-Raytheon-Company-and-Rockwell-Collins-Inc>; see also the RTX Form 8-K noting that on "June 10, 2020, [RTX] completed the Exchange Offers" (dated June 10, 2020): https://www.sec.gov/ix?doc=/Archives/edgar/data/101829/000114036120013509/nc10012700x1_8k.htm.

¹² See Section 2.2(i) of the 2014 Definitions (describing the "Succession Date" as the "legally effective date of an event in which one or more entities succeed to some or all of the Relevant Obligations of the Reference Entity"); see also Section 2.2(d) of the 2014 Definitions (defining succession as occurring when an entity other than the Reference Entity "issues Bonds or incurs Loans [...] that are exchanged for Relevant Obligations [...]") (emphasis added)). The Americas DC has generally treated the settlement date of an exchange as the Succession Date for purposes of the 2014 Definitions.

¹³ See Section 2.2(b) of the Updated 2003 Definitions.

¹⁴ Section 2.2(d) of the 2014 Definitions.

¹⁵ Section 2.2(f) of the 2014 Definitions.

¹⁶ This percentage has been rounded to the nearest one (1) decimal point. The percentage before rounding is 65.806151%.

¹⁷ These provisions require, among other things, division of the existing Credit Derivative Transaction into multiple new Credit Derivative Transactions (in this case, one for Raytheon Company and one for RTX), with the Floating Rate Payer Calculation Amount (i.e., the notional) of the existing Credit Derivative Transaction distributed equally among such new Credit Derivative Transactions.

4. ANALYSIS UNDER THE UPDATED 2003 DEFINITIONS

- (a) Under the 2003 Definitions, an entity "succeeds" to a Reference Entity and its Relevant Obligations when it "(i) assumes or becomes liable for such Relevant Obligations (or, as applicable, obligations) whether by operation of law or pursuant to any agreement or (ii) issues Bonds that are exchanged for Relevant Obligations (or, as applicable, obligations), and in either case such Reference Entity is no longer an obligor (primarily or secondarily) or guarantor with respect to such Relevant Obligations (or, as applicable, obligations)".¹⁸
- (b) As noted above, the Americas DC determined that the relevant date of analysis for the Succession Event under the Updated 2003 Definitions was June 10, 2020 and that for purposes of the Updated 2003 Definitions, the Relevant Obligations were the same as described in Section 3 above. As a result, the calculation under the Updated 2003 Definitions was the same as under the 2014 Definitions, each of RTX and Raytheon Company were determined to be Successors under Section 2.2(a)(iv) of the Updated 2003 Definitions, and the provisions of Section 2.2(e)¹⁹ of the Updated 2003 Definitions applied.

¹⁸ Section 2.2(c) of the Updated 2003 Definitions.

¹⁹ These are substantively the same as Section 2.2(n) of the 2014 Definitions; see FN 17 and accompanying text.