

## DEPARTMENT OF JUSTICE

### Antitrust Division

#### **United States v. United Technologies Corporation and Goodrich Corporation; Proposed Final Judgment and Competitive Impact Statement**

Notice is hereby given pursuant to the Antitrust Procedures and Penalties Act, 15 U.S.C. 16(b)-(h), that a proposed Final Judgment, Hold Separate Stipulation and Order, and Competitive Impact Statement have been filed with the United States District Court for the District of Columbia in *United States v. United Technologies Corporation and Goodrich Corporation*, Civil Action No. 1:12-cv-01230. On July 26, 2012, the United States filed a Complaint alleging that the proposed acquisition of Goodrich Corporation ("Goodrich") by United Technologies Corporation ("UTC") would violate Section 7 of the Clayton Act, 15 U.S.C. 18. The proposed Final Judgment, filed at the same time as the Complaint, requires UTC to divest assets comprising Goodrich's small engine control products business, including Goodrich's facility in West Hartford, Connecticut and other tangible and intangible assets used in this business. The proposed Final Judgment also requires UTC to divest Goodrich's electric generation and distribution systems business, including Goodrich's facilities in Pitstone, United Kingdom and Twinsburg, Ohio, other tangible and intangible assets used in this business, and Goodrich's shares in the TRW-Thales Aerolec SAS joint venture. Finally, the proposed Final Judgment requires UTC to divest Goodrich's shares in the AEC joint venture, as well as provide Rolls-Royce plc an additional time period in which it would be able to purchase certain assets relating to the aftermarket services utilized by that joint venture.

Copies of the Complaint, proposed Final Judgment, and Competitive Impact Statement are available for inspection at the Department of Justice, Antitrust Division, Antitrust Documents Group, 450 Fifth Street NW., Suite 1010, Washington, DC 20530 (telephone: (202) 514-2481), on the Department of Justice's Web site at <http://www.usdoj.gov/atr>, and at the Office of the Clerk of the United States District Court for the District of Columbia. Copies of these materials may be obtained from the Antitrust Division upon request and payment of the copying fee set by Department of Justice regulations.

Public comment is invited within 60 days of the date of this notice. Such

comments, including the name of the submitter, and responses thereto, will be posted on the U.S. Department of Justice, Antitrust Division's internet Web site, filed with the Court and, under certain circumstances, published in the **Federal Register**. Comments should be directed to Maribeth Petrizzi, Chief, Litigation II Section, Antitrust Division, U.S. Department of Justice, 450 Fifth Street NW., Suite 8700, Washington, DC 20530 (telephone: (202) 307-0924).

**Patricia A. Brink,**  
*Director of Civil Enforcement.*

#### **United States District Court for the District of Columbia**

*United States of America, United States Department of Justice, Antitrust Division, 450 Fifth Street NW., Suite 8700, Washington, DC 20530, Plaintiff, v. United Technologies Corporation, United Technologies Building,) Hartford, Connecticut 06101 and Goodrich Corporation, Four Coliseum Centre,) 2730 West Tyvola Road,) Charlotte, North Carolina 28217, Defendants*  
[Civil Action No. 1:12-cv-01230]

#### **Complaint**

The United States of America ("United States"), acting under the direction of the Attorney General of the United States, brings this civil antitrust action against Defendants United Technologies Corporation ("UTC") and Goodrich Corporation ("Goodrich") to enjoin UTC's proposed acquisition of Goodrich. The United States complains and alleges as follows:

#### **I. Nature of the Action**

1. Pursuant to an asset purchase agreement dated September 21, 2011, UTC proposes to acquire all the shares of Goodrich. The transaction is valued at approximately \$18.4 billion. If consummated, the acquisition would constitute the largest aerospace acquisition in history.

2. UTC and Goodrich are the only two significant suppliers in the worldwide market for large main engine generators. The proposed acquisition would eliminate competition between UTC and Goodrich for large main engine generators.

3. UTC is one of only a few producers of aircraft turbine engines in the world. Either on its own or through a partnership, Goodrich produces and services engine control systems, a critical component on such engines, for several of UTC's leading competitors. Following the acquisition, UTC could disadvantage its engine competitors by withholding or delaying delivery, increasing prices, or reducing the quality of its servicing of engine control

systems for competitors' engines. UTC also could exploit confidential information gained through its work on those engine control systems to disadvantage its competitors. The proposed acquisition therefore is likely to reduce competition substantially for aircraft turbine engines.

4. UTC and a joint venture in which Goodrich has a fifty percent share are two of the world's three leading producers of engine control systems for large aircraft turbine engines. The proposed acquisition likely would reduce competition substantially for engine control systems for large aircraft turbine engines.

5. As a result, the proposed acquisition likely would substantially lessen competition in the worldwide markets for the development, manufacture, and sale of large main engine generators, aircraft turbine engines, and engine control systems for large aircraft turbine engines, in violation of Section 7 of the Clayton Act, 15 U.S.C. 18.

#### **II. The Defendants**

6. UTC is incorporated in Delaware and has its headquarters in Hartford, Connecticut. UTC produces a wide range of products for the aerospace industry and other industries, including, among other products, aircraft generators, aircraft engine control systems and components, aircraft engines, and helicopters. UTC's main aerospace divisions are Pratt & Whitney, Hamilton Sundstrand, and Sikorsky. In 2010, UTC had revenues of approximately \$54 billion.

7. Goodrich is incorporated in New York and has its headquarters in Charlotte, North Carolina. Goodrich manufactures a variety of products for the aerospace industry, including, among other products, aircraft generators, aircraft engine control systems and components, landing gear, and actuation systems. In 2010, Goodrich had revenues of approximately \$7.2 billion. In 2001, Goodrich began a joint venture with Thales Avionics Electrical Systems SA called TRW-Thales Aerolec SAS ("Aerolec") for the purpose of collaborating on the development of variable-frequency main engine generators for large aircraft. References to Goodrich throughout the remainder of this Complaint also refer to Aerolec.

#### **III. Jurisdiction and Venue**

8. The United States brings this action under Section 15 of the Clayton Act, 15 U.S.C. 4 and 25, as amended, to prevent and restrain Defendants from violating

Section 7 of the Clayton Act, 15 U.S.C. 18.

9. Defendants develop, manufacture, and sell aircraft systems and components and other products in the flow of interstate commerce.

Defendants' activities in the development, manufacture, and sale of these products substantially affect interstate commerce. This Court has subject matter jurisdiction over this action pursuant to Section 15 of the Clayton Act, 15 U.S.C. 25, and 28 U.S.C. 1331, 1337(a), and 1345.

10. Defendants have consented to venue and personal jurisdiction in this judicial district. Venue is therefore proper in this District under Section 12 of the Clayton Act, 15 U.S.C. 22, and 28 U.S.C. 1391(c).

#### **IV. Large Main Engine Generators**

##### *A. Background*

11. An electrical generator is a device that converts mechanical energy into electrical energy. The main engine of an aircraft generates mechanical energy. The main engine has a generator, which through electromagnetic induction converts the mechanical energy created by the engine to electrical energy.

12. The generator is responsible for generating power for all the in-flight systems that run on electricity, including pumping breathable air into the fuselage, operating the lights, and running the navigation and communication equipment in the cockpit.

13. To operate, the generator depends on the motion of the main engine. As the engine turns, it rotates a shaft leading to the generator, which generates electric power through electromagnetic induction. The outgoing electricity flows into the primary electrical distribution system, which routes it through the aircraft to the lighting system, environmental control systems, and other systems requiring electric power.

14. Aircraft power generation is a complicated process because aircraft engines change speed, according to the rate of acceleration or deceleration, the density of the air through which the aircraft is flying, and the angle of flight. Such variations require the generator to smooth out the peaks and valleys of propulsion to deliver the consistent power required by the aircraft's electrical systems.

15. The specifications of the main engine generator vary based on the size of the aircraft on which it is used. That aircraft size—large or small—determines the amount of power required from the generator. Large aircraft include

primarily aircraft that seat 100 passengers or more, such as commercial aircraft like the Airbus A380 and A320 or the Boeing 777 and 737. Aircraft that do not qualify as large aircraft include regional jets, business jets, and helicopters, which are smaller and have considerably fewer seats than large aircraft.

16. Electrical systems on large aircraft are significantly different from those used on smaller aircraft. Large aircraft require more power than smaller aircraft. In addition, large aircraft and smaller aircraft have substantial differences in terms of power rating, voltage, speed, and cooling system. Further, large aircraft systematically use alternating current ("AC"), but smaller aircraft can use either AC or direct current ("DC"). AC generators can produce variable frequency or constant frequency electrical power. The generators that are able to power large aircraft generally have outputs above approximately 75 thousand volt-amps ("Kva"). Hereinafter, main engine generators with outputs of 75Kva or more will be referred to as "large main engine generators."

17. Designing a large main engine generator is generally more difficult than designing a main engine generator for a smaller aircraft because of the need to operate large main engine generators efficiently at high rotation speeds. Design engineering staff must be experienced with the impact of operating at higher speeds, which requires a more complex cooling system, more complex controls, and mechanically sizing the generator to fit the plane.

18. The friction created by the heavier rotor operating at faster speeds in a large main engine generator also requires a more complex cooling system. Main engine generators for smaller aircraft, generating 30 to 45Kva or less, are cooled sufficiently by air circulated within the generator chamber. Large main engine generators, however, require a system of tubing and gears to deliver mists of oil around the rotor to avoid over-heating. Oil-cooling systems are more complex and challenging to design.

19. The need for a heavier rotor and a more complex cooling system also makes it difficult to minimize the size and weight of a generator. Therefore, large main engine generators are designed to more demanding specifications than main engine generators for smaller aircraft.

20. Using two generators designed for smaller aircraft in place of one large main engine generator with the same total output would weigh more, take

more space, require more connections to the electrical distribution system and the gearbox, and would be more costly. Weight and space, in particular, are important factors in generator selection and likely would dissuade a customer from approving such a design.

21. A generator used in an auxiliary power unit ("APU") cannot be used in place of a main engine generator. APU generators are designed to perform a function different from main engine generators and, therefore, differ in mechanical design, electrical design, and cooling technique.

##### *B. Relevant Markets*

###### **1. Product Market**

22. Large main engine generators have specific applications, for which other products cannot be employed. An aircraft needs a main engine generator and cannot operate without one. In addition, main engine generators for use on smaller aircraft, such as regional or business jets, cannot be used in large aircraft because they do not provide sufficient output to power the aircraft and have other different specifications. Further, generators for other parts of an aircraft, such as the APU, cannot be used on a main engine for a large aircraft because they do not have the same performance characteristics as main engine generators.

23. A small but significant increase in the price of large main engine generators would not cause customers of those generators to substitute a smaller generator, a generator for an APU, or any other product, or to reduce purchases of large main engine generators, in volumes sufficient to make such a price increase unprofitable. Accordingly, the development, manufacture, and sale of large main engine generators is a line of commerce and relevant market within the meaning of Section 7 of the Clayton Act.

###### **2. Geographic Market**

24. Aircraft manufacturers purchase large main engine generators primarily from companies located in the United States or Europe. However, suppliers typically offer a worldwide organization to support the provision of maintenance and repair services. Customers do not consider transportation costs, a small proportion of the cost of the finished aircraft, to be a significant cost driver.

25. Accordingly, the world is the relevant geographic market within the meaning of Section 7 of the Clayton Act.

##### *C. Anticompetitive Effects of the Proposed Acquisition*

26. UTC's proposed acquisition of Goodrich likely would lessen

competition substantially in the market for the development, manufacture, and sale of large main engine generators. UTC and Goodrich are the only significant competitors for large main engine generators. For the past twelve years, either UTC or Goodrich has won every competition for large main engine generators. Indeed, UTC and Goodrich were the top two bidders in almost every one of those competitions. UTC and Goodrich have been each other's closest competitor based on technical and commercial considerations.

27. UTC's and Goodrich's bidding behaviors often have been constrained by the possibility of losing sales of large main engine generators to the other. Each firm has often considered the other company's offering when planning bids and research and development activities.

28. Customers have benefited from the competition between UTC and Goodrich for sales of large main engine generators by receiving lower prices, more favorable contractual terms, more innovative products, and shorter delivery times. The combination of UTC and Goodrich would eliminate this competition and its future benefits to customers. Post-acquisition, UTC likely would have the incentive and the ability profitably to increase prices and reduce innovation.

29. UTC and Goodrich invest significantly to remain the two leading suppliers of large main engine generators in the future, and customers expect them to remain the leading suppliers. Future product development for large main engine generators likely would benefit from vigorous innovation competition between UTC and Goodrich.

30. Other companies that have some capability to develop large main engine generators are not close competitors to UTC and Goodrich. For example, no other company has an installed base of large main engine generators. Any other firm would need substantial time and expense to achieve UTC's or Goodrich's record of experience, flight time, and reliability. UTC's and Goodrich's installed base of large main engine generators also provides them the ability to develop new large main engine generators more efficiently and at a lower cost than other companies.

31. Companies that manufacture main engine generators for small aircraft do not compete effectively with UTC and Goodrich for large main engine generators because those companies' experiences with main engine generators for smaller aircraft do not provide them the ability to design and manufacture large main engine

generators, which are more complicated products. Similarly, companies that make generators for APUs do not compete effectively with UTC and Goodrich for large main engine generators because those companies' experiences with APU generators do not provide them the ability to design and manufacture large main engine generators, which again are more complicated products.

32. The proposed acquisition, therefore, likely would substantially lessen competition for the development, manufacture, and sale of large main engine generators. This likely would lead to higher prices, less favorable contractual terms, and less innovation in violation of Section 7 of the Clayton Act.

#### *D. Difficulty of Entry*

33. Sufficient, timely entry of additional competitors into the market for large main engine generators is unlikely. Therefore, entry or the threat of entry into this market would not prevent the harm to competition caused by the elimination of Goodrich as a supplier of these products.

34. Firms attempting to enter into the market for the development, manufacture, and sale of large main engine generators face several barriers to entry. Main engine generators perform critical functions on the aircraft and likely will be used throughout the life of the aircraft program, which may be twenty or thirty years. As a result, aircraft manufacturers are reluctant to purchase a product from a supplier not already known for its expertise in large main engine generators. A manufacturer must be able to demonstrate that its large main engine generator meets the necessary specifications and need for reliability. While some companies may have demonstrated experience in other types of generators, such experience is not considered by customers to be as relevant as experience specifically in large main generators.

35. UTC and Goodrich emphasize to customers their prior experience in large main engine generators to demonstrate reliability. Moreover, this experience allows them to develop a new large main engine generator at an initial development cost lower than that of companies that do not already have similar generators in operation. They also are able to demonstrate the technical and financial ability successfully to manage production, aftermarket service, and warranty work for large main engine generators, which companies trying to enter this market would not be able to do.

36. Developing a large main engine generator is technically difficult. Manufacturers of main engine generators for smaller aircraft or generators for other parts of the aircraft, such as APUs, face significant technical hurdles in designing and developing large main engine generators. Large main engine generators present unique technical challenges relating to the preservation of power quality at speeds much higher than those reached in main engine generators for smaller aircraft and generators for APUs. Large main engine generators also generate higher current levels than other generators, and require an oil cooling system. The manufacturer of main engine generators for smaller aircraft and APU generators cannot design and produce a large main engine generator simply by making a main engine generator for a smaller aircraft or an APU generator proportionately larger, but must instead completely redesign the generator.

37. Further, substantial time and significant financial investment would be required for a company to design and develop a large main engine generator. Even companies that already make other types of generators, or that already are attempting to develop a large main engine generator, would require up to five years or more and an investment of over \$50 million to develop a product that is competitive with those offered by UTC and Goodrich.

38. As a result of these barriers, entry into the market for large main engine generators would not be timely, likely, or sufficient to defeat the substantial lessening of competition that likely would result from UTC's acquisition of Goodrich.

### **V. Aircraft Turbine Engines**

#### *A. Background*

39. Most modern commercial, business, and military aircraft are powered by turbine engines. These engines operate by burning a fuel-and-air mixture in a combustion chamber, with the resulting combustion products turning a propeller blade on a turboprop engine, a rotor shaft on a turboshaft engine, or a fan in front of a turbofan engine.

40. Turbofan engines power most commercial transport aircraft, business jets, and many military aircraft. Generally, large commercial aircraft, regional jets, and military aircraft use the most powerful turbofan engines, while business jets use turbofan engines of lower power. The power delivered by a turbofan engine is measured in terms of pounds of thrust ("pounds thrust"),

and such engines are generally categorized by their thrust class.

41. Turboprop engines primarily are used to power smaller aircraft, such as commuter aircraft. Turboshaft engines power helicopters. The power delivered by turboprop and turboshaft engines is measured in terms of shaft horsepower (shp).

42. Due to their complexity and the degree of expertise and skill required for their design, development and production, few companies produce aircraft turbine engines.

43. Aircraft turbine engines typically continue in service for decades and require regular maintenance, repair, and overhaul. When selecting an engine, customers take into account the difficulty and cost of servicing the engine. Engines that require more frequent servicing or are otherwise more difficult or costly to own and operate are less attractive to customers and therefore less competitive.

44. There are only three main producers of aircraft turbine engines of greater than 10,000 pounds thrust. (Hereinafter the term "large aircraft turbine engines" will refer to engines of this thrust range.) UTC, through its Pratt & Whitney subsidiary, and Rolls-Royce Group plc ("Rolls-Royce") are two of these three producers. UTC manufactures turbine engines of up to 90,000 pounds thrust, while Rolls-Royce manufactures turbine engines of up to 97,000 pounds thrust.

45. There are only a few producers of aircraft turbine engines of 10,000 pounds thrust or less. (Hereinafter the term "small aircraft turbine engines" will refer to engines of this thrust range.) UTC, through its Pratt & Whitney subsidiary, is one of these producers.

46. It is critical that fuel be fed into aircraft turbine engines in a precise manner, so that the engine responds to the pilot's instructions in the most efficient manner possible. The system that accomplishes this is the engine control system, or ECS. The core of the ECS is a computer, usually called an electronic engine control, or EEC, that receives information from multiple sensors in the engine and from the pilot's controls, and calculates the amount of fuel to be sent to the engine. The ECS also includes the engine's main fuel pump and a fuel metering unit, or FMU, which controls the amount of fuel coming into the engine from the main fuel pump.

47. In virtually all modern aircraft turbine engines, the EEC within the ECS is a full-authority digital engine control, or FADEC. The FADEC consists of hardware and two types of software: the operating system and the application

software. The operating system is provided by the FADEC supplier. The application software contains sensitive performance data relating to the particular engine and is usually provided by the engine manufacturer.

48. An ECS, including the FADEC, is designed and developed to meet the specific performance requirements for the particular engine on which it will be installed. As a result, the ECS supplier has insight into the design and cost of not only its ECS, but also the customer's engine. Some ECS suppliers also provide the application software on the FADEC. Such suppliers have access to competitively sensitive confidential business information about the fuel efficiency and performance principles around which the customer's engine is designed.

49. In 2008, Goodrich and Rolls-Royce formed Aero Engine Controls (AEC), a joint venture to produce ECSs. The AEC joint venture agreement requires Rolls-Royce to purchase all of its ECSs for engines of over 4000 pounds thrust or 2000 shp from AEC. Therefore, there are no alternative suppliers of ECSs for Rolls-Royce large aircraft turbine engines.

50. The AEC joint venture agreement gives Goodrich the exclusive right to provide replacement parts and undertake maintenance, repair and overhaul of ECSs for Rolls-Royce large aircraft turbine engines. Because the volume of commerce for aftermarket service of any given ECS is quite small, there are no secondary suppliers for ECS replacement parts or service. Aftermarket parts and service for ECSs must be provided by the original ECS manufacturer or a reseller designated by that manufacturer. Therefore, it would not be possible for purchasers of these Rolls-Royce engines to obtain parts or service for these ECSs from any supplier other than Goodrich.

#### *B. Relevant Markets*

##### 1. Product Markets

###### a. Aircraft Turbine Engines

51. To a large extent, each aircraft platform is limited in the type and size of engine with which it may be powered. The choice of a turbofan, turboprop or turboshaft engine is dictated by aircraft type, range and speed, and is specified by the manufacturer. The engine must provide the amount of power needed for that particular aircraft to perform properly and safely, while at the same time being as light as possible. Thus, only a limited range of engine sizes is considered for any particular aircraft.

52. For any given aircraft, a small but significant increase in the price of an aircraft turbine engine of the required type and thrust would not cause sufficient purchases of such engines to be shifted to engines of a different type or significantly higher or lower thrust so as to make such a price increase unprofitable. Accordingly, the development, manufacture, and sale of the turbine engine required for each type of aircraft is a line of commerce and a relevant product market within the meaning of Section 7 of the Clayton Act.

53. Although the engine required for each such aircraft thus may be deemed a separate product market, in each such market there are few competitors.

54. The proposed acquisition of Goodrich by UTC would affect competition in each large aircraft turbine engine market in the same manner. It is therefore appropriate to aggregate large aircraft turbine engine markets for purposes of analyzing the effects of the acquisition.

55. The proposed acquisition of Goodrich by UTC would affect competition in each small aircraft turbine engine market in the same manner. It is therefore appropriate to aggregate small aircraft turbine engine markets for purposes of analyzing the effects of the acquisition.

##### b. ECSs for Aircraft Turbine Engines

56. All aircraft turbine engines require an ECS in order to operate properly. No aircraft engine can be sold or operated without an ECS. There are no other products that perform the functions of an ECS in receiving and analyzing data from sensors and pilot controls, calculating the optimal flow rate of fuel into the engine combustion chamber, and feeding the proper amount of fuel into the engine combustion chamber.

57. Each ECS is designed to work on a specific engine, and one ECS cannot be substituted for an ECS on another engine. Therefore, a small but significant increase in the price of the ECS designed for a particular engine would not cause enough purchases to be shifted to a different ECS so as to make such a price increase unprofitable. Accordingly, the development, manufacture, sale, and aftermarket service of the ECS for each aircraft turbine engine is a line of commerce and relevant product market within the meaning of Section 7 of the Clayton Act.

58. Although the ECS required for each particular engine thus may be deemed a separate product market, the AEC joint venture agreement requires Rolls-Royce to purchase all ECSs for large aircraft turbine engines from AEC

and grants exclusive aftermarket rights to such ECSs to Goodrich. Thus the proposed acquisition would affect competition in each such market in the same manner. It is therefore appropriate to aggregate the markets for ECSs for large aircraft turbine engines for purposes of analyzing the effects of the acquisition.

59. The proposed acquisition would have the same effect in each market for ECSs for small aircraft turbine engines. It is therefore appropriate to aggregate the markets for ECSs for small aircraft turbine engines for purposes of analyzing the effects of the acquisition.

## 2. Geographic Market

60. Aircraft manufacturers purchase aircraft turbine engines and the ECSs for those engines primarily from companies located in the United States or Europe. However, suppliers typically offer a worldwide organization to support the provision of maintenance and repair services. Customers do not consider transportation costs, a small proportion of the cost of the finished aircraft, to be a significant cost driver.

61. Accordingly, the world is the relevant geographic market within the meaning of Section 7 of the Clayton Act.

## C. Anticompetitive Effects of the Proposed Acquisition

### 1. Large Aircraft Turbine Engines

62. As discussed in paragraph 43 above, there are only three primary competitors in the markets for the development, manufacture, and sale of large aircraft turbine engines. UTC, through its Pratt & Whitney subsidiary, and Rolls-Royce are two of those competitors. Goodrich is a partner in AEC, from which Rolls-Royce must obtain its ECSs for most such engines. If UTC were to purchase Goodrich, and thus Goodrich's share of AEC, UTC would be both a producer of large aircraft turbine engines and the sole-source supplier of ECSs to one of its leading engine competitors.

63. After the acquisition UTC, through its position as a partner in the AEC joint venture, would have the incentive and ability to cause AEC to withhold or delay delivery of ECSs to its competitor, Rolls-Royce, resulting in the inability of Rolls-Royce to deliver engines on the schedule required by customers.

64. In addition, after the acquisition UTC, through its position as the exclusive supplier of aftermarket parts and services for ECSs on Rolls-Royce large aircraft turbine engines, would have the incentive and ability to raise the costs of such parts and services, or to lower the availability of such parts

and services, making Rolls-Royce a less reliable supplier of large aircraft large turbine engines.

65. Such strategies to raise Rolls-Royce's costs and reduce its reliability would be profitable to UTC post-merger because the sale of large aircraft turbine engines provides much more revenue and profit than the sale of ECSs or the aftermarket service of ECSs for those engines. Therefore, if UTC were able to gain additional engine sales by causing AEC to withhold or delay delivery of ECSs for Rolls-Royce engines, or by increasing the cost or difficulty of obtaining aftermarket service on such ECSs, the additional engine sales would result in considerably more revenue and profit to UTC than the revenue and profit lost from any decrease in sales of or aftermarket service on such ECSs.

66. These actions by UTC likely would harm purchasers of large aircraft turbine engines because UTC and Rolls-Royce have been, and likely will continue to be, in some competitions the two best-positioned suppliers of large aircraft turbine engines. By making Rolls-Royce unable to deliver engines or by raising its costs, UTC may substantially affect competition and gain the ability to raise prices or reduce quality.

67. In addition, because AEC produces the ECSs for Rolls-Royce engines, AEC has accurate information concerning the cost of the ECS and each of the ECS components used on each Rolls-Royce engine covered by the AEC agreement. Moreover, because AEC provides the application software for the FADECs for these Rolls-Royce engines, it has access to competitively-sensitive confidential business information concerning the engine itself, including the fuel efficiency and performance principles around which each engine is designed.

68. Following the acquisition of Goodrich and its share of AEC, UTC would have the incentive and ability to use this information to its advantage in bidding on large aircraft turbine engines. For example, such information would reveal to UTC when it could offer higher pricing or less innovative solutions without risk of losing a large aircraft turbine engine sale.

69. Therefore, UTC's acquisition of Goodrich would give UTC both the ability and the incentive to reduce the competitiveness of Rolls-Royce in the supply of large aircraft turbine engines. If UTC were to reduce the competitiveness of Rolls-Royce in the markets for these engines, customers for those engines would have significantly fewer choices, and competition thus would be lessened substantially.

### 2. Small Aircraft Turbine Engines

70. As discussed in paragraph 44 above, UTC, through its Pratt & Whitney subsidiary, is one of a small number of significant competitors in the markets for the development, manufacture, and sale of small aircraft turbine engines. Several of UTC's competitors purchase the ECSs for certain of their small aircraft turbine engines from Goodrich. Therefore, if UTC were to purchase Goodrich, UTC would be both a producer of small aircraft turbine engines and a supplier of ECSs to its competitors.

71. At least three years are required to design and develop an ECS for a small aircraft turbine engine. Therefore, if an engine manufacturer must replace the supplier of the ECS on a specific engine, at least three years will pass before the engine manufacturer can deliver an engine with a replacement ECS. Aircraft manufacturers often demand delivery of an engine in less than three years.

72. If, after the acquisition, UTC were to withhold or delay delivery of Goodrich ECSs to companies that compete with UTC for the design, development, manufacture, and sale of small aircraft turbine engines, those companies might be unable to deliver engines on the schedule required by their customers. Such customers likely would have to turn to a different engine supplier.

73. In such circumstances, UTC might be the best positioned alternative engine supplier. As a result, customers that would otherwise choose a competing engine could be forced to purchase an engine from UTC.

74. The sale of small aircraft turbine engines provides much more revenue and profit than the sale of ECSs for those engines. Therefore, if UTC were able to gain additional engine sales by withholding or delaying delivery of ECSs to its engine competitors, the additional engine sales would result in considerably more revenue and profit to UTC than the revenue and profit lost from any decrease in sales of such ECSs.

75. UTC's acquisition of Goodrich therefore would give UTC both the ability and the incentive to make its competitors unable to compete effectively to supply small aircraft turbine engines. If UTC were to make its competitors unable to compete effectively in the development, manufacture, and sale of small aircraft turbine engines, customers for those engines would have significantly fewer choices, and competition would be lessened substantially.

#### *D. Difficulty of Entry*

76. Sufficient, timely entry of additional competitors into the markets for aircraft turbine engines is unlikely to prevent the harm to competition in the markets for aircraft turbine engines that is likely to occur as a result of the proposed acquisition.

77. Entry of any new competitor into the development, manufacture, and sale of aircraft turbine engines is unlikely and cannot happen in a time period that would prevent significant competitive harm. The primary purchasers of aircraft turbine engines are aircraft manufacturers, of which there are very few in the world. Aircraft manufacturers are extremely hesitant to purchase components from unproven sources, particularly such major components as engines. A firm seeking to enter this business would need many years and an enormous financial investment to design and develop a new aircraft turbine engine. No firm has successfully entered this business in decades.

78. Such entry is unlikely to occur in a timeframe sufficient to prevent competitive harm. Engine purchasers typically expect delivery of the first engine for a new aircraft from one to five years after contract award. A new entrant into any market for aircraft turbine engines, even a firm already manufacturing other aircraft turbine engines, would require much more time to develop and market a new engine.

79. As a result of these barriers, entry into the markets for aircraft turbine engines would not be timely, likely, or sufficient to defeat the substantial lessening of competition that is likely to result from UTC's acquisition of Goodrich.

### **VI. Engine Control Systems for Large Aircraft Turbine Engines**

#### *A. Background*

80. The ECS in a large aircraft turbine engine is a major determinant of key engine performance parameters including fuel economy, safe operation, and thrust in different situations. In order to maximize engine performance, the ECS must be closely integrated with the engine during both the design stage and the assembly process. Changes in an engine design can necessitate changes in an ECS design, and vice versa.

81. As a result, large aircraft turbine engines and the ECSs for those engines are not sold separately to engine purchasers. It would not be practical for even the most sophisticated engine purchasers to integrate an ECS and an engine. All large aircraft turbine engines are sold with an ECS installed by the

ECS producer and the engine manufacturer.

82. In large part because of the highly integrated nature of engines and ECSs, each of the three major producers of large aircraft turbine engines has a preferred supplier for the ECSs used on its engines. Each engine manufacturer purchases the great majority of the ECSs used on its engines from its preferred supplier.

83. Because of these preferred supplier relationships, there are only three significant suppliers of ECSs for large aircraft turbine engines, one for each engine producer. UTC and AEC, the Goodrich-Rolls-Royce joint venture, are two of the three suppliers. UTC, through its Hamilton Sundstrand subsidiary, supplies the ECSs used on most of its own engines. AEC supplies the ECSs used on most Rolls-Royce engines.

#### *B. Relevant Markets*

##### *1. Product Market*

84. As discussed in paragraphs 56 to 58 above, the development, manufacture, sale, and aftermarket service of the ECS for large aircraft turbine engines is a line of commerce and relevant product market within the meaning of Section 7 of the Clayton Act.

##### *2. Geographic Market*

85. Aircraft manufacturers purchase ECSs for large aircraft turbine engines primarily from companies located in the United States or Europe. However, suppliers typically offer a worldwide organization to support the provision of maintenance and repair services. ECS customers do not consider transportation costs, a small proportion of the cost of the finished aircraft, to be a significant cost driver.

86. Accordingly, the world is the relevant geographic market within the meaning of Section 7 of the Clayton Act.

#### *C. Anticompetitive Effects of the Proposed Transaction*

87. UTC's proposed acquisition of Goodrich likely would lessen competition substantially in the market for ECSs for large aircraft turbine engines. UTC and AEC are two of the three producers of such ECSs. If UTC were to purchase Goodrich and thus Goodrich's share of AEC, UTC would control fifty percent of one of its two leading competitors for such ECSs.

88. Although an ECS for a large aircraft turbine engine is generally purchased by an engine builder from its preferred supplier, independent source selections can and do take place. For example, an aircraft manufacturer may

purchase a replacement ECS from an ECS manufacturer other than its preferred supplier to upgrade the ECS on an engine already in service. This occurs when an existing ECS becomes difficult to repair due to parts obsolescence issues. In addition, engine manufacturers occasionally form teams to compete for new large aircraft turbine engine projects. In either of these situations, an ECS supplier may be selected by competition rather than on the basis of an existing preferred supplier arrangement. After the acquisition UTC, through its position as a partner in the AEC joint venture, would have the incentive and ability to impede AEC's pursuit of such projects in competition with UTC. Competition for ECSs for large aircraft turbine engines thus would be lessened substantially.

89. UTC, through its Pratt & Whitney subsidiary, and Rolls-Royce are two of the world's three primary manufacturers of large aircraft turbine engines. The companies conduct independent work into the research, development and design of new ECSs for such engines, UTC through its Hamilton Sundstrand subsidiary and Rolls-Royce through AEC. After UTC acquires Goodrich, UTC and Rolls-Royce would share control of AEC, and UTC has explored using AEC as a vehicle to combine its ECS business with that of Rolls-Royce, to share intellectual property and research and development results, and to eliminate some product lines, rather than competing with Rolls-Royce to independently develop innovative and cost-effective ECS solutions. Competition for ECSs for large aircraft turbine engines thus would be lessened substantially, as engine customers would be offered two engines from UTC and Rolls-Royce, but only a single ECS. This loss of competition would result in less innovative and cost-effective ECSs for large aircraft turbine engines.

#### *D. Difficulty of Entry*

90. Sufficient, timely entry of additional competitors into the market for ECSs for large aircraft turbine engines is unlikely. Therefore, entry or the threat of entry into this market would not prevent the harm to competition caused by UTC's acquisition of Goodrich and its share of AEC.

91. A firm seeking to enter this market would need substantial time and a significant financial investment to design and develop a new ECS for a large aircraft turbine engine. Even those firms that produce ECSs for smaller engines would need at least five years and an investment of \$50 million or

more to develop an ECS for a large aircraft turbine engine that is competitive with those produced today by UTC and AEC.

92. A firm attempting to enter this market would be unlikely to obtain sufficient sales to be economically viable. Because most of these products are purchased by the three primary engine manufacturers from their existing preferred suppliers, a new entrant would have few opportunities to recover the considerable investment required to develop a new ECS for large aircraft turbine engines. Independent competitions are unlikely to occur with sufficient frequency to permit an entrant to recover its costs.

93. As a result of these barriers, entry into the market for ECSs for large aircraft turbine engines would not be timely, likely, or sufficient to defeat the substantial lessening of competition that likely would result from UTC's acquisition of Goodrich.

## VII. Violations Alleged

94. UTC's proposed acquisition of Goodrich likely would lessen competition substantially in the development, manufacture, and sale of large main engine generators, aircraft turbine engines, and engine control systems for large aircraft turbine engines, in violation of Section 7 of the Clayton Act, 15 U.S.C. 18.

95. Unless enjoined, the proposed acquisition likely would have the following anticompetitive effects relating to large main engine generators, among others:

(a) Actual and potential competition between UTC and Goodrich would be eliminated;

(b) competition likely would be substantially lessened;

(c) prices likely would increase, contractual terms likely would be less favorable to the customers, and innovation likely would decrease.

96. Unless enjoined, the proposed acquisition likely would have the following anticompetitive effects relating to aircraft turbine engines, among others:

(a) Competition likely would be substantially lessened;

(b) prices would likely increase, contractual terms likely would be less favorable to the customers, and innovation likely would decrease.

97. Unless enjoined, the proposed acquisition likely would have the following anticompetitive effects relating to ECSs for large aircraft turbine engines, among others:

(a) Actual and potential competition between UTC and Goodrich would be eliminated;

(b) competition likely would be substantially lessened;

(c) prices would likely increase, contractual terms likely would be less favorable to the customers, and innovation likely would decrease.

## VIII. Requested Relief

98. The United States requests that this Court:

(a) Adjudge and decree that UTC's acquisition of Goodrich would be unlawful and violate Section 7 of the Clayton Act, 15 U.S.C. 18;

(b) preliminarily and permanently enjoin and restrain Defendants and all persons acting on their behalf from consummating the proposed acquisition of Goodrich by UTC, or from entering into or carrying out any other contract, agreement, plan, or understanding, the effect of which would be to combine UTC with Goodrich;

(c) award the United States its costs for this action; and

(d) award the United States such other and further relief as the Court deems just and proper.

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Dated: July 26, 2012.

## United States District Court For the District of Columbia

*United States Of America Plaintiff, v.  
United Technologies Corporation and  
Goodrich Corporation, Defendants.*

[Civil Action No. 1:12-cv-01230]

## Competitive Impact Statement

Plaintiff United States of America ("United States"), pursuant to Section 2(b) of the Antitrust Procedures and Penalties Act ("APPRA" or "Tunney Act"), 15 U.S.C. 16(b)-(h), files this Competitive Impact Statement relating to the proposed Final Judgment submitted for entry in this civil antitrust proceeding.

## I. Nature and Purpose of the Proceeding

On September 21, 2011, defendants United Technologies Corporation ("UTC") and Goodrich Corporation ("Goodrich") entered into an agreement whereby UTC proposes to acquire Goodrich for approximately \$18.4 billion.

The United States filed a civil antitrust Complaint against UTC and Goodrich on July 26, 2012, seeking to enjoin the proposed acquisition. The Complaint alleged that the proposed acquisition likely would substantially lessen competition in violation of Section 7 of the Clayton Act, 15 U.S.C. 18, in the worldwide markets for the development, manufacture, and sale of large main engine generators, aircraft turbine engines, and engine control systems for large aircraft turbine engines. That loss of competition likely would result in increased prices, less favorable contractual terms, and decreased innovation in the markets for these products.

At the same time the Complaint was filed, the United States filed a Hold Separate Stipulation and Order ("Hold Separate") and proposed Final Judgment, which are designed to eliminate the anticompetitive effects that would have resulted from UTC's acquisition of Goodrich. Under the proposed Final Judgment, which is explained more fully below, UTC is required to divest assets relating to Goodrich's main engine generator business and Goodrich's engine controls business. UTC is also required to divest Goodrich's shares in a joint venture related to engine controls, and extend until December 31, 2023 the option of a third party to purchase a portion of the Goodrich engine controls business related to that joint venture.<sup>1</sup> Each of the products discussed in the Complaint and the proposed transaction's potential anticompetitive effects on each relevant product market are discussed in turn below.

The United States and Defendants have stipulated that the proposed Final Judgment may be entered after compliance with the APPRA. Entry of the proposed Final Judgment would terminate this action, except that the Court would retain jurisdiction to construe, modify, or enforce the provisions of the Final Judgment and to punish violations thereof.

<sup>1</sup> Throughout its investigation of the UTC/Goodrich acquisition, the United States has worked closely with the European Commission and has obtained substantially the same remedies. The United States will continue to cooperate with the European Commission as appropriate in implementing the remedies provided in the proposed Final Judgment.

## II. Description of the Events Giving Rise to the Alleged Violations

### A. The Defendants

UTC is incorporated in Delaware and has its headquarters in Hartford, Connecticut. UTC produces a wide range of products for the aerospace and other industries, including, among other products, aircraft generators, aircraft engine control systems and components, aircraft engines, and helicopters. UTC's main aerospace divisions are Pratt & Whitney, Hamilton Sundstrand, and Sikorsky. In 2010, UTC had revenues of approximately \$54 billion.

Goodrich is incorporated in New York and has its headquarters in Charlotte, North Carolina. Goodrich manufactures a variety of products for the aerospace industry, including, among other products, aircraft generators, aircraft engine control systems and components, landing gear, and actuation systems. In 2010, Goodrich had revenues of approximately \$7.2 billion.

### B. The Competitive Effects of the Acquisition in the Market for Large Main Engine Generators

An aircraft electrical generator is a device that converts some of the mechanical energy created by an aircraft engine into electrical power used by communication and navigation equipment, environmental control systems, interior and exterior lighting, and other aircraft systems. As the engine turns, it rotates a shaft connected to the generator, which by electromagnetic induction converts some of the mechanical energy into electrical power. Electricity flows into the primary electrical distribution system, which routes it through the aircraft to the lighting bus, environmental control systems, and other systems requiring electric power.

Aircraft electrical power generation is quite complex. Because aircraft engines change speed according to the rate of acceleration or deceleration, air density, and angle of flight, the shaft connected to the generator will rotate at higher or lower rates. This variability must be taken into account by the generator, which must deliver a steady level of power to the aircraft systems.

Large aircraft (which include commercial aircraft seating 100 or more passengers) generally require much more electrical power than smaller aircraft. Main engine generators for large aircraft generally have power output above approximately 75 thousand volt-

amps ("Kva").<sup>2</sup> Main engine generators for large and small aircraft also have substantial differences in terms of rotational speed and cooling system. Moreover, large aircraft almost always use alternating current ("AC") rather than direct current ("DC"), while smaller aircraft use either AC or DC. AC generators can produce variable frequency or constant frequency electrical power.

Designing a large main engine generator is generally more difficult than designing a small main engine generator because of the need to operate large generators efficiently at high rotational speeds. This requires a more complex cooling system to deal with the friction created by a heavier rotor operating at faster speeds. Small generators, generating 30 to 45Kva or less, are cooled sufficiently by air circulated within the generator chamber. Large generators, however, require a system of tubing and gears to deliver mists of oil around the rotor to avoid over-heating. Oil-cooling systems are more complex and challenging to design.

The need for a heavier rotor and a more complex cooling system also makes it difficult to minimize the size and weight of a large main engine generator. Therefore, such generators are designed to more demanding specifications than small main engine generators. Design engineering staffs must be familiar with the more demanding requirements of large main engine generators.

While multiple smaller generators could produce the same total power output as a single large main engine generator, multiple generators would weigh more, consume more space, require more connections to the electrical distribution system and the gearbox, and be more costly than a single generator. Weight and space, in particular, are important factors in generator selection and likely would dissuade a customer from approving a multiple-generator design.

Generators used in auxiliary power units ("APUs") cannot be used in place of large main engine generators. APU generators are designed to perform a function different from main engine generators and, therefore, differ in mechanical design, electrical design, and cooling technique.

### 1. Relevant Product Market

Large main engine generators have specific applications, for which other

products cannot be employed. An aircraft needs a main engine generator and cannot operate without one. In addition, main engine generators for use on smaller aircraft cannot be used in large aircraft because they do not provide sufficient output to power the aircraft and have other different specifications. Further, generators for other parts of an aircraft, such as the APU, cannot be used on the main engine of a large aircraft because they do not have the same performance characteristics as main engine generators.

A small but significant increase in the price of large main engine generators would not cause customers of those generators to substitute a smaller generator, a generator for an APU, or any other product, or to reduce purchases of large main engine generators, in volumes sufficient to make such a price increase unprofitable. Accordingly, the development, manufacture, and sale of large main engine generators is a line of commerce and relevant market within the meaning of Section 7 of the Clayton Act.

### 2. Relevant Geographic Market

Aircraft manufacturers purchase large main engine generators primarily from companies located in the United States or Europe. However, suppliers typically offer a worldwide organization to support the provision of maintenance and repair services. Customers do not consider transportation costs, a small proportion of the cost of the finished aircraft, to be a significant cost driver. Accordingly, the world is the relevant geographic market within the meaning of Section 7 of the Clayton Act.

### 3. Anticompetitive Effects

UTC's proposed acquisition of Goodrich likely would lessen competition substantially in the market for the development, manufacture, and sale of large main engine generators. UTC and Goodrich are the only significant competitors for large main engine generators. For the past twelve years, either UTC or Goodrich has won every competition for large main engine generators. Indeed, UTC and Goodrich were the top two bidders in almost every one of those competitions. The firms have been each other's closest competitors based on technical and commercial considerations.

The bidding behaviors of UTC and Goodrich often have been constrained by the possibility of losing sales of large main engine generators to the other. Each firm has often considered the other company's offering when planning bids

<sup>2</sup>Hereinafter, main engine generators with outputs of 75Kva or more will be referred to as "large main engine generators."

and research and development activities.

Customers have benefited from the competition between UTC and Goodrich for sales of large main engine generators by receiving lower prices, more favorable contractual terms, more innovative products, and shorter delivery times. The combination of UTC and Goodrich would eliminate this competition and its future benefits to customers. Post-acquisition, UTC likely would have the incentive and the ability profitably to increase prices and reduce innovation.

UTC and Goodrich invest significantly to remain the two leading suppliers of large main engine generators in the future, and customers expect them to maintain these positions. Future product development for large main engine generators would benefit from vigorous innovation competition between UTC and Goodrich.

Other companies that have some capability to develop large main engine generators are not close competitors to UTC and Goodrich. For example, no other company has an installed base of large main engine generators. Any other firm would need substantial time and expense to achieve UTC's or Goodrich's record of experience, flight time, and reliability. UTC's and Goodrich's installed base of large main engine generators also provides them the ability to develop new large main engine generators more efficiently and at a lower cost than other companies.

Companies that manufacture main engine generators for small aircraft do not compete effectively with UTC and Goodrich for large main engine generators because those companies' experiences with main engine generators for smaller aircraft do not provide them the ability to design and manufacture large main engine generators, which are more complicated products. Similarly, companies that make generators for APUs do not compete effectively with UTC and Goodrich for large main engine generators because those companies' experiences with APU generators do not provide them the ability to design and manufacture large main engine generators, which again are more complicated products.

The proposed acquisition, therefore, likely would substantially lessen competition for the development, manufacture, and sale of large main engine generators. This likely would lead to higher prices, less favorable contractual terms, and less innovation in violation of Section 7 of the Clayton Act.

#### 4. Difficulty of Entry

Sufficient, timely entry of additional competitors into the market for large main engine generators is unlikely. Therefore, entry or the threat of entry into this market would not prevent the harm to competition caused by the elimination of Goodrich as a supplier of these products.

Firms attempting to enter into the market for the development, manufacture, and sale of large main engine generators face several barriers to entry. Main engine generators perform critical functions on the aircraft and likely will be used throughout the life of the aircraft program, which may be twenty or thirty years. As a result, aircraft manufacturers are reluctant to purchase a product from a supplier not already known for its expertise in large main engine generators. A manufacturer must be able to demonstrate that its large main engine generator meets the necessary specifications and need for reliability. While some companies may have demonstrated experience in other types of generators, such experience is not considered by customers to be as relevant as experience specifically in large main generators.

UTC and Goodrich emphasize to customers their prior experience in large main engine generators to demonstrate reliability. Moreover, this experience allows them to develop a new large main engine generator at an initial development cost lower than that of companies that do not already have similar generators in operation. They also are able to demonstrate the technical and financial ability successfully to manage production, aftermarket service, and warranty work for large main engine generators, which companies trying to enter this market would not be able to do.

Developing a large main engine generator is technically difficult. Manufacturers of main engine generators for smaller aircraft or generators for other parts of the aircraft, such as APUs, face significant technical hurdles in designing and developing large main engine generators. Large main engine generators present unique technical challenges relating to the preservation of power quality at speeds much higher than those reached in main engine generators for smaller aircraft and generators for APUs. Large main engine generators also generate higher current levels than other generators, and require an oil cooling system. Manufacturers of main engine generators for smaller aircraft and APU generators cannot design and produce a large main engine generator simply by

making a main engine generator for a smaller aircraft or an APU generator proportionately larger, but must instead completely redesign the generator.

Further, substantial time and significant financial investment would be required for a company to design and develop a large main engine generator. Even companies that already make other types of generators, or that already are attempting to develop a large main engine generator, would require up to five years or more and an investment of over \$50 million to develop a product that is competitive with those offered by UTC and Goodrich.

As a result of these barriers, entry into the market for large main engine generators would not be timely, likely, or sufficient to defeat the substantial lessening of competition that likely would result from UTC's acquisition of Goodrich.

#### *C. The Competitive Effects of the Acquisition in the Market for Aircraft Turbine Engines*

Most modern commercial, business, and military aircraft are powered by turbine engines. These engines operate by burning a fuel-and-air mixture in a combustion chamber, with the resulting combustion products turning a propeller blade on a turboprop engine, a rotor shaft on a turboshaft engine, or a fan in front of a turbofan engine. Turbofan engines power most commercial transport aircraft, business jets, and many military aircraft. Generally, large commercial aircraft, regional jets, and military aircraft use the most powerful turbofan engines, while business jets use turbofan engines of lower power. The power delivered by a turbofan engine is measured in terms of pounds of thrust ("pounds thrust"), and such engines are generally categorized by their thrust class. Turboprop engines primarily are used to power smaller aircraft, such as commuter aircraft. Turboshaft engines power helicopters. The power delivered by turboprop and turboshaft engines is measured in terms of shaft horsepower (shp).

Due to their complexity and the degree of expertise and skill required for their development, and production, few companies produce aircraft turbine engines of any kind. Aircraft turbine engines typically continue in service for decades and require regular maintenance, repair, and overhaul. When selecting an engine, customers take into account the difficulty and cost of servicing the engine, including the engine control system ("ECS") on the engine. Engines that require more frequent servicing or are otherwise more difficult or costly to own and operate

are less attractive to customers and therefore less competitive. There are only three main producers of aircraft turbine engines of greater than 10,000 pounds thrust. (Hereinafter the term “large aircraft turbine engines” will refer to engines of this thrust range.) UTC, through its Pratt & Whitney subsidiary, and Rolls-Royce Group plc (“Rolls-Royce”) are two of these three producers. UTC manufactures turbine engines of up to 90,000 pounds thrust, while Rolls-Royce manufactures turbine engines of up to 97,000 pounds thrust. There are only a few producers of aircraft turbine engines of 10,000 pounds thrust or less. (Hereinafter the term “small aircraft turbine engines” will refer to engines of this thrust range.) UTC, through its Pratt & Whitney subsidiary, is one of these producers.

It is critical that fuel be fed into aircraft turbine engines in a precise manner, so that the engine responds to the pilot’s instructions in the most efficient manner possible. The system that accomplishes this is the ECS. The core of the ECS is a computer, usually called an electronic engine control, or EEC, that receives information from multiple sensors in the engine and from the pilot’s controls, and calculates the amount of fuel to be sent to the engine. The ECS also includes the engine’s main fuel pump and a fuel metering unit, or FMU, which controls the amount of fuel coming into the engine from the main fuel pump.

In virtually all modern aircraft turbine engines, the EEC within the ECS is a full-authority digital engine control, or FADEC. The FADEC consists of hardware and two types of software: the operating system and the application software. The operating system is provided by the FADEC supplier. The application software contains sensitive performance data relating to the particular engine and is usually provided by the engine manufacturer, although in some cases the ECS supplier provides this software.

An ECS, including the FADEC, is designed and developed to meet the specific performance requirements of the particular engine on which it will be installed. As a result, the ECS supplier has insight into the design and cost of not only its ECS, but also the customer’s engine. ECS suppliers that provide the application software also have access to competitively sensitive confidential business information about the fuel efficiency and performance principles around which the customer’s engine is designed.

In 2008, Goodrich and Rolls-Royce formed Aero Engine Controls (“AEC”), a joint venture to produce ECSs. The AEC

joint venture agreement requires Rolls-Royce to purchase all of its ECSs for engines of over 4000 pounds thrust or 2000 shp from AEC. Therefore, there are no alternative suppliers of ECSs for Rolls-Royce large aircraft turbine engines.

The AEC joint venture agreement gives Goodrich the exclusive right to provide replacement parts and undertake maintenance, repair, and overhaul of ECSs for Rolls-Royce large aircraft turbine engines. Because the volume of commerce for aftermarket service of any given ECS is quite small, there are no secondary suppliers for ECS replacement parts or service. Aftermarket parts and service for ECSs must be provided by the original ECS manufacturer or a reseller designated by that manufacturer. Therefore, it would not be possible for purchasers of these Rolls-Royce engines to obtain parts or service for these ECSs from any supplier other than Goodrich.

## 1. Relevant Product Markets

### a. Aircraft Turbine Engines

To a large extent, each aircraft platform is limited in the type and size of engine with which it may be powered. The choice of a turbofan, turboprop, or turboshaft engine is dictated by aircraft type, range and speed, and is specified by the manufacturer. The engine must provide the amount of power needed for that particular aircraft to perform properly and safely, while at the same time being as light as possible. Thus, only a limited range of engine sizes is considered for any particular aircraft.

For any given aircraft, a small but significant increase in the price of an aircraft turbine engine of the required type and thrust would not cause sufficient purchases of such engines to be shifted to engines of a different type or significantly higher or lower thrust so as to make such a price increase unprofitable. Accordingly, the development, manufacture, and sale of the turbine engine required for each type of aircraft is a line of commerce and a relevant product market within the meaning of Section 7 of the Clayton Act.

Although the engine required for each such aircraft thus may be deemed a separate product market, in each such market there are few competitors. The proposed acquisition of Goodrich by UTC would affect competition in each large aircraft turbine engine market in the same manner. It is therefore appropriate to aggregate large aircraft turbine engine markets for purposes of analyzing the effects of the acquisition.

Similarly, the proposed acquisition of Goodrich by UTC would affect competition in each small aircraft turbine engine market in the same manner. It is therefore also appropriate to aggregate small aircraft turbine engine markets for purposes of analyzing the effects of the acquisition.

### b. ECSs for Aircraft Turbine Engines

All aircraft turbine engines require an ECS in order to operate properly. No aircraft engine can be sold or operated without an ECS. There are no other products that perform the functions of an ECS in receiving and analyzing data from sensors and pilot controls, calculating the optimal flow rate of fuel into the engine combustion chamber, and feeding the proper amount of fuel into the engine combustion chamber.

Each ECS is designed to work on a specific engine, and one ECS cannot be substituted for an ECS on another engine. Therefore, a small but significant increase in the price of the ECS designed for a particular engine would not cause enough purchases to be shifted to a different ECS so as to make such a price increase unprofitable. Accordingly, the development, manufacture, sale, and aftermarket service of the ECS for each aircraft turbine engine is a line of commerce and relevant product market within the meaning of Section 7 of the Clayton Act.

Although the ECS required for each particular engine thus may be deemed a separate product market, the AEC joint venture agreement requires Rolls-Royce to purchase all ECSs for large aircraft turbine engines from AEC and grants exclusive aftermarket rights to such ECSs to Goodrich. Thus the proposed acquisition would affect competition in each such market in the same manner. It is therefore appropriate to aggregate the markets for ECSs for large aircraft turbine engines for purposes of analyzing the effects of the acquisition.

The proposed acquisition would have the same effect in each market for ECSs for small aircraft turbine engines. It is therefore appropriate to aggregate the markets for ECSs for small aircraft turbine engines for purposes of analyzing the effects of the acquisition.

## 2. Relevant Geographic Market

Aircraft manufacturers purchase aircraft turbine engines and the ECSs for those engines primarily from companies located in the United States or Europe. However, suppliers typically offer a worldwide organization to support the provision of maintenance and repair services. Customers do not consider transportation costs, a small proportion of the cost of the finished aircraft, to be

a significant cost driver. Accordingly, the world is the relevant geographic market within the meaning of Section 7 of the Clayton Act.

### 3. Anticompetitive Effects

#### a. Large Aircraft Turbine Engines

As discussed above, there are only three primary competitors in the markets for the development, manufacture, and sale of large aircraft turbine engines. UTC, through its Pratt & Whitney subsidiary, and Rolls-Royce are two of those competitors. Goodrich is a partner in AEC, from which Rolls-Royce must obtain its ECSs for most such engines. If UTC were to purchase Goodrich, and thus Goodrich's share of AEC, UTC would be both a producer of large aircraft turbine engines and the sole-source supplier of ECSs to one of its leading engine competitors.

After the acquisition UTC, through its position as a partner in the AEC joint venture, would have the incentive and ability to cause AEC to withhold or delay delivery of ECSs to its competitor Rolls-Royce, resulting in the inability of Rolls-Royce to deliver engines on the schedule required by customers. In addition, after the acquisition UTC, through its position as the exclusive supplier of aftermarket parts and services for ECSs on Rolls-Royce large aircraft turbine engines, would have the incentive and ability to raise the costs of such parts and services, or to reduce the availability of such parts and services, making Rolls-Royce a less reliable supplier of large aircraft turbine engines. Such strategies to raise Rolls-Royce's costs and reduce its reliability would be profitable to UTC post-merger because the sale of large aircraft turbine engines provides much more revenue and profit than the sale of ECSs or the aftermarket service of ECSs for those engines. Therefore, if UTC were able to gain additional engine sales by causing AEC to withhold or delay delivery of ECSs for Rolls-Royce engines, or by increasing the cost or difficulty of obtaining aftermarket service on such ECSs, the additional engine sales would result in considerably more revenue and profit to UTC than the revenue and profit lost from any decrease in sales of or aftermarket service on such ECSs. These actions by UTC likely would harm purchasers of large aircraft turbine engines because UTC and Rolls-Royce have been, and likely will continue to be, in some competitions the two best-positioned suppliers of large aircraft turbine engines. By making Rolls-Royce unable to deliver engines or by raising its costs, UTC may substantially affect

competition and gain the ability to raise prices or reduce quality.

In addition, because AEC produces the ECSs for Rolls-Royce engines, AEC has accurate information concerning the cost of the ECS and each of the ECS components used on each Rolls-Royce engine covered by the AEC agreement. Moreover, because AEC provides the application software for the FADECs for these Rolls-Royce engines, it has access to competitively-sensitive confidential business information concerning the engine itself, including the fuel efficiency and performance principles around which each engine is designed. Following the acquisition of Goodrich and its share of AEC, UTC would have the incentive and ability to use this information to its advantage in bidding on large aircraft turbine engines. For example, such information would reveal to UTC when it could offer higher pricing or less innovative solutions without risk of losing a large aircraft turbine engine sale.

Therefore, UTC's acquisition of Goodrich would give UTC both the ability and the incentive to reduce the competitiveness of Rolls-Royce in the supply of large aircraft turbine engines. If UTC were to reduce the competitiveness of Rolls-Royce in the markets for these engines, customers for those engines would have significantly fewer choices, and competition thus would be lessened substantially.

#### b. Small Aircraft Turbine Engines

As discussed above, UTC, through its Pratt & Whitney subsidiary, is one of a small number of significant competitors in the markets for the development, manufacture, and sale of small aircraft turbine engines. Several of UTC's competitors purchase the ECSs for certain of their small aircraft turbine engines from Goodrich. Therefore, if UTC were to purchase Goodrich, UTC would be both a producer of small aircraft turbine engines and a supplier of ECSs to its competitors.

At least three years are required to design and develop an ECS for a small aircraft turbine engine. Therefore, if an engine manufacturer must replace the supplier of the ECS on a specific engine, at least three years will pass before the engine manufacturer can deliver an engine with a replacement ECS. Aircraft manufacturers often demand delivery of an engine in less than three years.

If, after the acquisition, UTC were to withhold or delay delivery of Goodrich ECSs to companies that compete with UTC for the development, manufacture, and sale of small aircraft turbine engines, those companies might be unable to deliver engines on the

schedule required by their customers. Such customers likely would have to turn to a different engine supplier. In such circumstances, UTC might be the best-positioned alternative engine supplier. As a result, customers that would otherwise choose a competing engine could be forced to purchase an engine from UTC.

The sale of small aircraft turbine engines provides much more revenue and profit than the sale of ECSs for those engines. Therefore, if UTC were able to gain additional engine sales by withholding or delaying delivery of ECSs to its engine competitors, the additional engine sales would result in considerably more revenue and profit to UTC than the revenue and profit lost from any decrease in sales of such ECSs.

UTC's acquisition of Goodrich therefore would give UTC both the ability and the incentive to make its competitors unable to compete effectively to supply small aircraft turbine engines. If UTC were to make its competitors unable to compete effectively in the development, manufacture, and sale of small aircraft turbine engines, customers for those engines would have significantly fewer choices, and competition would be lessened substantially.

### 4. Difficulty of Entry

Sufficient, timely entry of additional competitors into the markets for aircraft turbine engines is unlikely to prevent the harm to competition in the markets for aircraft turbine engines that is likely to occur as a result of the proposed acquisition. Entry of any new competitor into the manufacture and sale of aircraft turbine engines is unlikely and cannot happen in a time period that would prevent significant competitive harm. The primary purchasers of aircraft turbine engines are aircraft manufacturers, of which there are very few in the world. Aircraft manufacturers are extremely hesitant to purchase components from unproven sources, particularly such major components as engines. A firm seeking to enter this business would need many years and an enormous financial investment to design and develop a new aircraft turbine engine. No firm has successfully entered this business in decades.

Such entry is unlikely to occur in a timeframe sufficient to prevent competitive harm. Engine purchasers typically expect delivery of the first engine for a new aircraft from one to five years after contract award. A new entrant into any market for aircraft turbine engines, even a firm already manufacturing other aircraft turbine

engines, would require much more time to develop and market a new engine.

As a result of these barriers, entry into the markets for aircraft turbine engines would not be timely, likely, or sufficient to defeat the substantial lessening of competition that is likely to result from UTC's acquisition of Goodrich.

#### *D. The Competitive Effects of the Acquisition in the Market for Engine Control Systems for Large Aircraft Turbine Engines*

The ECS in a large aircraft turbine engine is a major determinant of key engine performance parameters including fuel economy, safe operation, and thrust in different situations. In order to maximize engine performance, the ECS must be closely integrated with the engine during both the design stage and the assembly process. Changes in an engine design can necessitate changes in an ECS design, and vice versa. As a result, large aircraft turbine engines and the ECSs for those engines are not sold separately to engine purchasers. It would not be practical for even the most sophisticated engine purchasers to integrate an ECS and an engine. All large aircraft turbine engines are sold with an ECS installed by the ECS producer and the engine manufacturer.

In large part because of the highly integrated nature of engines and ECSs, each of the three major producers of large aircraft turbine engines has a preferred supplier for the ECSs used on its engines. Each engine manufacturer purchases the great majority of the ECSs used on its engines from its preferred supplier.

Because of these preferred supplier relationships, there are only three significant suppliers of ECSs for large aircraft turbine engines, one for each engine producer. UTC and AEC, the Goodrich-Rolls-Royce joint venture, are two of the three suppliers. UTC, through its Hamilton Sundstrand subsidiary, supplies the ECSs used on most of its own engines. AEC supplies the ECSs used on most Rolls-Royce engines.

##### **1. Relevant Product Market**

As discussed in Paragraph II(C)(1)(a) of this Competitive Impact Statement, the development, manufacture, sale, and aftermarket service of the ECS for large aircraft turbine engines is a line of commerce and relevant product market within the meaning of Section 7 of the Clayton Act.

##### **2. Relevant Geographic Market**

Aircraft manufacturers purchase ECSs for large aircraft turbine engines primarily from companies located in the United States or Europe. However,

suppliers typically offer a worldwide organization to support the provision of maintenance and repair services. ECS customers do not consider transportation costs, a small proportion of the cost of the finished aircraft, to be a significant cost driver. Accordingly, the world is the relevant geographic market within the meaning of Section 7 of the Clayton Act.

##### **3. Anticompetitive Effects**

UTC's proposed acquisition of Goodrich likely would lessen competition substantially in the market for ECSs for large aircraft turbine engines. UTC and AEC are two of the three producers of such ECSs. If UTC were to purchase Goodrich and thus Goodrich's share of AEC, UTC would control fifty percent of one of its two leading competitors for such ECSs.

Although an ECS for a large aircraft turbine engine is generally purchased by an engine builder from its preferred supplier, independent source selections can and do take place. For example, an aircraft manufacturer may purchase a replacement ECS from an ECS manufacturer other than its preferred supplier to upgrade the ECS on an engine already in service. This occurs when an existing ECS becomes difficult to repair due to parts obsolescence issues. In addition, engine manufacturers occasionally form teams to compete for new large aircraft turbine engine projects. In either of these situations, an ECS supplier may be selected by competition rather than on the basis of an existing preferred supplier arrangement. After the acquisition UTC, through its position as a partner in the AEC joint venture, would have the incentive and ability to impede AEC's pursuit of such projects in competition with UTC. Competition for ECSs for large aircraft turbine engines would thus be lessened substantially.

Competition also could be substantially lessened in other ways. UTC, through its Pratt & Whitney subsidiary, and Rolls-Royce are two of the world's three primary manufacturers of large aircraft turbine engines. The companies conduct independent work into the research, development and design of new ECSs for such engines, UTC through its Hamilton Sundstrand subsidiary and Rolls-Royce through AEC. After UTC acquires Goodrich, UTC and Rolls-Royce would share control of AEC, and UTC has explored using AEC as a vehicle to combine its ECS business with that of Rolls-Royce, to share intellectual property and research and development results, and to eliminate some product lines, rather than

competing with Rolls-Royce to independently develop innovative and cost-effective ECS solutions. Competition for ECSs for large aircraft turbine engines thus would be lessened substantially, as engine customers would be offered two engines from UTC and Rolls-Royce, but only a single ECS. This loss of competition would result in less innovative and cost-effective ECSs for large aircraft turbine engines.

##### **4. Difficulty of Entry**

Sufficient, timely entry of additional competitors into the market for ECSs for large aircraft turbine engines is unlikely. Therefore, entry or the threat of entry into this market would not prevent the harm to competition caused by UTC's acquisition of Goodrich and its share of AEC.

A firm seeking to enter this market would need substantial time and a significant financial investment to design and develop a new ECS for a large aircraft turbine engine. Even those firms that produce ECSs for smaller engines would need at least five years and an investment of \$50 million or more to develop an ECS for a large aircraft turbine engine that is competitive with those produced today by UTC and AEC.

Moreover, a firm attempting to enter this market would be unlikely to obtain sufficient sales to be economically viable. Because most of these products are purchased by the three primary engine manufacturers from their existing preferred suppliers, a new entrant would have few opportunities to recover the considerable investment required to develop a new ECS for large aircraft turbine engines. Independent competitions are unlikely to occur with sufficient frequency to permit an entrant to recover its costs.

As a result of these barriers, entry into the market for ECSs for large aircraft turbine engines would not be timely, likely, or sufficient to defeat the substantial lessening of competition that likely would result from UTC's acquisition of Goodrich.

#### **III. Explanation of the Proposed Final Judgment**

The divestitures required by the proposed Final Judgment will eliminate the anticompetitive effects that likely would result from UTC's acquisition of Goodrich. These divestitures will preserve the current state of competition in the development, manufacture, and sale of large main engine generators, aircraft turbine engines, and engine control systems for large aircraft turbine engines.

*A. Divestitures*

## 1. Engine Controls

## a. Divestiture Assets

The proposed Final Judgment requires UTC to divest all of the Goodrich assets that are used to design, develop, and manufacture engine control products for small engines, such as electronic engine controls, fuel metering units, and main fuel pumps (hereinafter, the “Engine Controls Divestiture Assets,” defined in Section II(M) of the proposed Final Judgment).<sup>3</sup> The assets to be divested include Goodrich’s manufacturing facility located in West Hartford, Connecticut, and all tangible and intangible assets used by or located in that facility. The assets to be divested also include the assets used by or located in Goodrich’s facility in Montreal, Canada, for engine control products for small engines.<sup>4</sup> The divestiture assets include all assets used for maintenance, repair, and overhaul (“MRO”) services that are performed at the West Hartford facility and the assets used for MRO services for small engines that are performed at the Goodrich Montreal facility.<sup>5</sup> The divestiture assets exclude assets relating to MRO services at other Goodrich facilities that are not being divested.<sup>6</sup> The divestiture of the Engine Controls Divestiture Assets will provide the acquirer with all the assets it needs to successfully develop, manufacture, and sell engine control products.

In addition, to address intellectual property that Goodrich is unable to transfer outright, Paragraphs II(M)(5) and (6) include as a part of the Engine Controls Divestiture Assets an exclusive, irrevocable, royalty-free license for Goodrich intellectual

<sup>3</sup> The divestiture assets also include ancillary engine control products such as engine actuators and various pumps and valves that are currently manufactured at the facilities being divested. The divestiture of these product lines is necessary to ensure the continued viability of the West Hartford facility and the overall viability of the assets.

<sup>4</sup> Goodrich is in the process of closing its Montreal facility and transitioning the assets to various other Goodrich facilities. Goodrich is transitioning the assets relating to engine control products for small engines to the West Hartford facility and those assets are included in the divestiture assets.

<sup>5</sup> The divestiture assets specifically exclude those assets relating to MRO services for several large engines currently performed at the Montreal facility because those services are not related to the small engine control products being divested.

<sup>6</sup> The assets relating to MRO services performed at Goodrich facilities that are not being divested are excluded because most of the MRO services for engine control products for small engines are performed at the West Hartford facility. In addition, as discussed more fully below, a transition services agreement will provide the acquirer any MRO services it needs for a period of up to two years.

property that is used exclusively for engine control products and a similar, but non-exclusive, license for such intellectual property that is used primarily, but not exclusively, for engine control products. These licenses will further ensure that the acquirer has the assets it needs to be a viable competitor in the engine controls systems business.

## b. Divestiture Timing

In antitrust cases involving mergers in which the United States seeks a divestiture remedy, the United States generally requires that divestitures take place within the shortest time period reasonable under the circumstances. A quick divestiture has the benefits of restoring competition lost because of the acquisition and reducing the possibility of dissipation of the value of the assets. Paragraph IV(A) requires UTC to divest the Engine Control Divestiture Assets as a viable ongoing business within one hundred eighty days after the Complaint is filed, or five days after notice of the entry of the Final Judgment by the Court.

This divestiture period is longer than those often found in antitrust consent decrees, but is warranted in this case. The Engine Control Divestiture Assets do not currently comprise a separate, stand-alone business, making their separation from the remainder of Goodrich more difficult than would otherwise be the case. Also, the Engine Controls Divestiture Assets include assets that are currently in the process of being relocated from Goodrich’s facility in Montreal to the West Hartford facility, which will take a few months to complete. In addition, in the particular circumstances of this case and given the large number of complex and critical products produced by the divested business, due diligence by the acquirer of the divestiture assets is likely to be a lengthy process. The proposed Final Judgment allows this divestiture period to be extended until ten calendar days after the receipt of any governmental approvals, including those from authorities outside the United States, that are required by the acquirer as a condition of closing. UTC and Goodrich must use their best efforts to seek all necessary approvals as expeditiously as possible.

## 2. Aircraft Electrical Generation

## a. Divestiture Assets

The proposed Final Judgment requires UTC to divest the Goodrich assets used to design, develop, manufacture, market, service, distribute, repair and/or sell aircraft electrical generation and

electrical distribution systems (hereinafter, the “Electrical Power Divestiture Assets,” defined in Section II(Q) of the proposed Final Judgment). The tangible assets to be divested include Goodrich’s facilities in Pitstone, Buckinghamshire in the United Kingdom<sup>7</sup> and in Twinsburg, Ohio. The tangible assets to be divested also include manufacturing equipment, tooling, fixed assets, personal property, inventory, materials, licenses, permits, authorizations, agreements, contracts, customer lists, and repair, performance and other records. The intangible assets to be divested include patents, licenses, sublicenses, technical information, intellectual property, know-how, trade secrets, designs, design protocols, research data concerning historic and current research and development efforts, design tools, and simulation capability.<sup>8</sup> This divestiture will provide the acquirer with the assets it needs to successfully develop, manufacture, and sell aircraft electrical generation and electrical distribution systems.<sup>9</sup>

In addition, the proposed Final Judgment requires that UTC divest all of its shares in the Aerolec joint venture, as defined in Paragraph II(T). The acquirer of the Aerolec shares and the acquirer of the Electrical Power Divestiture Assets must be the same,

<sup>7</sup> The Pitstone facility also houses Goodrich’s motor drives business. The motor drives are unrelated to electrical power generation and distribution and are not complementary products. In addition, the inclusion of the motor drives business is not necessary to ensure the viability of the Pitstone facility and the electrical power divestiture assets. The physical assets associated with the motor drives business are minimal and easily removed from the Pitstone facility. Further, any equipment shared by the two businesses will remain at the Pitstone facility. Therefore, the motor drives business is not included in the divestiture assets and is required to be removed from the Pitstone facility prior to the divestiture of the Electrical Power Divestiture Assets.

<sup>8</sup> The Electrical Power Divestiture Assets also include Goodrich’s obligations to provide warranty services to BAE Systems on a torpedo program and all assets necessary to fulfill those obligations. This program is not related to electrical generation and distribution systems. However, this program has been manufactured and serviced from the Pitstone facility for several years and it would be disruptive to remove the services from the Pitstone facility.

<sup>9</sup> The Electrical Power Divestiture Assets exclude Goodrich’s assets in and personnel operating out of Goodrich’s development center in Bengaluru, India, and Goodrich’s facilities that provide customer support for Goodrich’s aircraft electrical generation systems and electrical distribution systems products, other than the facilities in Pitstone and Twinsburg. These facilities provide some services to the divested business. However, these services are minor and can be replicated by the acquirer of the divested assets. In addition, as discussed more fully below, a transition services agreement will provide the acquirer any engineering or maintenance, repair, and overhaul services it needs for a period of up to two years.

unless Thales acquires the Aerolec shares. This provision is necessary to avoid a situation in which the interests of the acquirer of the Aerolec shares potentially are not aligned with the interests of the acquirer of the Electrical Power Divestiture Assets, especially because the acquirer of the Electrical Power Divestiture Assets would be performing the majority of the work within the Aerolec joint venture.

Further, Paragraph II(Q)(5) ensures that any rights to intellectual property and know-how that Goodrich has pursuant to a certain agreement with Thales relating to the Aerolec joint venture will be divested to the acquirer of the Engine Control Divestiture Assets and will not remain with Goodrich.

#### b. Divestiture Timing

Paragraph V(A) of the proposed Final Judgment requires UTC to divest the Electrical Power Divestiture Assets within one hundred eighty days after the Complaint is filed, or five days after notice of the entry of the Final Judgment by the Court. This divestiture period is warranted by the specific circumstances related to these assets. The divestiture of the Electrical Power Divestiture Assets is likely to take up to six months because Defendants must move the motor drives business from the Pitstone facility prior to the divestiture. In addition to the time necessary to locate suitable space near the Pitstone facility and to transition the business, it is necessary to replace one piece of testing equipment at the Pitstone facility that currently is shared between the motor drives business and the Electrical Power Divestiture Assets. Although this equipment will remain at the Pitstone facility, the motor drives business will need new equipment once the business is removed from the Pitstone facility. The proposed Final Judgment allows the divestiture period to be extended until ten calendar days after the receipt of any governmental approvals that are required by the acquirer as a condition of closing. UTC and Goodrich must use their best efforts to seek all necessary approvals as expeditiously as possible.

Pursuant to Paragraph V(S), UTC must divest the Aerolec shares either to the acquirer of the Electrical Power Divestiture Assets or to Thales, which has various rights to purchase the shares pursuant to the Aerolec shareholders agreement between Thales and Goodrich. Due to Thales's rights and the time periods permitted for Thales to exercise these rights in the Aerolec shareholders agreement, Defendants may be unable to divest the Aerolec shares at the same time as the Electrical Power Divestiture Assets. In particular,

Thales has two options by which it may purchase the Aerolec shares—a change of control option, which would allow Thales to purchase the Aerolec shares once the UTC/Goodrich merger is consummated, and a transfer option, by which Thales has the right to purchase the Aerolec shares once Goodrich has selected a potential third-party acquirer and agreed on a price.

The timing of the divestiture of the Aerolec shares will vary depending on whether Thales exercises these options. The divestiture periods for the Aerolec shares, provided in Paragraphs V(C), (D), and (E), are designed to require the divestiture of the Aerolec shares as soon as possible while taking into account the contractually permitted time periods for Thales to exercise its various rights. When Goodrich is required to select a potential third-party acquirer of the Aerolec shares prior to Thales exercising its rights, the divestiture period includes time for UTC to reach a deal with the acquirer of the Electrical Power Divestiture Assets and have the acquirer approved by the United States. Paragraph V(E) addresses the situation where Thales does not exercise any of its options to purchase the Aerolec shares. The proposed Final Judgment provides time for Defendants to comply with additional procedures required by the Aerolec shareholders agreement relating to the sale of the shares to a third party.

#### 3. AEC Shares

Paragraph VI(A) of the proposed Final Judgment requires the divestiture to Rolls-Royce of Goodrich's shares in the AEC joint venture, defined in Paragraph II(Y), within one hundred eighty days after the filing of the Complaint, or five days after the notice of entry of the Final Judgment. The divestiture of Goodrich's AEC shares will prevent UTC from jointly developing engine control systems with Rolls-Royce through the AEC joint venture or from disadvantaging Rolls-Royce in future competitions for large aircraft turbine engines. The one hundred eighty-day divestiture period provides sufficient time for Rolls-Royce to complete the process of acquiring Goodrich's shares under the procedures established in the AEC joint venture agreement, including time to determine the price of the AEC shares. The proposed Final Judgment allows the divestiture period to be extended until ten calendar days after the receipt of any governmental approvals that are required by Rolls-Royce as a condition of closing. UTC and Goodrich must use their best efforts to seek all necessary approvals as expeditiously as possible.

In the unlikely event that Goodrich's shares in AEC are not divested to Rolls-Royce, Paragraph VI(B) of the proposed Final Judgment requires the divestiture of the shares to another acquirer within one hundred eighty days after the date that Rolls-Royce waives its option to acquire the shares or its option expires. While it is unlikely that Rolls-Royce will not purchase Goodrich's AEC shares,<sup>10</sup> this provision ensures that Goodrich's AEC shares will be divested even if the sale to Rolls-Royce does not go through. The one hundred eighty-day divestiture period provides sufficient time for operation of the procedures established by the AEC joint venture agreement for the sale of Goodrich's shares to a third party.

#### B. Other Provisions

##### 1. Transition Services Agreements

Because the acquirer will be purchasing equipment and other assets that must be integrated into its existing operations, it may need the assistance of the former Goodrich employees to enable the acquirer to supply the divested engine controls systems, aircraft electrical generation and electrical distribution systems, and other products produced with the divested assets as seamlessly as possible. Therefore, Paragraphs IV(H) and V(L) of the proposed Final Judgment require that, at the option of the acquirer, UTC enter into transition services agreements by which UTC will provide technical and engineering assistance, and maintenance, repair, and overhaul services to the acquirer for up to one year, with the possibility of a one-year extension upon approval by the United States.

These transition services agreements do not raise competitive concerns under the circumstances of this particular case. The agreements are limited in duration to one year, plus the opportunity for a one-year extension. Also, the supply of these services from UTC to the acquirer is unlikely to provide UTC any competitive insight into the operations of the acquirer, and therefore will not harm competition.

##### 2. Supply Agreements

The proposed Final Judgment provides for several supply agreements between UTC and the acquirers of the divestiture assets, at the option of the party receiving the supplied product, to allow the acquirers and UTC to fulfill current contractual obligations. These supply arrangements are necessary

<sup>10</sup> Rolls-Royce has entered into agreements with Defendants to exercise its option to purchase the AEC shares.

because some contractual obligations that will be divested to the acquirer require the supply of products and services from parts of Goodrich that are not being divested, while other contractual obligations that will not be divested require the supply of products and services from the divested businesses.

Paragraphs IV(I) and V(M) require that UTC provide each acquirer, at the option of the acquirer, with any components that the acquirer may need to operate the divested assets for up to one year, with the possibility of an extension of up to one additional year upon approval by the United States. These general components agreements guarantee the acquirer a source for components that currently are provided from parts of Goodrich that are not being divested, and give the acquirer time to identify alternative sources of supply or to manufacture the products on its own.

Paragraphs IV(J), IV(K), V(N), and V(O) provide for specific supply agreements to each acquirer that require UTC, at the option of the acquirer, to supply certain parts, engineering expertise, and/or maintenance service necessary to allow the acquirer to fulfill contractual obligations it will acquire from Goodrich as a part of the divestiture. These supply arrangements and their terms are tailored to the particular contracts that make them necessary. Accordingly, the lengths of the supply agreements in Paragraphs IV(J) and (K) in practice will amount to the life of the program for which the products and services are necessary.<sup>11</sup> The supply agreement in Paragraph V(N) will last for the life of the program for one product and for one year for another product, with the option of a one-year extension upon approval by the United States.<sup>12</sup> The supply

<sup>11</sup> As an alternative to the agreement in Paragraph IV(K), UTC is required, at the acquirer's option, to provide a non-exclusive, irrevocable, royalty-free license to manufacture the parts necessary for the acquirer to fulfill its relevant contractual obligations. This license may be used only to manufacture the parts necessary to fulfill the acquirer's relevant contractual obligations, and the acquirer is prohibited from transferring this license, except as a part of the sale of the divestiture assets. This option allows the acquirer to determine whether it is more attractive to manufacture the parts on its own rather than to buy the parts from UTC.

<sup>12</sup> The agreement in Paragraph V(N) is limited to a one-year term with the option of an extension for one product (machined housings) because that product is a simple component that can be made by the acquirer relatively quickly and easily. Paragraph V(N) also provides an alternative similar to that provided in Paragraph IV(K), except that it allows for UTC to provide the acquirer with manufacturing know-how sufficient to enable the acquirer to manufacture the parts, as opposed to a

agreement in Paragraph V(O) will last until the underlying contract expires in December 2013.

The proposed Final Judgment also provides for supply agreements, at UTC's option, whereby the acquirers of the divestiture assets will provide UTC with certain parts and/or services for specified programs to enable UTC to fulfill certain Goodrich contractual obligations that will not be divested. These supply agreements, described in Paragraphs IV(L) and V(P), are limited to specified engines and/or engine control systems. Like the other supply agreements, each agreement is tailored to the particular contract that makes it necessary, and accordingly its length in practice amounts to the life of the program for which the parts and/or services are required.

These supply agreements do not raise competitive concerns under the circumstances of this particular case, as the supply agreements are not likely to provide UTC or the acquirers with any competitive insight into the other's business. While some of these supply agreements will be longer than a typical supply agreement in the divestiture context, the contracts for the particular products being supplied have already been awarded and there is no ability to affect future competitions based on the supply of components for these previously awarded contracts.

Finally, Paragraphs IV(M) and V(Q) require that, at UTC's option, the acquirers provide UTC a non-exclusive license for intellectual property that currently is used both for the products being divested and for other Goodrich products that UTC will retain. Under these provisions, UTC may not use these licenses for engine control products, systems, or services or for aircraft electrical generation and electrical distribution systems, respectively. UTC also would be prohibited from transferring the license, except as a part of a sale of the business in which the license is used. These provisions are necessary to ensure that UTC has access to intellectual property required to run other portions of Goodrich, but prevents UTC from using these licenses to compete against the acquirers in the respective divested businesses.

### 3. Contract Extensions

Paragraph IV(N) requires UTC to offer to extend any contracts between the divested engine controls business and manufacturers of aircraft turbine engines that are scheduled to expire

license, because the products provided for by Paragraph V(N) require only know-how to manufacture.

prior to the divestiture, unless the contracts have been renegotiated in the meantime. Such contracts will be extended until thirty days after the divestiture of the Engine Control Divestiture Assets. This extension will ensure that UTC's turbine engine competitors have access to the necessary engine control system components prior to the divestiture of the Engine Controls Divestiture Assets.

### 4. Extension of the AEC Aftermarket Option

Paragraph VI(C) of the proposed Final Judgment requires that UTC offer Rolls-Royce a new option for an additional period of time to purchase assets relating to the Goodrich aftermarket business, which services AEC products. The new option extends until the earlier of: (1) December 31, 2023 (when the exclusivity period of the aftermarket agreement between AEC and Goodrich expires); or (2) the date on which UTC no longer owns or controls substantially all of the Goodrich aftermarket business. This provision is necessary to eliminate any risk that UTC could disadvantage Rolls-Royce in its sale of engine control products for large aircraft turbine engines by making it difficult for customers to obtain parts or services for those engines. This new period does not affect any prior agreements between either of the Defendants and Rolls-Royce and does not affect UTC's ability to sell the Goodrich aftermarket business to a third party. However, this provision provides a specific procedure to be followed by UTC relating to its potential sale of the Goodrich aftermarket business. This procedure provides Rolls-Royce the ability to purchase the aftermarket business, but provides some limitations to ensure that UTC effectively retains the ability to sell the Goodrich aftermarket business to a third party.

### 5. Use of Divestiture Trustee

In the event that Defendants do not accomplish the divestitures within the period allotted, Section VII of the proposed Final Judgment provides that the Court will appoint a trustee selected by the United States to effect the divestiture. This requirement to appoint a divestiture trustee, if necessary, will encourage quick, effective divestitures in this matter. If a trustee is appointed, the proposed Final Judgment provides that UTC will pay all costs and expenses of the trustee. The trustee's commission will be structured so as to provide an incentive for the trustee based on the price and terms obtained and the speed with which the divestiture is accomplished. After his or her

appointment becomes effective, the trustee will file monthly reports with the Court and the United States setting forth his or her efforts to accomplish the divestiture. At the end of the six months, if the divestiture has not been accomplished, the trustee and the United States will make recommendations to the Court, which shall enter such orders as are appropriate to carry out the purpose of the trust, including extending the trust or the term of the trustee's appointment.

#### 6. Use of Monitoring Trustee

Section XI provides that the United States may appoint a Monitoring Trustee for the Electrical Power Divestiture Assets and the Aerolec shares and/or the AEC shares. The Monitoring Trustee would have the power and authority to monitor the parties' compliance with the terms of the Final Judgment during the pendency of the divestiture. The Monitoring Trustee would also exercise control over the Aerolec shares and/or the AEC shares under the Hold Separate. The Monitoring Trustee would not have any responsibility or obligation for the operation of the parties' businesses. The proposed Final Judgment provides for a Monitoring Trustee because of the complexities of the divestiture, including the need to carve out the motor drives business from the Pitstone facility and the need for an independent individual to exercise control over Goodrich's shares in Aerolec and in AEC until they are divested. The Monitoring Trustee will serve at the Defendants' expense and on such terms and conditions as the United States approves, and the Defendants must assist the trustee in fulfilling its obligations. The Monitoring Trustee will file monthly reports and will serve until the divestitures are complete.

#### IV. Hold Separate Stipulation and Order

The Hold Separate ensures the viability of the assets being divested during the divestiture periods. Until the divestitures take place, the Hold Separate requires UTC to preserve and continue to operate the Engine Control Divestiture Assets and the Electrical Power Divestiture Assets as independent, ongoing, and economically viable businesses that are held entirely separate, distinct, and apart from UTC's assets and the other assets UTC acquires from Goodrich. During the divestiture period, UTC also is prohibited from coordinating the production, marketing, or terms of sale of the divested assets with any of its own assets or the other assets it acquires

from Goodrich. To oversee UTC's compliance with its obligations under the Hold Separate, UTC is required to appoint, subject to the approval of the United States, a Hold Separate Manager for the Engine Control Divestiture Assets and a Hold Separate Manager for the Electrical Power Divestiture Assets. Duties of the latter include, until the motor drives business is removed from the Pitstone facility, ultimate responsibility for resolving conflicting demands for shared resources between the motor drives business and the business of the Electrical Power Divestiture Assets. This provision will limit UTC's involvement with the Pitstone facility during the period before the motor drives business is removed.

Regarding the Aerolec and AEC shares, the Hold Separate ensures that the Aerolec and AEC joint ventures remain viable, independent, competitive businesses. This includes requiring Defendants to keep the books, records, competitively-sensitive sales, marketing, or pricing information, and decision-making concerning both Aerolec and AEC separate, distinct, and apart from UTC's other operations. The Hold Separate also requires Defendants to assign control of the Aerolec shares and the AEC shares to the Monitoring Trustee within thirty days of the entry of the Hold Separate to ensure that the shares are held and managed separate and apart from UTC. During the thirty-day period before control is assigned to the Monitoring Trustee, Defendants may not exercise any rights or interests deriving from ownership of the Aerolec shares or AEC shares.

#### V. Remedies Available to Potential Private Litigants

Section 4 of the Clayton Act, 15 U.S.C. 15, provides that any person who has been injured as a result of conduct prohibited by the antitrust laws may bring suit in federal court to recover three times the damages the person has suffered, as well as costs and reasonable attorneys' fees. Entry of the proposed Final Judgment will neither impair nor assist the bringing of any private antitrust damage action. Under the provisions of Section 5(a) of the Clayton Act, 15 U.S.C. 16(a), the proposed Final Judgment has no *prima facie* effect in any subsequent private lawsuit that may be brought against Defendants.

#### VI. Procedures Available for Modification of the Proposed Final Judgment

The United States and Defendants have stipulated that the proposed Final Judgment may be entered by the Court after compliance with the provisions of

the APPA, provided that the United States has not withdrawn its consent. The APPA conditions entry upon the Court's determination that the proposed Final Judgment is in the public interest.

The APPA provides a period of at least sixty days preceding the effective date of the proposed Final Judgment within which any person may submit to the United States written comments regarding the proposed Final Judgment. Any person who wishes to comment should do so within sixty days of the date of publication of this Competitive Impact Statement in the **Federal Register**, or the last date of publication in a newspaper of the summary of this Competitive Impact Statement, whichever is later. All comments received during this period will be considered by the United States Department of Justice, which remains free to withdraw its consent to the proposed Final Judgment at any time prior to the Court's entry of judgment. The comments and the response of the United States will be filed with the Court. In addition, comments will be posted on the U.S. Department of Justice, Antitrust Division's internet Web site, and, under certain circumstances, published in the **Federal Register**. Written comments should be submitted to: Maribeth Petrizzi, Chief, Litigation II Section, Antitrust Division, United States Department of Justice, 450 Fifth Street NW., Suite 8700, Washington, DC 20530.

The proposed Final Judgment provides that the Court retains jurisdiction over this action and the parties may apply to the Court for any order necessary or appropriate for the modification, interpretation, or enforcement of the Final Judgment.

#### VII. Alternatives to the Proposed Final Judgment

The United States considered, as an alternative to the proposed Final Judgment, a full trial on the merits against Defendants. The United States could have continued the litigation and sought preliminary and permanent injunctions preventing UTC's acquisition of Goodrich. The United States is satisfied, however, that the divestiture of the assets described in the proposed Final Judgment will preserve competition for the development, manufacture, and sale of large main engine generators, aircraft turbine engines, and engine control systems for large aircraft turbine engines in the United States. Thus, the proposed Final Judgment would achieve all or substantially all of the relief the United States would have obtained through litigation, but would avoid the time,

expense, and uncertainty of a full trial on the merits of the Complaint.

### VIII. Standard of Review Under the APPA for the Proposed Final Judgment

The Clayton Act, as amended by the APPA, requires that proposed consent judgments in antitrust cases brought by the United States be subject to a sixty-day comment period, after which the court shall determine whether entry of the proposed Final Judgment “is in the public interest.” 15 U.S.C. 16(e)(1). In making that determination, the court, in accordance with the statute as amended in 2004, is required to consider:

(A) The competitive impact of such judgment, including termination of alleged violations, provisions for enforcement and modification, duration of relief sought, anticipated effects of alternative remedies actually considered, whether its terms are ambiguous, and any other competitive considerations bearing upon the adequacy of such judgment that the court deems necessary to a determination of whether the consent judgment is in the public interest; and

(B) The impact of entry of such judgment upon competition in the relevant market or markets, upon the public generally and individuals alleging specific injury from the violations set forth in the complaint including consideration of the public benefit, if any, to be derived from a determination of the issues at trial.

#### 15 U.S.C. 16(e)(1)(A) & (B).

In considering these statutory factors, the court’s inquiry is necessarily a limited one as the government is entitled to “broad discretion to settle with the defendant within the reaches of the public interest.” *United States v. Microsoft Corp.*, 56 F.3d 1448, 1461 (D.C. Cir. 1995); see generally *United States v. SBC Commc’ns, Inc.*, 489 F. Supp. 2d 1 (D.D.C. 2007) (assessing public interest standard under the Tunney Act); *United States v. InBev N.V./S.A.*, 2009–2 Trade Cas. (CCH) ¶ 76,736, 2009 U.S. Dist. LEXIS 84787, No. 08–1965 (JR), at \*3, (D.D.C. Aug. 11, 2009) (noting that the court’s review of a consent judgment is limited and only inquires “into whether the government’s determination that the proposed remedies will cure the antitrust violations alleged in the complaint was reasonable, and whether the mechanism to enforce the final judgment are clear and manageable.”).<sup>13</sup>

<sup>13</sup> The 2004 amendments substituted “shall” for “may” in directing relevant factors for court to consider and amended the list of factors to focus on competitive considerations and to address potentially ambiguous judgment terms. Compare 15 U.S.C. 16(e) (2004), with 15 U.S.C. 16(e)(1) (2006); see also *SBC Commc’ns*, 489 F. Supp. 2d at 11 (concluding that the 2004 amendments “effected minimal changes” to Tunney Act review).

As the United States Court of Appeals for the District of Columbia Circuit has held, under the APPA a court considers, among other things, the relationship between the remedy secured and the specific allegations set forth in the government’s complaint, whether the decree is sufficiently clear, whether enforcement mechanisms are sufficient, and whether the decree may positively harm third parties. See *Microsoft*, 56 F.3d at 1458–62. With respect to the adequacy of the relief secured by the decree, a court may not “engage in an unrestricted evaluation of what relief would best serve the public.” *United States v. BNS, Inc.*, 858 F.2d 456, 462 (9th Cir. 1988) (citing *United States v. Bechtel Corp.*, 648 F.2d 660, 666 (9th Cir. 1981)); see also *Microsoft*, 56 F.3d at 1460–62; *United States v. Alcoa, Inc.*, 152 F. Supp. 2d 37, 40 (D.D.C. 2001); *InBev*, 2009 U.S. Dist. LEXIS 84787, at \*3. Courts have held that:

[t]he balancing of competing social and political interests affected by a proposed antitrust consent decree must be left, in the first instance, to the discretion of the Attorney General. The court’s role in protecting the public interest is one of insuring that the government has not breached its duty to the public in consenting to the decree. The court is required to determine not whether a particular decree is the one that will best serve society, but whether the settlement is “within the reaches of the public interest.” More elaborate requirements might undermine the effectiveness of antitrust enforcement by consent decree.

*Bechtel*, 648 F.2d at 666 (emphasis added) (citations omitted).<sup>14</sup> In determining whether a proposed settlement is in the public interest, a district court “must accord deference to the government’s predictions about the efficacy of its remedies, and may not require that the remedies perfectly match the alleged violations.” *SBC Commc’ns*, 489 F. Supp. 2d at 17; see also *Microsoft*, 56 F.3d at 1461 (noting the need for courts to be “deferential to the government’s predictions as to the effect of the proposed remedies”); *United States v. Archer-Daniels-Midland Co.*, 272 F. Supp. 2d 1, 6 (D.D.C. 2003) (noting that the court should grant due respect to the United States’ prediction as to the effect of

proposed remedies, its perception of the market structure, and its views of the nature of the case).

Courts have greater flexibility in approving proposed consent decrees than in crafting their own decrees following a finding of liability in a litigated matter. “[A] proposed decree must be approved even if it falls short of the remedy the court would impose on its own, as long as it falls within the range of acceptability or is ‘within the reaches of public interest.’” *United States v. Am. Tel. & Tel. Co.*, 552 F. Supp. 131, 151 (D.D.C. 1982) (citations omitted) (quoting *United States v. Gillette Co.*, 406 F. Supp. 713, 716 (D. Mass. 1975)), aff’d *sub nom. Maryland v. United States*, 460 U.S. 1001 (1983); see also *United States v. Alcan Aluminum Ltd.*, 605 F. Supp. 619, 622 (W.D. Ky. 1985) (approving the consent decree even though the court would have imposed a greater remedy). To meet this standard, the United States “need only provide a factual basis for concluding that the settlements are reasonably adequate remedies for the alleged harms.” *SBC Commc’ns*, 489 F. Supp. 2d at 17.

Moreover, the court’s role under the APPA is limited to reviewing the remedy in relationship to the violations that the United States has alleged in its Complaint, and does not authorize the court to “construct [its] own hypothetical case and then evaluate the decree against that case.” *Microsoft*, 56 F.3d at 1459; see also *InBev*, 2009 U.S. Dist. LEXIS 84787, at \*20 (“the ‘public interest’ is not to be measured by comparing the violations alleged in the complaint against those the court believes could have, or even should have, been alleged”) (citations omitted). Because the “court’s authority to review the decree depends entirely on the government’s exercising its prosecutorial discretion by bringing a case in the first place,” it follows that “the court is only authorized to review the decree itself,” and not to “effectively redraft the complaint” to inquire into other matters that the United States did not pursue. *Microsoft*, 56 F.3d at 1459–60. As this Court recently confirmed in *SBC Communications*, courts “cannot look beyond the complaint in making the public interest determination unless the complaint is drafted so narrowly as to make a mockery of judicial power.” *SBC Commc’ns*, 489 F. Supp. 2d at 15.

In its 2004 amendments, Congress made clear its intent to preserve the practical benefits of utilizing consent decrees in antitrust enforcement, adding the unambiguous instruction that “[n]othing in this section shall be construed to require the court to

<sup>14</sup> Cf. *BNS*, 858 F.2d at 464 (holding that the court’s “ultimate authority under the [APPA] is limited to approving or disapproving the consent decree”); *United States v. Gillette Co.*, 406 F. Supp. 713, 716 (D. Mass. 1975) (noting that, in this way, the court is constrained to “look at the overall picture not hypercritically, nor with a microscope, but with an artist’s reducing glass”). See generally *Microsoft*, 56 F.3d at 1461 (discussing whether “the remedies [obtained in the decree are] so inconsonant with the allegations charged as to fall outside of the ‘reaches of the public interest’”).

conduct an evidentiary hearing or to require the court to permit anyone to intervene.” 15 U.S.C. 16(e)(2). The language wrote into the statute what Congress intended when it enacted the Tunney Act in 1974, as Senator Tunney explained: “[t]he court is nowhere compelled to go to trial or to engage in extended proceedings which might have the effect of vitiating the benefits of prompt and less costly settlement through the consent decree process.” 119 Cong. Rec. 24,598 (1973) (statement of Senator Tunney). Rather, the procedure for the public interest determination is left to the discretion of the court, with the recognition that the court’s “scope of review remains sharply proscribed by precedent and the nature of Tunney Act proceedings.” *SBC Commc’ns*, 489 F. Supp. 2d at 11.<sup>15</sup>

## IX. Determinative Documents

There are no determinative materials or documents within the meaning of the APPA that were considered by the United States in formulating the proposed Final Judgment.

Dated: July 26, 2012.

Respectfully submitted,

Kevin C. Quin (DC Bar # 415268),  
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## Certificate of Service

I, Kevin C. Quin, hereby certify that on July 26, 2012, I caused a copy of the foregoing Competitive Impact Statement, as well as the Complaint, Hold Separate Stipulation and Order, and Explanation of Consent Decree Procedures filed in this matter, to be served upon Defendants United Technologies Corporation and Goodrich Corporation by mailing the documents electronically to the duly authorized legal representatives of Defendants as follows:

Counsel for United Technologies Corporation

<sup>15</sup> See *United States v. Enova Corp.*, 107 F. Supp. 2d 10, 17 (D.D.C. 2000) (noting that the “Tunney Act expressly allows the court to make its public interest determination on the basis of the competitive impact statement and response to comments alone”); *United States v. Mid-Am. Dairymen, Inc.*, 1977-1 Trade Cas. (CCH) ¶ 61,508, at 71,980 (W.D. Mo. 1977) (“Absent a showing of corrupt failure of the government to discharge its duty, the Court, in making its public interest finding, should \* \* \* carefully consider the explanations of the government in the competitive impact statement and its responses to comments in order to determine whether those explanations are reasonable under the circumstances.”); S. Rep. No. 93-298, 93d Cong., 1st Sess., at 6 (1973) (“Where the public interest can be meaningfully evaluated simply on the basis of briefs and oral arguments, that is the approach that should be utilized.”).

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## United States District Court for the District Of Columbia

*United States of America, Plaintiff v. United Technologies Corporation and Goodrich Corporation, Defendants.*  
[Civil Action No. 1:12-cv-01230]

## Proposed Final Judgment

WHEREAS, Plaintiff, United States of America, filed its Complaint on July \_\_, 2012, the United States and Defendants United Technologies Corporation (“UTC”) and Goodrich Corporation (“Goodrich”), by their respective attorneys, have consented to the entry of this Final Judgment without trial or adjudication of any issue of fact or law, and without this Final Judgment constituting any evidence against or admission by any party regarding any issue of fact or law;

AND WHEREAS, Defendants agree to be bound by the provisions of this Final Judgment pending its approval by the Court;

AND WHEREAS, the essence of this Final Judgment is the prompt and certain divestiture of certain rights and assets by Defendants to assure that competition is not substantially lessened;

AND WHEREAS, the United States requires Defendants to make certain divestitures and make certain commitments for the purpose of remedying the loss of competition alleged in the Complaint;

AND WHEREAS, Defendants have represented to the United States that the divestitures required below can and will be made and that Defendants will later raise no claim of hardship or difficulty as grounds for asking the Court to modify any of the divestiture provisions contained below;

NOW THEREFORE, before any testimony is taken, without trial or adjudication of any issue of fact or law, and upon consent of the parties, it is ORDERED, ADJUDGED, AND DECREED:

## I. Jurisdiction

This Court has jurisdiction over the subject matter of and each of the parties to this action. The Complaint states a claim upon which relief may be granted against Defendants under Section 7 of the Clayton Act, as amended (15 U.S.C. 18).

## II. Definitions

As used in this Final Judgment:

A. “Acquirer” or “Acquirers” means the entity or entities to which Defendants divest the Divestiture Assets.

B. “Acquirer of the Electrical Power Divestiture Assets” means the entity to which Defendants divest the Electrical Power Divestiture Assets.

C. “Acquirer of the Engine Control Divestiture Assets” means the entity to which Defendants divest the Engine Control Divestiture Assets.

D. “Acquirer of the AEC Shares” means Rolls-Royce or another entity to which Defendants divest the AEC Shares.

E. “Acquirer of the Aerolec Shares” means Thales or another entity to which Defendants divest the Aerolec Shares.

F. “UTC” means Defendant United Technologies Corporation, a Delaware corporation with its headquarters in Hartford, Connecticut, its successors, assigns, subsidiaries, divisions, groups, affiliates, and partnerships, and their directors, officers, managers, agents, and employees.

G. “Goodrich” means Defendant Goodrich Corporation, a New York corporation with its headquarters in Charlotte, North Carolina, its successors, assigns, subsidiaries, divisions, groups, affiliates, and partnerships, and their directors, officers, managers, agents, and employees.

H. “Rolls-Royce” means Rolls-Royce Group plc, a company incorporated in England and Wales with a registered office in London, its successors, assigns, subsidiaries, divisions, groups, affiliates, and partnerships, and their directors, officers, managers, agents, and employees.

I. “Thales” means Thales Avionics Electrical Systems SA, a company incorporated in France with a registered office in Neuilly-Sur-Seine, France, its successors, assigns, subsidiaries, divisions, groups, affiliates, and partnerships, and their directors, officers, managers, agents, and employees.

J. “West Hartford Facility” means Goodrich’s facility located at Charter Oak Boulevard, West Hartford, Connecticut 06133.

K. “Montreal Facility” means Goodrich’s facility located at 5595

Royalmount Avenue, Montreal H4P 1J9 Québec, Canada, which will be transitioned to the West Hartford Facility.

L. "Engine Control Products" means all Goodrich products and services that are designed, developed, manufactured, marketed, serviced, distributed, repaired, and/or sold out of or using the assets located in the West Hartford Facility and/or the Montreal Facility on the date the Complaint is filed in this matter, including but not limited to electronic engine controls, fuel metering units, main fuel pumps, and ancillary engine control products (including but not limited to, engine actuators, ejector pumps and tanks, hot oil valves, shut-off valves, flow dividers, start flow control valves, lube pumps, and lube and scavenge pumps). Engine Control Products exclude maintenance, repair, and overhaul services currently performed at the Montreal Facility for the following: (1) Products designed specifically to be used on the Rolls-Royce Tay and Spey engines; (2) products designed specifically to be used on the General Electric F404 engine; (3) products designed specifically to be used on the Pratt & Whitney PW305 engine; and (4) the servo actuator and yaw damper product lines.

M. "Engine Control Divestiture Assets" means:

(1) The West Hartford Facility and all tangible and intangible assets used by or located in the West Hartford Facility;

(2) All tangible and intangible assets used by or located in the Montreal Facility that are used to design, develop, manufacture, market, service, distribute, repair, and/or sell Engine Control Products;

(3) All tangible assets, wherever located, that are used to design, develop, and/or manufacture Engine Control Products, including, but not limited to, assets relating to research and development activities, manufacturing equipment, tooling, fixed assets, personal property, inventory, office furniture, materials, supplies, licenses, permits, authorizations issued by any governmental organization, contracts, teaming arrangements, agreements, leases, commitments, certifications, supply agreements, understandings, customer lists, contracts, accounts, credit records, information technology systems, and repair, performance, and other records; and

(4) All intangible assets, wherever located, that are used to design, develop, and/or manufacture Engine Control Products, including, but not limited to, contractual rights, patents, licenses, sublicenses, intellectual

property, copyrights, trademarks, trade names, service marks, service names, technical information, computer software and related documentation, know-how, trade secrets, drawings, blueprints, designs, design protocols, specifications for materials, specifications for parts and devices, safety procedures, quality assurance and control procedures, design tools, simulation capability, manuals and technical information provided to Goodrich employees, customers, suppliers, agents, or licensees, and research data concerning historic and current research and development efforts, including, but not limited to, designs of experiments and results of successful and unsuccessful designs and experiments;

(5) for intellectual property that is used exclusively for Engine Control Products that is owned and/or controlled by Goodrich, but for which Goodrich's ownership or control is in any way encumbered, an exclusive, irrevocable, royalty-free license for that intellectual property; and

(6) for intellectual property that is used primarily, but not exclusively, for Engine Control Products that is owned and/or controlled by Goodrich, but for which Goodrich's ownership or control is in any way encumbered, a non-exclusive, irrevocable, royalty-free license for that intellectual property.

N. "Qualifying Customer Contracts" means any contract or agreement: (1) Having an initial duration of longer than two years; (2) for the supply of any Engine Control Products to turbine engine manufacturers; (3) to which the business comprising the Engine Control Divestiture Assets is a party; (4) that are unexpired on the date the Complaint is filed in this matter; (5) the term of which will expire prior to the date of the consummation of the divestiture of the Engine Control Divestiture Assets; and (6) which have not been renegotiated prior to such consummation.

O. "Twinsburg Facility" means Goodrich's facility located at 8380 Darrow Road, Twinsburg, Ohio 44087.

P. "Pitstone Facility" means Goodrich's facility located at Pitstone Business Park, Westfield Road, Pitstone, Buckinghamshire LU7 9GT, United Kingdom.

Q. "Electrical Power Divestiture Assets" means:

(1) The Twinsburg Facility;

(2) The Pitstone Facility, provided, however, that the assets used exclusively for the motor drive business located at the Pitstone Facility shall not be divested pursuant to this Final Judgment;

(3) All tangible assets that are used to design, develop, manufacture, market, service, distribute, repair, and/or sell aircraft electrical generation systems and electrical distribution systems that currently are or have been designed, developed, manufactured, marketed, serviced, distributed, repaired, and/or sold by Goodrich Engine Control and Electrical Power Systems, including, but not limited to, assets relating to research and development activities, manufacturing equipment, tooling, fixed assets, personal property, inventory, office furniture, materials, supplies, licenses, permits, authorizations issued by any governmental organization, contracts, teaming arrangements, agreements, leases, commitments, certifications, supply agreements, understandings, customer lists, contracts, accounts, credit records, information technology systems, and repair, performance, and other records;

(4) All intangible assets that are used to design, develop, manufacture, market, service, distribute, repair and/or sell aircraft electrical generation systems and electrical distribution systems that currently are or have been designed, developed, manufactured, marketed, serviced, distributed, repaired, and/or sold by Goodrich Engine Control and Electrical Power Systems, including, but not limited to, contractual rights, patents, licenses, sublicenses, intellectual property, copyrights, trademarks, trade names, service marks, service names, technical information, computer software and related documentation, know-how, trade secrets, drawings, blueprints, designs, design protocols, specifications for materials, specifications for parts and devices, safety procedures, quality assurance and control procedures, design tools, simulation capability, manuals and technical information provided to Goodrich employees, customers, suppliers, agents, or licensees, and research data concerning historic and current research and development efforts, including, but not limited to, design of experiments and results of successful and unsuccessful designs and experiments;

(5) All intellectual property and know-how that is owned by Goodrich pursuant to the Intellectual Property Agreement between TRW Limited and Thales dated June 27, 2001; and

(6) Goodrich's obligations to BAE Systems pursuant to the Norwegian Sting Ray Mod 1 Torpedo System Programme Procurement Specification and Sub Contract for the Power Supply (5000) Section and Motor Control (6000) Section 296401001/01–02 Issue 1, dated

April 30, 2009 and all assets necessary to fulfill those obligations.

The Electrical Power Divestiture Assets exclude assets in or personnel operating out of Goodrich's development center located in Bengaluru, India and Goodrich's MRO Campuses.

R. "Goodrich's MRO Campuses" means all Goodrich facilities, except the Twinsburg Facility and the Pitstone Facility, from which customer support for Goodrich's aircraft electrical generation systems and electrical distribution systems products is provided.

S. "Aerolec Shareholders Agreement" means the Shareholders' Agreement dated May 31, 2001, between TRW France Holding SAS, TRW Limited, and Thales.

T. "Aerolec Shares" means all shares of TRW-Thales Aerolec SAS that are owned and/or controlled by Goodrich, TRW France Holding SAS, and/or TRW Limited that were acquired pursuant to the Aerolec Shareholders Agreement.

U. "Change of Control Option" means Thales's option to acquire the Aerolec Shares pursuant to section 7.2(H) of the Aerolec Shareholders Agreement.

V. "Transfer Option" means Thales's option to acquire the Aerolec Shares pursuant to section 7.2(E) of the Aerolec Shareholders Agreement.

W. "AEC Joint Venture Agreement" means the Joint Venture Agreement dated December 31, 2008, between Rolls-Royce Engine Controls Holdings Limited, Rolls-Royce Group plc, Goodrich Controls Holding Limited, Goodrich Actuation Systems Limited, Goodrich Corporation, and Rolls-Royce Goodrich Engine Control Systems Limited.

X. "AEC" means the joint venture established pursuant to the AEC Joint Venture Agreement.

Y. "AEC Shares" means all the shares in AEC that are owned and/or controlled by Goodrich.

Z. "Goodrich Aftermarket Business" means the worldwide aftermarket business conducted by Goodrich prior to the date Goodrich is acquired by UTC involving the maintenance, repair, and overhaul of units, equipment, and parts (including hardware and software) that are designed, assembled, manufactured, supported, or procured by AEC, the provision of training and documentation and support equipment, and the sale and supply of spare parts and initial provisioning for engine control systems for Rolls-Royce engines.

AA. "Divestiture Assets" means the Electrical Power Divestiture Assets, Aerolec Shares, Engine Control Divestiture Assets, and AEC Shares.

### III. Applicability

A. This Final Judgment applies to UTC and Goodrich, as defined above, and all other persons in active concert or participation with any of them who receive actual notice of this Final Judgment by personal service or otherwise.

B. If, prior to complying with Section IV, Section V, and Section VI of this Final Judgment, Defendants sell or otherwise dispose of all or substantially all of their assets or of lesser business units that include the Divestiture Assets, Defendants shall require the purchaser(s) to be bound by the provisions of this Final Judgment. Defendants need not obtain such an agreement from the Acquirers of the assets divested pursuant to this Final Judgment.

### IV. Divestiture of the Engine Control Divestiture Assets

A. Defendants are ordered and directed, within one hundred and eighty calendar days after the filing of the Complaint in this matter, or five calendar days after notice of the entry of this Final Judgment by the Court, whichever is later, to divest the Engine Control Divestiture Assets in a manner consistent with this Final Judgment to an Acquirer acceptable to the United States, in its sole discretion. The United States, in its sole discretion, may agree to one or more extensions of this period, not to exceed sixty calendar days in total, and shall notify the Court in such circumstances. If, however, applications seeking approval to sell the Engine Control Divestiture Assets have been filed within the period permitted for the divestiture of the Engine Control Divestiture Assets with authorities from which approval for the divestiture of the Engine Control Divestiture Assets is required by the Acquirer of the Engine Control Divestiture Assets as a condition of closing, but orders or other dispositive actions by such authorities on such applications have not been issued before the end of the period permitted for this divestiture, the period shall be extended with respect to the divestiture of the Engine Control Divestiture Assets until ten calendar days after such approvals are received. Defendants agree to use their best efforts to accomplish the divestiture of the Engine Control Divestiture Assets and to seek all necessary approvals as expeditiously as possible.

B. In accomplishing the divestitures ordered by this Final Judgment, Defendants promptly shall make known, by usual and customary means, the availability of the Engine Control

Divestiture Assets. Defendants shall inform any person making inquiry regarding a possible purchase of any of the Engine Control Divestiture Assets that they are being divested pursuant to this Final Judgment and provide that person with a copy of this Final Judgment. Defendants shall offer to furnish to all prospective Acquirers, subject to customary confidentiality assurances, all information and documents relating to the Engine Control Divestiture Assets customarily provided in a due diligence process except such information or documents subject to the attorney-client privilege or work-product doctrine. Defendants shall make available such information to the United States at the same time that such information is made available to any other person.

C. Defendants shall provide the Acquirer of the Engine Control Divestiture Assets and the United States information relating to the personnel involved in the design, development, manufacture, marketing, servicing, distribution, repair, and/or sale of Engine Control Products to enable the Acquirer of the Engine Control Divestiture Assets to make offers of employment. Defendants shall not interfere with any negotiations by the Acquirer of the Engine Control Divestiture Assets to employ any Goodrich employee who is responsible for the design, development, manufacture, marketing, servicing, distribution, repair, and/or sale of Engine Control Products. Interference with respect to this paragraph includes, but is not limited to, enforcement of non-compete clauses and offers to increase salary or other benefits apart from those offered company-wide.

D. Defendants shall permit prospective Acquirers of the Engine Control Divestiture Assets to have reasonable access to personnel and to make inspections of the physical facilities to be divested; access to any and all environmental, zoning, and other permit documents and information; and access to any and all financial, operational, or other documents and information customarily provided as part of a due diligence process.

E. Defendants shall warrant to the Acquirer of the Engine Control Divestiture Assets that each asset included in the Engine Control Divestiture Assets will be operational on the date of sale.

F. Defendants shall not take any action that will impede in any way the permitting, operation, or divestiture of the Engine Control Divestiture Assets.

G. Defendants shall warrant to the Acquirer of the Engine Control Divestiture Assets that there are no material defects in the environmental, zoning, or other permits pertaining to the operation of the Engine Control Divestiture Assets, and that following the sale of the Engine Control Divestiture Assets, Defendants will not undertake, directly or indirectly, any challenges to the environmental, zoning, or other permits relating to the operation of any of the Engine Control Divestiture Assets.

H. At the option of the Acquirer of the Engine Control Divestiture Assets, UTC shall enter into a transition services agreement with the Acquirer of the Engine Control Divestiture Assets. This agreement shall include technical and engineering assistance and maintenance, repair, and overhaul services relating to Engine Control Products. The terms and conditions of any contractual arrangement meant to satisfy this provision must be commercially reasonable. The terms and conditions of any such transition services agreement shall be subject to the approval of the United States, in its sole discretion. The duration of this transition services agreement shall not be longer than one year. The United States, in its sole discretion, may approve an extension of the term of this transition services agreement for a period of up to one year. If the Acquirer of the Engine Control Divestiture Assets seeks an extension of the term of this transition services agreement, it shall so notify the United States in writing at least four months prior to the date the transition services agreement expires. The United States shall respond to any such request for extension in writing at least three months prior to the date the transition services agreement expires.

I. At the option of the Acquirer of the Engine Control Divestiture Assets, UTC shall enter into a supply agreement to supply components used in or necessary for the design, development, manufacture, marketing, servicing, distribution, repair, and/or sale of the Engine Control Products sufficient to meet the needs identified by the Acquirer of the Engine Control Divestiture Assets. The terms and conditions of any contractual arrangement intended to satisfy this provision must be reasonably related to market conditions for these products. The terms and conditions of any such supply agreement shall be subject to the approval of the United States, in its sole discretion. The duration of this supply agreement shall not be longer than one year. The United States, in its sole discretion, may approve an extension of

the term of this supply agreement for a period of up to one year. If the Acquirer of the Engine Control Divestiture Assets seeks an extension of the term of this supply agreement, it shall so notify the United States in writing at least four months prior to the date the supply agreement expires. The United States shall respond to any such request for extension in writing at least three months prior to the date the supply agreement expires.

J. At the option of the Acquirer of the Engine Control Divestiture Assets, UTC shall enter into a supply agreement to supply parts and provide engineering expertise sufficient to meet the needs identified by the Acquirer of the Engine Control Divestiture Assets to enable that Acquirer to provide maintenance, repair, and overhaul services for the following products: Engine control unit and fuel pump metering unit for the AE1107 engine; engine control unit and fuel pump metering unit for the AE3007 engine; engine control unit and fuel pump for the RB211 engine; engine control unit for the BR710 engine; engine control unit for the PW305 engine; engine control unit for the Tay engine; fuel metering unit for the Trent 700 engine; fuel metering unit for the Trent 800 engine; and fuel metering unit and actuator for the V2500 engine. The terms and conditions of any contractual arrangement intended to satisfy this provision must be reasonably related to market conditions for these products. The terms and conditions of any such supply agreement shall be subject to the approval of the United States, in its sole discretion. At the option of the Acquirer of the Engine Control Divestiture Assets, this agreement may remain in effect so long as three or more of any aircraft equipped with an engine listed in this paragraph are in service.

K. At the option of the Acquirer of the Engine Control Divestiture Assets, UTC shall enter into a supply agreement to supply pressure sensors and transducers for the Goodrich EMC51, EMC60, and EMC101 electronic engine controls, and any derivatives of those electronic engine controls, sufficient to meet the needs identified by the Acquirer of the Engine Control Divestiture Assets. The terms and conditions of any contractual arrangement intended to satisfy this provision must be reasonably related to market conditions for these products. The terms and conditions of any such supply agreement shall be subject to the approval of the United States, in its sole discretion. At the option of the Acquirer of the Engine Control Divestiture Assets, this agreement may remain in effect so long as five or more aircraft equipped with an electronic engine control listed

in this paragraph are in service. In the alternative, at the option of the Acquirer of the Engine Control Divestiture Assets, UTC shall provide the Acquirer of the Engine Control Divestiture Assets a non-exclusive, irrevocable, royalty-free license solely to manufacture the pressure sensors and transducers necessary to fulfill the contractual obligations of the Acquirer of the Engine Control Divestiture Assets relating to the Goodrich EMC51, EMC60, and EMC101 electronic engine controls that exist on the date the Engine Control Divestiture Assets are divested. The Acquirer shall not transfer such license except as part of a sale of the Engine Control Divestiture Assets.

L. At the option of UTC, the Acquirer of the Engine Control Divestiture Assets shall enter into a supply agreement for parts sufficient to meet the needs identified by UTC to enable UTC to provide maintenance, repair, and overhaul services for the fuel control system for the LF507 engine; the fuel control system and the power turbine governor for the T53 engine; the fuel pump for the LTS101 engine; and the fuel pump for the PW100 engine. The terms and conditions of any contractual arrangement intended to satisfy this provision must be reasonably related to market conditions for these products. The terms and conditions of any such supply agreement shall be subject to the approval of the United States, in its sole discretion. At the option of UTC, this agreement may remain in effect so long as five or more aircraft equipped with an engine listed in this paragraph are in service.

M. At the option of UTC, the Acquirer of the Engine Control Divestiture Assets shall provide UTC with a non-exclusive license for intellectual property that is included in the Engine Control Divestiture Assets but used for both Engine Control Products and other Goodrich products not being divested pursuant to this Final Judgment. UTC shall not transfer the license described in this paragraph except as part of a sale of the business in which the license is used. UTC shall not use the license described in this paragraph for engine control products, systems, and services. The terms and conditions of any contractual arrangement intended to satisfy this provision must be reasonably related to market conditions for these products. The terms and conditions of any such license shall be subject to the approval of the United States, in its sole discretion.

N. Defendants shall offer to extend, with the same pricing and other terms and conditions, the Qualifying Customer Contracts for a period

expiring thirty calendar days after the date of the consummation of the divestiture of the Engine Control Divestiture Assets.

O. Unless the United States otherwise consents in writing, the divestiture of the Engine Control Divestiture Assets pursuant to Section IV or by the Divestiture Trustee appointed pursuant to Section VII of this Final Judgment shall be accomplished in such a way as to satisfy the United States, in its sole discretion, that the Engine Control Divestiture Assets can and will be used by the Acquirer of the Engine Control Divestiture Assets as part of a viable, ongoing business that is engaged in the design, development, manufacture, marketing, servicing, distribution, repair, and sale of Engine Control Products and that the divestiture of the Engine Control Divestiture Assets will remedy the competitive harm alleged in the Complaint. The divestiture of the Engine Control Divestiture Assets, whether pursuant to Section IV or Section VII of this Final Judgment, shall be made to an Acquirer that, in the United States's sole judgment, has the intent and capability (including the necessary managerial, operational, technical and financial capability) of competing effectively in the design, development, manufacture, marketing, servicing, distribution, repair, and sale of Engine Control Products. The divestiture of the Engine Control Divestiture Assets shall be accomplished so as to satisfy the United States, in its sole discretion, that none of the terms of any agreement between the Acquirer of the Engine Control Divestiture Assets and Defendants give Defendants the ability unreasonably to raise the Acquirer's costs, to lower the Acquirer's efficiency, or otherwise to interfere in the ability of the Acquirer to compete effectively.

#### **V. Divestiture of the Electrical Power Divestiture Assets and Aerolec Shares**

A. Defendants are ordered and directed to divest the Electrical Power Divestiture Assets in a manner consistent with this Final Judgment to an Acquirer acceptable to the United States, in its sole discretion, no later than one hundred eighty calendar days after the filing of the Complaint in this matter, or five calendar days after notice of the entry of this Final Judgment by the Court, whichever is later. The United States, in its sole discretion, may agree to one or more extensions of this time period, not to exceed sixty calendar days in total, and shall notify the Court in such circumstances. If, however, applications seeking approval to sell the Electrical Power Divestiture

Assets have been filed within the period permitted for the divestiture of the Electrical Power Divestiture Assets with authorities from which approval for the divestiture of the Electrical Power Divestiture Assets is required by the Acquirer of the Electrical Power Divestiture Assets as a condition of closing, but orders or other dispositive actions by such authorities on such applications have not been issued before the end of the period permitted for this divestiture, the period shall be extended with respect to the divestiture of the Electrical Power Divestiture Assets until ten calendar days after such approvals are received. Defendants agree to use their best efforts to accomplish the divestiture of the Electrical Power Divestiture Assets and to seek all necessary approvals as expeditiously as possible.

B. Defendants shall remove from the Pitstone Facility prior to the consummation of the divestiture of the Electrical Power Divestiture Assets all assets used exclusively for the motor drive business.

C. If Thales exercises the Change of Control Option, Defendants are ordered and directed, within one hundred eighty calendar days after the filing of the Complaint in this matter, or five calendar days after notice of the entry of this Final Judgment by the Court, whichever is later, to divest the Aerolec Shares to Thales in a manner consistent with this Final Judgment. The United States, in its sole discretion, may agree to one or more extensions of this time period not to exceed sixty calendar days in total, and shall notify the Court in such circumstances. Defendants agree to use their best efforts to divest the Aerolec Shares as expeditiously as possible.

D. If Thales does not exercise the Change of Control Option, but Thales does exercise the Transfer Option, Defendants are ordered and directed to divest the Aerolec Shares to Thales in a manner consistent with this Final Judgment within thirty calendar days after the date Thales notifies UTC that it will exercise the Transfer Option. The United States, in its sole discretion, may agree to one or more extensions of this time period not to exceed sixty calendar days in total, and shall notify the Court in such circumstances. Defendants agree to divest the Aerolec Shares as expeditiously as possible. If Thales does not exercise the Change of Control Option, Defendants further agree to provide notice to Thales pursuant to paragraph 7.2(E) of the Aerolec Shareholders Agreement no later than two business days after the sale of the

Electrical Power Divestiture Assets is consummated.

E. If Thales does not exercise the Change of Control Option and does not exercise the Transfer Option, Defendants are ordered and directed to divest the Aerolec Shares in a manner consistent with this Final Judgment to an Acquirer acceptable to the United States, in its sole discretion, within one hundred fifty calendar days after the earlier of: (1) The date Thales notifies UTC that it will not exercise the Transfer Option; or (2) the time period for Thales to exercise the Transfer Option expires. The United States, in its sole discretion, may agree to one or more extensions of this time period not to exceed sixty calendar days in total, and shall notify the Court in such circumstances. If, however, applications seeking approval to sell the Aerolec Shares have been filed within the period permitted for the divestiture of the Aerolec Shares with authorities from which approval for the divestiture of the Aerolec Shares is required by the Acquirer of the Aerolec Shares as a condition of closing, but orders or other dispositive actions by such authorities on such applications have not been issued before the end of the period permitted for this divestiture, the period shall be extended with respect to the divestiture of the Aerolec Shares until ten calendar days after such approvals are received. Defendants agree to use their best efforts to accomplish the divestiture of the Aerolec Shares and to seek all necessary approvals as expeditiously as possible.

F. In accomplishing the divestitures ordered by this Final Judgment, Defendants promptly shall make known, by usual and customary means, the availability of the Electrical Power Divestiture Assets. Defendants shall inform any person making inquiry regarding a possible purchase of any of the Electrical Power Divestiture Assets that they are being divested pursuant to this Final Judgment and provide that person with a copy of this Final Judgment. Defendants shall offer to furnish to all prospective Acquirers, subject to customary confidentiality assurances, all information and documents relating to the Electrical Power Divestiture Assets customarily provided in a due diligence process except such information or documents subject to the attorney-client privilege or work-product doctrine. Defendants shall make available such information to the United States and any Monitoring Trustee at the same time that such information is made available to any other person.

G. Defendants shall provide the Acquirer of the Electrical Power Divestiture Assets, the United States, and any Monitoring Trustee information relating to the Goodrich personnel involved in the design, development, manufacture, marketing, service, distribution, repair, and/or sale of aircraft electrical generation systems and electrical distribution systems to enable the Acquirer of the Electrical Power Divestiture Assets to make offers of employment. Defendants will not interfere with any negotiations by the Acquirer of the Electrical Power Divestiture Assets to employ any Goodrich employee who is responsible for the design, development, manufacture, marketing, service, distribution, repair, and/or sale of aircraft electrical generation systems and electrical distribution systems. Interference with respect to this paragraph includes, but is not limited to, enforcement of non-compete clauses and offers to increase salary or other benefits apart from those offered company-wide. However, interference with respect to this paragraph shall not include acts by Defendants relating to employees of the Pitstone Facility that are necessary to comply with the employment laws of the United Kingdom.

H. Defendants shall permit prospective Acquirers of the Electrical Power Divestiture Assets to have reasonable access to personnel and to make inspections of the physical facilities to be divested; access to any and all environmental, zoning, and other permit documents and information; and access to any and all financial, operational, or other documents and information customarily provided as part of a due diligence process.

I. Defendants shall warrant to the Acquirer of the Electrical Power Divestiture Assets that each asset included in the Electrical Power Divestiture Assets will be operational on the date of sale.

J. Defendants shall not take any action that will impede in any way the permitting, operation, or divestiture of the Electrical Power Divestiture Assets.

K. Defendants shall warrant to the Acquirer of the Electrical Power Divestiture Assets that there are no material defects in the environmental, zoning, or other permits pertaining to the operation of each asset included in the Electrical Power Divestiture Assets, and that following the sale of the Electrical Power Divestiture Assets, Defendants will not undertake, directly or indirectly, any challenges to the environmental, zoning, or other permits

relating to the operation of any of the Electrical Power Divestiture Assets.

L. At the option of the Acquirer of the Electrical Power Divestiture Assets, UTC shall enter into a transition services agreement with the Acquirer of the Electrical Power Divestiture Assets. This agreement shall include technical and engineering assistance and maintenance, repair, and overhaul services relating to aircraft electrical generation systems and electrical distribution systems. The terms and conditions of any contractual arrangement meant to satisfy this provision must be commercially reasonable. The terms and conditions of any such transitional services agreement shall be subject to the approval of the United States, in its sole discretion. The duration of this transition services agreement shall not be longer than one year. The United States, in its sole discretion, may approve an extension of the term of this transition services agreement for a period of up to one year. If the Acquirer of the Electrical Power Divestiture Assets seeks an extension of the term of this transition services agreement, it shall so notify the United States in writing at least four months prior to the date the transition services agreement expires. The United States shall respond to any such request for extension in writing at least three months prior to the date the transition services agreement expires.

M. At the option of the Acquirer of the Electrical Power Divestiture Assets, UTC shall enter into a supply agreement to supply components used in or necessary for the design, development, manufacture, marketing, servicing, distribution, repair, and/or sale of aircraft electrical generation systems and electrical distribution systems sufficient to meet the needs identified by the Acquirer of the Electrical Power Divestiture Assets. The terms and conditions of any contractual arrangement intended to satisfy this provision must be reasonably related to market conditions for these products. The terms and conditions of any such supply agreement shall be subject to the approval of the United States, in its sole discretion. The duration of this supply agreement shall not be longer than one year. The United States, in its sole discretion, may approve an extension of the term of this supply agreement for a period of up to one year. If the Acquirer of the Electrical Power Divestiture Assets seeks an extension of the term of this supply agreement, it shall so notify the United States in writing at least four months prior to the date the supply agreement expires. In the alternative, at the option of the Acquirer of the Electrical Power Divestiture Assets, UTC shall provide the Acquirer of the Electrical Power Divestiture Assets the manufacturing know-how sufficient to enable the Acquirer of the Electrical Power Divestiture Assets to manufacture the machined parts necessary to fulfill the contractual obligations of the Acquirer of the Electrical Power Divestiture Assets that exist on the date the Electrical Power Divestiture Assets are divested.

O. At the option of the Acquirer of the Electrical Power Divestiture Assets, UTC shall enter into an agreement to supply maintenance services for the Tornado aircraft secondary power system equipment sufficient to meet the needs identified by the Acquirer of the

Acquirer of the Engine Control Divestiture Assets in writing at least three months prior to the date the supply agreement expires.

N. At the option of the Acquirer of the Electrical Power Divestiture Assets, UTC shall enter into a supply agreement to supply machined parts, including machined housings for AC generators and accessory gearboxes for the SAAB Gripen (JAS 39), sufficient to meet the needs identified by the Acquirer of the Electrical Power Divestiture Assets. The terms and conditions of any contractual arrangement intended to satisfy this provision must be reasonably related to market conditions for these products. The terms and conditions of any such supply agreement shall be subject to the approval of the United States, in its sole discretion. At the option of the Acquirer of the Electrical Power Divestiture Assets, the portion of this supply agreement relating to the accessory gearboxes may remain in effect so long as any SAAB Gripen (JAS 39) is in service. The portion of this supply agreement relating to the machined housings for the AC generators and any other products covered shall not be longer than one year. The United States, in its sole discretion, may approve an extension of the term of the portion of this supply agreement relating the machined housings for the AC generators and any other products covered to for a period of up to one year. If the Acquirer of the Electrical Power Divestiture Assets seeks an extension of the term of this supply agreement, it shall so notify the United States in writing at least four months prior to the date the supply agreement expires. If the United States approves such an extension, it shall so notify the Acquirer of the Electrical Power Divestiture Assets in writing at least three months prior to the date the supply agreement expires. In the alternative, at the option of the Acquirer of the Electrical Power Divestiture Assets, UTC shall provide the Acquirer of the Electrical Power Divestiture Assets the manufacturing know-how sufficient to enable the Acquirer of the Electrical Power Divestiture Assets to manufacture the machined parts necessary to fulfill the contractual obligations of the Acquirer of the Electrical Power Divestiture Assets that exist on the date the Electrical Power Divestiture Assets are divested.

P. At the option of the Acquirer of the Electrical Power Divestiture Assets, UTC shall enter into an agreement to supply maintenance services for the Tornado aircraft secondary power system equipment sufficient to meet the needs identified by the Acquirer of the

**Electrical Power Divestiture Assets.** The terms and conditions of any contractual arrangement intended to satisfy this provision must be reasonably related to market conditions for these products. The terms and conditions of any such supply agreement shall be subject to the approval of the United States, in its sole discretion. At the option of the Acquirer of the Electrical Power Divestiture Assets, this supply agreement may remain in effect until December 31, 2013.

P. At the option of UTC, the Acquirer of the Electrical Power Divestiture Assets shall enter into an agreement to supply maintenance, repair, and overhaul services to UTC to enable UTC to provide and support the engine starter motor on the Rolls-Royce Gnome turboshaft engine. The terms and conditions of any contractual arrangement intended to satisfy this provision must be reasonably related to market conditions for these products. The terms and conditions of any such supply agreement shall be subject to the approval of the United States, in its sole discretion. At the option of UTC, this agreement may remain in effect so long as five or more aircraft equipped with a Rolls-Royce Gnome turboshaft engine are in service.

Q. At the option of UTC, the Acquirer of the Electrical Power Divestiture Assets shall provide UTC with a non-exclusive license for intellectual property that is included in the Electrical Power Divestiture Assets but also is used for both aircraft electrical generation systems and electrical distribution systems and other Goodrich products not being divested pursuant to this Final Judgment. UTC shall not transfer the license described in this paragraph except as part of a sale of the business in which the license is used. UTC shall not use the license described in this paragraph for aircraft electrical generation systems and electrical distribution systems. The terms and conditions of any contractual arrangement intended to satisfy this provision must be reasonably related to market conditions for these products. The terms and conditions of any such license shall be subject to the approval of the United States, in its sole discretion.

R. Unless the United States otherwise consents in writing, the divestiture of the Electrical Power Divestiture Assets pursuant to Section V or by the Divestiture Trustee appointed pursuant to Section VII of this Final Judgment shall be accomplished in such a way as to satisfy the United States, in its sole discretion, that the Electrical Power Divestiture Assets can and will be used

by the Acquirer of the Electrical Power Divestiture Assets as part of a viable, ongoing business that is engaged in the design, development, manufacture, marketing, servicing, distribution, repair, and sale of aircraft electrical generation systems and that the divestiture of the Electrical Power Divestiture Assets will remedy the competitive harm alleged in the Complaint. The divestiture of the Electrical Power Divestiture Assets, whether pursuant to Section V or Section VII of this Final Judgment, shall be made to an Acquirer that, in the United States's sole judgment, has the intent and capability (including the necessary managerial, operational, technical and financial capability) of competing effectively in the design, development, manufacture, marketing, servicing, distribution, repair, and sale of aircraft electrical generation systems. The divestiture of the Electrical Power Divestiture Assets shall be accomplished so as to satisfy the United States, in its sole discretion, that none of the terms of any agreement between the Acquirer of the Electrical Power Divestiture Assets and Defendants give Defendants the ability unreasonably to raise the Acquirer's costs, to lower the Acquirer's efficiency, or otherwise to interfere in the ability of the Acquirer to compete effectively.

S. Unless Thales acquires the Aerolec Shares pursuant to the Aerolec Shareholders Agreement, the Electrical Power Divestiture Assets and the Aerolec Shares must be divested to the same Acquirer.

#### VI. Divestiture of the AEC Shares and Obligations Relating to AEC

A. Defendants are ordered and directed, within one hundred eighty calendar days after the filing of the Complaint in this matter, or five calendar days after notice of the entry of this Final Judgment by the Court, whichever is later, to divest the AEC Shares in a manner consistent with this Final Judgment to Rolls-Royce. If, however, applications seeking approval to assign or transfer the AEC Shares to Rolls-Royce have been filed within the period permitted for the divestiture of the AEC Shares to Rolls-Royce with authorities from which approval for the divestiture of the AEC Shares is required by Rolls-Royce as a condition of closing, but orders or other dispository actions by such authorities on such applications have not been issued before the end of the period permitted for this divestiture, the period shall be extended with respect to the divestiture of the AEC Shares to Rolls-Royce until ten calendar days after such

approvals are received. Defendants agree to use their best efforts to accomplish the divestiture of the AEC Shares to Rolls-Royce and to seek all necessary approvals as expeditiously as possible.

B. In the event the AEC Shares are not divested to Rolls-Royce pursuant to paragraph VI(A) of this Final Judgment, Defendants are ordered and directed, within one hundred eighty calendar days after the date that Rolls-Royce waives its option to acquire the AEC Shares pursuant to Clause 9 of the AEC Joint Venture Agreement, or that option lapses or expires, to divest the AEC Shares in a manner consistent with this Final Judgment to an Acquirer acceptable to the United States, in its sole discretion. The United States, in its sole discretion, may agree to one or more extensions of this time period not to exceed ninety calendar days in total, and shall notify the Court in such circumstances. Defendants agree to use their best efforts to divest the AEC Shares as expeditiously as possible.

C. Defendants shall offer to Rolls-Royce a new right for a new period in which Rolls-Royce may purchase or acquire the "AM Package" as defined in the "Put and Call Option Agreement relating to the Goodrich engine control systems aftermarket business" dated December 31, 2008, between Rolls-Royce and Goodrich ("Put and Call Option Agreement") at the price determined using the formula set forth in clause (b) of the definition of the "Call Option Price" in the Put and Call Option Agreement, until the earlier of: (1) December 31, 2023; or (2) the date on which UTC no longer owns or controls substantially all of the Goodrich Aftermarket Business ("Right to Purchase"). Nothing in this Final Judgment shall be construed to: (1) Affect any agreements between UTC and/or Goodrich, on the one hand, and Rolls-Royce, on the other, relating to the option to purchase or acquire the Goodrich Aftermarket Business; (2) impose any obligation on UTC to provide Rolls-Royce any extended payments terms with respect to the Right to Purchase; or (3) restrict in any way UTC's ability to sell the Goodrich Aftermarket Business (in whole or significant part) to a party other than Rolls-Royce. If at any time during which Rolls-Royce may exercise its Right to Purchase, UTC determines to commence a process to sell all or a significant part of the Goodrich Aftermarket Business to a party other than Rolls-Royce, UTC shall first notify Rolls-Royce of UTC's determination and provide Rolls-Royce with no less than sixty days to exercise its Right to Purchase. If Rolls-Royce

does not exercise its Right to Purchase during such sixty-day period, UTC may agree to and complete such a sale, and the Right to Purchase will be suspended for a period of one year from the date the sixty-day period expires to allow the completion of such sale. If UTC ceases its efforts to sell the Goodrich Aftermarket Business at any time during the one-year period when the Right to Purchase is suspended, the Right to Purchase ceases to be suspended when UTC ceases its efforts to sell the Goodrich Aftermarket Business. If such one-year period expires without UTC having completed such a sale, then UTC may not again attempt to sell the Goodrich Aftermarket Business to a party other than Rolls-Royce without first complying with the procedures set forth in this paragraph.

D. Unless the United States otherwise consents in writing, the divestiture of the AEC Shares pursuant to Section VI or by the Divestiture Trustee appointed pursuant to Section VII of this Final Judgment shall be accomplished in such a way as to satisfy the United States, in its sole discretion, that the AEC Shares can and will be used by the Acquirer of the AEC Shares to carry out the purpose of AEC in an ongoing and viable manner and the divestiture of the AEC Shares will remedy the competitive harm alleged in the Complaint. The divestiture of the AEC Shares, whether pursuant to Section VI or Section VII of this Final Judgment, shall be made to an Acquirer that, in the United States's sole judgment, has the intent and capability (including the necessary managerial, operational, technical and financial capability) of effectively carrying out the purpose of AEC. The divestiture of the AEC Shares shall be accomplished so as to satisfy the United States, in its sole discretion, that none of the terms of any agreement between the Acquirer of the AEC Shares and Defendants give Defendants the ability unreasonably to raise the Acquirer's costs, to lower the Acquirer's efficiency, or otherwise to interfere in the ability of the Acquirer to compete effectively.

## VII. Appointment of Divestiture Trustee

A. If Defendants have not divested all of the Divestiture Assets within any of the respective time periods specified in Section IV(A), V(A), and VI(A), they shall notify the United States of that fact in writing at the time the period for the relevant divestiture expires and identify the assets that have not been divested. Upon application of the United States, the Court shall appoint a Divestiture Trustee selected by the United States and approved by the Court to effect the divestiture of any of the Divestiture

Assets that have not been sold during the time periods specified in Section IV(A), V(A), and VI(A).

B. After the appointment of a Divestiture Trustee becomes effective, only the Divestiture Trustee shall have the right to sell those Divestiture Assets that the Divestiture Trustee has been appointed to sell. The Divestiture Trustee shall have the power and authority to accomplish the divestiture to an Acquirer or Acquirers acceptable to the United States at such price and on such terms as are then obtainable upon reasonable effort by the Divestiture Trustee, subject to the provisions of Section IV, Section V, Section VI, Section VII, and Section VIII of this Final Judgment, and shall have such other powers as this Court deems appropriate. Subject to Section VII(D) of this Final Judgment, the Divestiture Trustee may hire at the cost and expense of UTC any investment bankers, attorneys, or other agents, who shall be solely accountable to the Divestiture Trustee, reasonably necessary in the Divestiture Trustee's judgment to assist in any required divestiture.

C. Defendants shall not object to a sale by the Divestiture Trustee on any ground other than the Divestiture Trustee's malfeasance. Any such objections by Defendants must be conveyed in writing to the United States and the Divestiture Trustee within ten calendar days after the Divestiture Trustee has provided the notice required under Section VIII.

D. The Divestiture Trustee shall serve at the cost and expense of UTC, on such terms and conditions as the United States approves, and shall account for all monies derived from the sale of any of the Divestiture Assets sold by the Divestiture Trustee and all costs and expenses so incurred. After approval by the Court of the Divestiture Trustee's accounting, including fees for its services and those of any professionals and agents retained by the Divestiture Trustee, all remaining money shall be paid to defendants and the trust shall then be terminated. The compensation of the Divestiture Trustee and any professionals and agents retained by the Divestiture Trustee shall be reasonable in light of the value of the Divestiture Assets that are being sold by the Divestiture Trustee and based on a fee arrangement providing the Divestiture Trustee with an incentive based on the price and terms of the divestiture and the speed with which it is accomplished, but timeliness is paramount.

E. Defendants shall use their best efforts to assist the Divestiture Trustee

in accomplishing any required divestiture. The Divestiture Trustee and any consultants, accountants, attorneys, and other persons retained by the Divestiture Trustee shall have full and complete access to the personnel, books, records, and facilities of the business to be divested, and Defendants shall develop financial and other information relevant to such business as the Divestiture Trustee may reasonably request, subject to reasonable protection for trade secret or other confidential research, development, or commercial information and compliance with all export control laws and regulations. Defendants shall take no action to interfere with or to impede the Divestiture Trustee's accomplishment of any required divestiture.

F. After its appointment, the Divestiture Trustee shall file monthly reports with the United States and the Court setting forth the Divestiture Trustee's efforts to accomplish any divestiture ordered under this Final Judgment. To the extent such reports contain information that the Divestiture Trustee deems confidential, such reports shall not be filed in the public docket of the Court. Such reports shall include the name, address, and telephone number of each person who, during the preceding month, made an offer to acquire, expressed an interest in acquiring, entered into negotiations to acquire, or was contacted or made an inquiry about acquiring, any interest in the Divestiture Assets being sold by the Divestiture Trustee, and shall describe in detail each contact with any such person. The Divestiture Trustee shall maintain full records of all efforts made to divest any of the Divestiture Assets.

G. If the Divestiture Trustee has not accomplished any divestiture ordered under this Final Judgment within six months after its appointment, the Divestiture Trustee shall promptly file with the Court a report setting forth: (1) The Divestiture Trustee's efforts to accomplish the required divestiture; (2) the reasons, in the Divestiture Trustee's judgment, why the required divestiture has not been accomplished; and (3) the Divestiture Trustee's recommendations. To the extent such reports contain information that the Divestiture Trustee deems confidential, such reports shall not be filed in the public docket of the Court. The Divestiture Trustee shall at the same time furnish such report to the United States which shall have the right to make additional recommendations consistent with the purpose of the trust. The Court thereafter shall enter such orders as it shall deem appropriate to carry out the purpose of the Final Judgment, which may, if necessary,

include extending the trust and the term of the Divestiture Trustee's appointment by a period requested by the United States.

### VIII. Notice of Proposed Divestiture

A. Within two business days following execution of a definitive divestiture agreement, Defendants or the Divestiture Trustee, whichever is then responsible for effecting the divestitures required herein, shall notify the United States and any Monitoring Trustee of any proposed divestiture required by Section IV, Section V, or Section VI of this Final Judgment. If the Divestiture Trustee is responsible, it shall similarly notify Defendants and the Monitoring Trustee. The notice shall set forth the details of the proposed divestiture and list the name, address, and telephone number of each person not previously identified who offered or expressed an interest in or desire to acquire any ownership interest in any of the Divestiture Assets, together with full details of the same.

B. Within fifteen calendar days of receipt by the United States of such notice, the United States may request from Defendants, the proposed Acquirer or Acquirers, any other third party, or the Divestiture Trustee, if applicable, additional information concerning the proposed divestiture, the proposed Acquirer or Acquirers, and any other potential Acquirer. Defendants and the Divestiture Trustee shall furnish any additional information requested within fifteen calendar days of the receipt of the request, unless the parties shall otherwise agree.

C. Within thirty calendar days after receipt of the notice, or within twenty calendar days after the United States has been provided the additional information requested from Defendants, the proposed Acquirer or Acquirers, any third party, and the Divestiture Trustee, whichever is later, the United States shall provide written notice to Defendants and the Divestiture Trustee, if there is one, stating whether or not it objects to the proposed divestiture. If the United States provides written notice that it does not object, the divestiture may be consummated, subject only to UTC's limited right to object to the sale under Section VII(C) of this Final Judgment. Absent written notice that the United States does not object to the proposed Acquirer or Acquirers or upon objection by the United States, a divestiture proposed under Section IV, Section V, Section VI, or Section VII shall not be consummated. Upon objection by UTC under Section VII(C), a divestiture proposed under Section VII shall not be

consummated unless approved by the Court.

### IX. Financing

Defendants shall not finance all or any part of any purchase made pursuant to Section IV, Section V, Section VI, or Section VII of this Final Judgment.

### X. Hold Separate

Until the divestitures required by this Final Judgment have been accomplished, Defendants shall take all steps necessary to comply with the Hold Separate Stipulation and Order entered by this Court. Defendants shall take no action that would jeopardize the divestitures ordered by this Court.

### XI. Appointment of Monitoring Trustee

A. Upon the filing of this Final Judgment, the United States may, in its sole discretion, appoint a Monitoring Trustee for the Electrical Power Divestiture Assets, the Aerolec Shares, and/or the AEC Shares, subject to approval by the Court.

B. The Monitoring Trustee shall have the power and authority to monitor Defendants' compliance with the terms of this Final Judgment and the Hold Separate Stipulation and Order entered by this Court and shall have such powers as this Court deems appropriate. Subject to paragraph XI(D) of this Final Judgment, the Monitoring Trustee may hire at the cost and expense of Defendants any consultants, accountants, attorneys, or other persons reasonably necessary in the Monitoring Trustee's judgment. These individuals shall be solely accountable to the Monitoring Trustee.

C. Defendants shall not object to actions taken by the Monitoring Trustee in fulfillment of the Monitoring Trustee's responsibilities under any Order of this Court on any ground other than the Monitoring Trustee's malfeasance. Any such objections by Defendants must be conveyed in writing to the United States and the Monitoring Trustee within ten calendar days after the action taken by the Monitoring Trustee giving rise to the Defendants' objection.

D. The Monitoring Trustee and any consultants, accountants, attorneys, and other persons retained by the Monitoring Trustee shall serve, without bond or other security, at the cost and expense of Defendants, on such terms and conditions as the United States approves. The compensation of the Monitoring Trustee and any consultants, accountants, attorneys, and other persons retained by the Monitoring Trustee shall be on reasonable and customary terms commensurate with

the individuals' experience and responsibilities.

E. The Monitoring Trustee shall have no responsibility or obligation for the operation of Defendants' businesses.

F. Defendants shall assist the Monitoring Trustee in monitoring Defendants' compliance with their individual obligations under this Final Judgment and under the Hold Separate Stipulation and Order. The Monitoring Trustee and any consultants, accountants, attorneys, and other persons retained by the Monitoring Trustee shall have full and complete access to the personnel, books, records, and facilities relating to the Electrical Power Divestiture Assets, the Aerolec Shares, and the AEC Shares, subject to reasonable protection for trade secret or other confidential research, development, or commercial information or any applicable privileges. Defendants shall take no action to interfere with or to impede the Monitoring Trustee's accomplishment of its responsibilities.

G. After its appointment, the Monitoring Trustee shall file monthly reports with the United States and the Court setting forth the Defendants' efforts to comply with their individual obligations under this Final Judgment and under the Hold Separate Stipulation and Order. To the extent such reports contain information that the Monitoring Trustee deems confidential, such reports shall not be filed in the public docket of the Court.

H. The Monitoring Trustee shall serve until the divestitures pursuant to Section V, Section VI, or Section VII of this Final Judgment are finalized.

I. If the United States determines that the Monitoring Trustee has ceased to act or failed to act diligently, the United States may appoint a substitute Monitoring Trustee in the same manner as provided in this Section.

### XII. Affidavits

A. Within twenty calendar days of the filing of the Complaint in this matter, and every thirty calendar days thereafter until the divestitures have been completed under Section IV, Section V, and Section VI, or Section VII, Defendants shall deliver to the United States and any Monitoring Trustee an affidavit as to the fact and manner of their compliance with Section IV, Section V, and Section VI, or Section VII, of this Final Judgment. Each such affidavit shall include the name, address, and telephone number of each person who, during the preceding thirty calendar days, made an offer to acquire, expressed an interest in acquiring, entered into negotiations to acquire, or

was contacted or made an inquiry about acquiring, any interest in any of the Divestiture Assets, and shall describe in detail each contact with any such person during that period. Each such affidavit shall also include a description of the efforts Defendants have taken to solicit buyers for the Divestiture Assets, and to provide required information to prospective Acquirers, including the limitations, if any, on such information. Assuming the information set forth in the affidavit is true and complete, any objection by the United States to information provided by Defendants, including limitation on information, shall be made within fourteen calendar days of receipt of such affidavit.

B. Within twenty calendar days of the filing of the Complaint in this matter, Defendants shall deliver to the United States and any Monitoring Trustee an affidavit that describes in reasonable detail all actions Defendants have taken and all steps Defendants have implemented on an ongoing basis to comply with Section X of this Final Judgment. Defendants shall deliver to the United States and any Monitoring Trustee an affidavit describing any changes to the efforts and actions outlined in Defendants' earlier affidavits filed pursuant to this section within fifteen calendar days after the change is implemented.

C. Defendants shall keep all records of all efforts made to preserve and divest the Divestiture Assets until one year after such divestiture has been completed.

### XIII. Compliance Inspection

A. For the purposes of determining or securing compliance with this Final Judgment, or of determining whether the Final Judgment should be modified or vacated, and subject to any legally recognized privilege, from time to time authorized representatives of the United States Department of Justice Antitrust Division ("Antitrust Division"), including consultants and other persons retained by the United States, shall, upon written request of an authorized representative of the Assistant Attorney General in charge of the Antitrust

Division, and on reasonable notice to Defendants, be permitted:

(1) Access during Defendants' office hours to inspect and copy, or at the option of the United States, to require Defendants to provide hard copy or electronic copies of, all books, ledgers, accounts, records, data, and documents in the possession, custody, or control of Defendants, relating to any matters contained in this Final Judgment; and

(2) To interview, either informally or on the record, Defendants' officers, employees, or agents, who may have their individual counsel present, regarding such matters. The interviews shall be subject to the reasonable convenience of the interviewee and without restraint or interference by Defendants.

B. Upon the written request of an authorized representative of the Assistant Attorney General in charge of the Antitrust Division, Defendants shall submit written reports or respond to written interrogatories, under oath if requested, relating to any of the matters contained in this Final Judgment as may be requested.

C. No information or documents obtained by the means provided in this section shall be divulged by the United States to any person other than an authorized representative of the executive branch of the United States, except in the course of legal proceedings to which the United States is a party (including grand jury proceedings), or for the purpose of securing compliance with this Final Judgment, or as otherwise required by law.

D. If at the time information or documents are furnished by Defendants to the United States, Defendants represent and identify in writing the material in any such information or documents to which a claim of protection may be asserted under Rule 26(c)(1)(G) of the Federal Rules of Civil Procedure, and Defendants mark each pertinent page of such material "Subject to claim of protection under Rule 26(c)(1)(G) of the Federal Rules of Civil Procedure," then the United States shall give Defendants ten calendar days notice prior to divulging such material

in any legal proceeding (other than a grand jury proceeding).

### XIV. No Reacquisition

Defendants may not reacquire any part of the Divestiture Assets during the term of this Final Judgment.

### XV. Retention of Jurisdiction

This Court retains jurisdiction to enable any party to this Final Judgment to apply to this Court at any time for further orders and directions as may be necessary or appropriate to carry out or construe this Final Judgment, to modify any of its provisions, to enforce compliance, and to punish violations of its provisions.

### XVI. Expiration of Final Judgment

Unless this Court grants an extension, this Final Judgment shall expire on December 31, 2023.

### XVII. Notice to the United States

All notifications to the United States required pursuant to this Final Judgment shall be made to the United States Department of Justice, Antitrust Division, Litigation II Section.

### XVIII. Public Interest Determination

Entry of this Final Judgment is in the public interest. The parties have complied with the requirements of the Antitrust Procedures and Penalties Act, 15 U.S.C. 16, including making copies available to the public of this Final Judgment, the Competitive Impact Statement, and any comments thereon and the United States's responses to comments. Based upon the record before the Court, which includes the Competitive Impact Statement and any comments and response to comments filed with the Court, entry of this Final Judgment is in the public interest.

Date: \_\_\_\_\_

Court approval subject to procedures of Antitrust Procedures and Penalties Act, 15 U.S.C. 16.

*United States District Judge.*

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