Risk Factors Comparison 2024-02-05 to 2023-02-07 Form: 10-K

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Our business, operating results, financial condition **,** and liquidity can be impacted by the factors set forth below, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results. INDUSTRY RISKS Our business may be adversely affected by changes in global economic, capital market **,** and political conditions. Our business, operating results, financial condition **,** and liquidity may be adversely affected by changes in global economic conditions, international relations **,** and geopolitical events and actions, including inflation, credit market conditions, levels of consumer and business confidence, commodity (including energy) prices and supply, trade policies, exchange rates, changing policy positions or priorities, levels of government spending and deficits, the threat environment, political conditions, and actual or anticipated default on sovereign debt. The current global supply chain ~~and labor market~~ challenges and inflationary pressures have negatively affected, and we expect will continue to negatively affect, our performance as well as the performance of our suppliers and subcontractors **. High inflation levels have increased material and component prices, labor rates, and supplier costs** . In addition, due to the nature of our government and commercial aerospace businesses, and their respective customer and supplier contracts, we may be unable to increase our contract value or pricing to offset cost increases, in particular on our fixed price contracts. Our operating profits and margins under our contracts could be adversely affected by these factors. Similarly, interest rate increases have created financial market volatility and could further negatively impact financial markets, lead to an economic downturn or recession, and tighten the availability of, and increase the cost of **,** capital for ~~,~~ the Company, which could have an adverse effect on our operating results, financial condition **,** and liquidity. Tightening of credit in financial markets also could adversely affect the ability of our customers and suppliers to obtain financing for significant purchases and operations, could result in a decrease in **,** or cancellation of **,** orders for our products and services, could impact the ability of our customers to make payments, and could increase the risk of supplier financial distress. Our global business is also adversely affected by decreases in the general level of economic activity, such as decreases in business and consumer spending, air travel, the financial strength of airlines and business jet operators, and government procurement. In addition, geopolitical risks could affect government priorities, budgets **,** and policies, such as U. S. approvals of our foreign defense sales as well as sanctions and other trade- restrictive activities, which could impact sales of defense and other products and services. Changes in U. S. government defense spending could negatively impact our financial position, results of operations, liquidity **,** and overall business. U. S. government sales constitute a significant portion of our consolidated sales. Our U. S. government revenues largely result from contracts awarded under various U. S. government programs, primarily defense- related programs with the U. S. Department of Defense (DoD), and a broad range of programs with the U. S. Intelligence Community and other departments and agencies. Changes in U. S. government defense spending for various reasons, including as a result of potential changes in policy or budgetary positions or priorities, could negatively impact our results of operations, financial condition **,** and liquidity. Our programs are subject to U. S. government policies, budget decisions **,** and appropriation processes **,** which are driven by numerous factors including U. S. domestic and broader geopolitical events, macroeconomic conditions, and the ability of the U. S. government to enact relevant legislation, such as appropriations bills. In recent years, U. S. government appropriations have been affected by larger U. S. government budgetary issues and related legislation, and the U. S. government has been unable to complete its budget process before the end of its fiscal year, resulting in both governmental shutdowns and continuing resolutions (CRs) providing only enough funds for U. S. government agencies to continue operating at prior- year levels. ~~Further~~ **The U. S. government is currently operating under a CR to keep the government funded while Congress works to enact full year fiscal year 2024 (FY24) appropriation bills. While we expect Congress to complete the full year FY24 appropriations bills before the current CR expire** , if **Congress is unable to complete the FY24 appropriation bills, (or pass another CR), then** the U. S. government **would shut down during which federal agencies would cease all non-essential functions. Our business, program performance, and results of operations could be impacted by the resulting disruptions to federal government offices, workers, and operations, including risks relating to the funding of certain programs, stop work orders, as well as delays in contract awards, new program starts, payments for work performed, and other actions. We also may experience similar impacts in the event of an extended period of continuing resolutions. Generally, the significance of these impacts will primarily be based on the length of the continuing resolution or shutdown. Furthermore, under the Fiscal Responsibility Act of 2023, which imposes limits on discretionary spending for defense and non- defense programs in exchange for the lifting of the** debt ceiling ~~is not raised and~~ **in June 2023, if Congress fails to enact all appropriation bills by April 30, 2024,** ~~the~~ **then** ~~national debt reaches~~ the ~~statutory debt ceiling, the U. S. government could default on its debts~~ **budget caps will be reduced and corresponding automatic reductions to agency budget accounts will be enforced through sequestration** . As a result, U. S. government defense spending levels are subject to a wide range of outcomes and are difficult to predict beyond the near- term due to numerous factors, including the external threat environment, future governmental priorities **,** and the state of governmental finances. Significant changes in U. S. government defense spending or changes in U. S. government priorities, policies **,** and requirements could have a material adverse effect on our results of operations, financial condition **,** and liquidity. We face risks relating to our U. S. government contracts and **programs, including** the mix of our U. S. government contracts and programs **, our performance, and our ability to control costs** . The termination of one or more of our U. S. government contracts, or the occurrence of performance delays, cost overruns (due to inflation or otherwise), product failures, shortages in materials, components **,** or labor, ~~or~~ contract definitization delays, **or other failures to perform to customer expectations and contract requirements,** could negatively impact our **reputation and** competitive position, results of operations, financial condition **,** and liquidity. U. S. government contracts generally permit the government to terminate the contract, in whole or in part, without prior notice, at the U. S. government' s convenience or for default based on performance. If one of our contracts is terminated for convenience, we would generally be entitled to payments for our allowable costs **incurred, termination costs,** and would receive some allowance for profit on the work performed. If one of our contracts is terminated for default, we would generally be entitled to payments for work accepted by the U. S. government. A termination arising out of our default could expose us to liability and have a negative impact on our ability to obtain future contracts and orders. In addition, we are a subcontractor on some ~~contracts~~ **programs** , and the U. S. government could terminate the prime contract for convenience or otherwise, without regard to our performance as a subcontractor. We may not be able to offset lost revenues resulting from contract termination. Moreover, because the funding of U. S. government programs is subject to congressional appropriations made on a fiscal year basis even for multi- year programs, programs are often only partially funded initially and may not continue to be funded in future years. Appropriation bills may be delayed, which may result in delays to funding, the collection of receivables **,** and our contract performance due to lack of authorized funds to procure related products and services. The timing of contract definitization can be affected by factors specific to the U. S. government, including staffing limitations. Under certain circumstances, we may use our own funds to meet our customer' s desired delivery dates or other requirements, but we may not be reimbursed. Further, if appropriations for one of our programs become unavailable, reduced **,** or delayed, the U. S. government may terminate for convenience our contract or subcontract under that program. In addition, our U. S. government contracts typically involve the development, application **,** and manufacture of advanced defense and technology systems and products aimed at achieving challenging goals. As a result of untested or unproven technologies, or modified requirements or specifications, we may experience technological and other performance difficulties (including delays, setbacks, cost overruns, or product failures), our attention or resources may be diverted from other projects **,** and our future sales opportunities may be impacted. Additionally, as our customers demand more mature and proven solutions, we may be required to invest in development prior to contract award with no guarantee of award. Our U. S. government contracts are typically either fixed- priced contracts or cost reimbursement contracts. Fixed- price contracts are predominantly either firm fixed- price (FFP) contracts or fixed- price incentive (FPI) contracts. Under FFP contracts, we receive a fixed price irrespective of the actual costs we incur, and we therefore carry the burden of any cost overruns. Under FPI contracts, we generally share with the U. S. government savings for cost underruns less than target costs and expenses for cost overruns exceeding target costs up to a negotiated ceiling price. We carry the entire burden of cost overruns exceeding the ceiling price amount under FPI contracts **, which may result in a cumulative adjustment in the period our estimates change** . Under cost reimbursable contracts, we are reimbursed for allowable costs and **are typically** paid a fixed or performance- based fee, but we are generally not reimbursed for unauthorized costs exceeding a cost ceiling amount or costs not allowable under the contract or applicable regulations. **Excess costs on cost reimbursable contracts could also result in lower profit rates. We may incur unexpected costs for various reasons, including technical and manufacturing challenges, schedule delays, shortages in materials, components, or labor, internal and subcontractor performance, product quality issues, inability to achieve the benefits of our cost reduction, digital transformation, manufacturing, operating, and other strategic initiatives, inflation, and changing laws or regulations, natural disasters, and public health crises.** If we are unable to control costs or if our initial cost estimates are incorrect, our profitability could be negatively affected, particularly under fixed- price development contracts. We may also experience cost underruns which would reduce contract value and related expected revenues, and we may be unable to expand the contract scope or secure additional work to offset the resulting lost revenues. While contracts for development programs with complex design and technical challenges are ~~typically~~ **often** cost reimbursable, they can be FFP or FPI, which can significantly increase our risk of a potential negative profit adjustment, as development contracts by nature involve elements that have not been undertaken before and, thus, are highly subject to future unexpected cost growth. In addition, other contracts in backlog are for the transition from development to production, which includes starting and stabilizing a manufacturing and test line while the final design is still being validated. Moreover, over the past several years, the DoD has increased its use of Other Transaction Authority (OTA) ~~contracts~~ **agreements** , under which it awards certain prototypes, research **,** and production contracts without all of the procurement requirements that typically apply to DoD contracts, including justification of sole source awards. OTAs may use fixed- price contracting during all phases of the contract, or mandated contract cost sharing ~~(e. g., one- third of program costs)~~ . They may also require non- traditional subcontractor participation and impose other requirements that differ from our other DoD contracts. Our business may be negatively impacted if we are unable to **bid for OTA work and / or** perform on our OTA ~~contracts~~ **agreements** , including any applicable non- traditional requirements. In addition, in order to support U. S. government priorities, we may begin performance prior to completing contract negotiations for an undefinitized contract action with a not- to- exceed price. Uncertainties in final contract price, specifications and terms, or loss of negotiating leverage associated with particularly long delays in contract definitization may negatively affect our profitability. Our U. S. government contracts also require us to comply with extensive and evolving procurement rules and regulations and subject us to potential U. S. government **surveillance,** audits, investigations, and disputes. We are also involved in programs that are classified by the U. S. government, which have security requirements that place limits on our ability to discuss our performance on these programs, including any risks, disputes **,** and claims. Our international business is subject to economic, regulatory, competition **,** and other risks. Our international sales and operations are subject to risks associated with political and economic factors, regulatory requirements, competition **,** and other risks. A significant portion of our sales are international, including U. S. export sales. Our non- U. S. operations transactions may be denominated in local currencies. Foreign currency exchange rate fluctuations (including their impact on supplier prices) may negatively affect demand for our products and our reported profits, as well as our operating margins. The majority of our commercial aerospace sales are in U. S. Dollars, while the majority of their non- U. S. **operating** costs are incurred in the applicable local currency. Pratt & Whitney Canada is especially susceptible to fluctuations in exchange rates for this reason. In addition, because our financial statements are denominated in U. S. Dollars, currency fluctuations may cause translation gains or losses for non- U. S. operating unit financial statements. Our international sales and operations are also subject to risks associated with local government laws, regulations **,** and policies, including with respect to investments, taxation, exchange controls, capital controls, employment regulations **,** and repatriation of earnings. Differing legal systems, customs **,** and contract laws and regulations pose additional risk. International transactions may include contractual terms that differ from those of similar contracts in the U. S. or that may be interpreted differently in foreign countries. In addition, in certain foreign countries, we engage foreign non- employee representatives and consultants for international sales and teaming with international subcontractors, partners **,** and suppliers for international programs. While we have robust policies and controls in place, these engagements expose us to various challenges including risks associated with the Foreign Corrupt Practices Act (FCPA) and local antibribery laws and regulations. From time to time, we have disputes with such representatives regarding claimed commissions and other matters which can result in litigation or arbitration. In addition, we face risks related to the unintended or unauthorized use of our products. Our international business faces substantial competition from both U. S. companies and foreign companies. In some instances, foreign companies may be owned by foreign governments or may receive loans, marketing subsidies **,** and other assistance from their governments that may not be available to U. S. companies or our foreign subsidiaries. In addition, foreign companies may be subject to fewer restrictions on technology transfer than U. S. companies. Our international contracts, particularly for sales of defense products and services, may include offset or industrial cooperation obligations requiring specific local purchases, manufacturing agreements, technology transfer agreements ~~or~~ **,** financial support obligations **, or other local investments** , sometimes in the form of in- country industrial participation (ICIP) agreements. Approvals of offset or ICIP thresholds and requirements may be subjective and time- consuming and may delay contract awards. Certain customers' demands are increasing for greater offset or ICIP commitment levels, higher- value content, including the transfer of technologies and capabilities, and local production and economic development **. In addition, our ability to satisfy customer demands relating to the transfer of technologies and capabilities under ICIP arrangements and other international contracts may be limited by U. S. government export controls** . As a result of the above factors, we could experience financial penalties and award and funding delays on international programs, our profitability on these programs could be negatively affected, and we could incur losses on these programs that could negatively impact our results of operations, financial condition **,** and liquidity. Geopolitical factors and changes in policies and regulations could adversely affect our business. Our international sales and operations are sensitive to changes in foreign national priorities, foreign government budgets, and regional and local political and economic factors, including **wars and armed conflicts, political or civil unrest,** volatility in energy prices or supply, ~~political or civil unrest~~ **inflation, interest rates** , changes in threat environments and political relations, geopolitical uncertainties, and changes in U. S. foreign policy. Our international sales and operations are also sensitive to changes in **U. S. or** foreign government laws, regulations **,** and policies, including those related to tariffs, sanctions, embargoes, export and import controls ~~and~~ **,** other trade restrictions **, and trade agreements** . Events such as increased trade restrictions ~~or~~ **,** retaliatory trade policies ~~, renegotiation of existing trade agreements~~ , or regime change can affect demand for our products and services, the competitive position of our products, our supply chain, and our ability to manufacture or sell products in certain countries. Further, operations in emerging market countries are subject to additional risks, including volatility in ~~gross domestic product and~~ rates of economic growth, government instability, cultural differences (such as employment and business practices), the imposition of exchange and capital controls, and risks associated with exporting components manufactured in those countries for incorporation into finished products completed in other countries. While these factors and their impact are difficult to predict, any one or more of them could have a material adverse effect on our competitive position, results of operations, financial condition **,** or liquidity. In addition, given the role of our defense businesses in the support of the national security interests of the U. S. and its allies, we are subject to risks and uncertainties relating to policies of the U. S. and its allies, as well as other countries, including those that are or become regarded as potential adversaries or threats. We engage in both direct commercial sales, which generally require U. S. government licenses and approvals, as well as foreign military sales, which are government- to- government transactions initiated by, and carried out at the direction of, the U. S. government. Changes in budgets and spending levels, policies, or priorities, which are subject to geopolitical risks and threats, may impact our defense businesses, including the timing of and delays in U. S. government licenses and approvals for sales, the risk of sanctions or other restrictions, as well as potential human rights issues associated with the use of our defense products. These risks and uncertainties may directly or indirectly impact our commercial businesses as well. Of note, **in February 2023,** China **announced sanctions against Raytheon Missiles & Defense (RMD) (a former RTX Corporation (RTX) business segment, which became part of Raytheon as a result of the July 1, 2023 RTX segment realignment), and** previously announced it may take measures against **RTX,** ~~Raytheon Technologies Corporation (RTC)~~ in connection with certain foreign military sales to Taiwan ~~involving RTC products and services~~ **. The Chinese sanctions against RMD included a fine equal to twice the value of the arms that RMD sold to Taiwan since September 2020** . In addition, **in September 2022,** China ~~has~~ indicated that it decided to sanction our Chairman and Chief Executive Officer **,** Gregory Hayes, in connection with another ~~potential~~ foreign military sale to Taiwan involving ~~RTC~~ **RTX** products and services ~~. RTC is not aware of any specific sanctions against Mr. Hayes or RTC, or the nature or timing of any future potential sanctions or countermeasures~~ . If China were to **enforce sanctions,** impose **additional** sanctions **,** or take other regulatory action against ~~RTC~~ **RTX** , our suppliers, affiliates **,** or partners, it could potentially disrupt our business operations. The impact of **the announced sanctions or other** potential sanctions **,** or other actions by China **is uncertain** ~~cannot be determined at this time~~ . **Our** ~~From time to time, our~~ businesses have sold, and are expected to sell in the future, additional defense products to Taiwan **from time to time in alignment with our U. S. government policy** , and we are unable to determine the potential impact, if any, of any future sanctions or other actions by China in response to these sales. Moreover, the Chinese government has generally expanded its ability to restrict China- related import, export and investment activities, which may have an adverse impact on our ability to conduct business or sell our commercial aerospace products in China. In addition, in response to ~~the Russian~~ - **Russia** ~~military~~ ' s invasion of Ukraine ~~on February 24, 2022~~ , the U. S. government and the governments of various jurisdictions in which we operate ~~, including Canada, the United Kingdom, the European Union, and others~~ , have imposed broad economic sanctions and export controls targeting specific industries, entities **,** and individuals in Russia. The Russian government has implemented similar counter- sanctions and export controls targeting specific industries, entities **,** and individuals in the U. S. and other jurisdictions in which we operate, including certain members of the Company' s management team and Board of Directors. These government measures, among other limitations, restrict transactions involving various Russian banks and financial institutions and impose enhanced export controls limiting transfers of various goods, software **,** and technologies to and from Russia, including broadened export controls specifically targeting the aerospace sector. These measures have adversely affected and could continue to adversely affect the Company and / or our supply chain, business partners **,** or customers **. We continue to closely monitor developments in the war between Israel and Hamas that began on October 7, 2023, including potential impacts to RTX' s business, customers, suppliers, employees, and operations in Israel, the Middle East, and elsewhere. At this time, impacts to RTX are minimal. RTX' s commercial manufacturing facilities in Israel remain open and operational and have continued exporting products and importing critical items and raw materials. The war has also not impacted our defense programs' ability to receive components from Israel. For some products, there could be future delivery delays because of the ongoing war. The potential impacts to RTX are subject to change given the volatile nature of the situation** . Our financial performance is dependent on the condition of the aerospace industry. Our **commercial** aerospace businesses constitute a substantial portion of our financial results, and the performance of those businesses is directly tied to economic conditions in the commercial aerospace industry, which is cyclical in nature. Capital spending and demand for aircraft engines, aerospace products **,** and component aftermarket parts and services ~~by~~ **is limited to** commercial airlines, lessors, other aircraft operators and aircraft manufacturers **that** are influenced by a wide variety of factors, including current and predicted traffic levels, load factors, aircraft fuel prices, labor issues, airline consolidation, bankruptcies and restructuring activities, competition, the retirement of older aircraft, ~~regulatory changes, terrorism and related safety concerns, general economic conditions, tightening of credit in financial markets,~~ corporate profitability **and financial health** , cost reduction efforts **, tightening of credit in financial markets** and **the availability of aircraft leasing and financing alternatives,** remaining performance obligations levels **, the satisfaction of certification or other regulatory requirements for aircraft in various jurisdictions, regulatory changes, terrorism and related safety concerns, and general economic conditions** . Any of these factors **affecting the industry** could reduce the sales and margins of our aerospace businesses **. In addition, because we have significant business with Airbus and Boeing, our aerospace businesses could be adversely affected by challenges faced by these or other individual customers** . Other factors, including future terrorist actions, aviation safety concerns, pandemic health issues **,** or major natural disasters, could also dramatically reduce the demand for commercial air travel, which could negatively impact the sales and margins of our aerospace businesses. Additionally, because a substantial portion of product deliveries to commercial aerospace customers are scheduled for delivery in the future, changes in economic conditions may cause customers to request that firm orders be rescheduled or canceled. At times, our aerospace businesses also enter into firm fixed- price or cost- share development contracts with customers, which may require us to bear cost overruns related to unforeseen technical and design challenges that arise during the development and early production stages of the program. Spare parts sales and aftermarket ~~service~~ **services** ~~trends~~ **, particularly under long- term aftermarket contracts** are **also** affected by similar factors, including usage, pricing, technological improvements, regulatory changes **,** and the retirement of older aircraft. Furthermore, because of the lengthy research and development cycle involved in bringing products in these business segments to market, we cannot predict the economic conditions that will exist when any new product is ready to enter into service. A reduction in spending in the commercial aviation industry could have a significant effect on the demand for our products, which could have a material adverse effect on our competitive position, results of operations, financial condition **,** or liquidity. We design, manufacture **,** and service products that incorporate advanced technologies; the introduction of new products and technologies involves risks, and we may not realize the degree or timing of benefits initially anticipated. The design, development, production, sale **,** and support of innovative commercial aerospace and defense systems and products involves advanced technologies. We invest substantial amounts in research and development efforts to pursue advancements in a wide range of technologies, products **,** and services aimed at meeting the ever- evolving product, program **,** and service needs of our customers. Our ability to realize the anticipated benefits of our investments depends on a variety of factors, including meeting development, production, certification **,** and regulatory approval schedules; receiving regulatory approvals; execution of internal and external performance plans; achieving cost and production efficiencies; availability and quality of supplier- and internally- produced parts and materials; availability of supplier and internal facility capacity to perform maintenance, repair **,** and overhaul services; availability of test equipment; development of complex software; hiring and training of qualified personnel; identification of emerging technological trends for our target end- customers; the level of customer interest in new technologies and products ~~and~~ **;** customer acceptance of our products and technologies **; and the level of competition as described below** . For example **we are investing in artificial intelligence, among other advanced technologies, and we may be unable to successfully integrate the technology into our products and services or keep pace with this rapidly changing technology. In addition** , our customers manufacture or acquire end products and systems that incorporate certain of our products. These end products and systems may also incorporate additional technologies manufactured by third parties and involve additional risks and uncertainties. As a result, the performance and industry acceptance of these larger systems and end products could affect the level of customer interest in **,** and acceptance of **,** our products in the marketplace. In addition, many of our products must adhere to strict regulatory and market- driven safety and performance standards in a variety of jurisdictions. The evolving nature of these standards, along with the long duration of development, production **,** and aftermarket support programs, creates uncertainty regarding program profitability, particularly with our aircraft engine products. Development efforts divert resources from other potential investments in our businesses, and these efforts may not lead to the development of new technologies or products on a timely basis or meet the needs of our customers as fully as competitive offerings. In addition, the industries for our products or products that incorporate our technologies may not develop or grow as we anticipate. We **,** or our customers, suppliers **,** or subcontractors **,** may encounter difficulties in developing and producing new products and services, and may not realize the degree or timing of benefits initially anticipated or may otherwise suffer significant adverse financial consequences. Due to the design complexity of our products **,** or those of our customers or third party manufacturers that incorporate our products into theirs or our customers' products, we may experience delays in completing the development and introduction of new products **,** or we may experience the suspension of production after these products enter into service due to safety concerns. Delays and / or suspension of production could result in increased development costs or deflect resources from other projects. Any of the foregoing could have a material adverse effect on our competitive position, results of operations, financial condition **,** or liquidity. In particular, Pratt & Whitney **' s** ~~is currently producing and delivering the~~ Geared Turbofan **family of** ~~engine~~ **engines incorporates advanced technologies** ~~to power various aircraft~~ . The level of orders received for the Geared Turbofan family of engines, coupled with a requirement to achieve mature production levels in a very short time frame, require significant ~~additional~~ manufacturing and supply chain capacity. **In addition, in July 2023 Pratt & Whitney determined that a rare condition in powder metal used to manufacture certain engine parts requires accelerated inspection of the PW1100G- JM (PW1100) Geared Turbofan (GTF) fleet, which powers the A320neo family of aircraft, resulting in increased engine removals and inspections, shop visits, aircraft on ground levels, costs to the Company, and other negative impacts described in more detail below.** If any of our production **or maintenance, repair, and overhaul** ramp- up efforts are delayed, if suppliers cannot timely deliver or perform to our standards, **if any other engine models are found to be materially impacted by the powder metal issue,** and / or if we identify or experience **other** issues with in- service engines **in the Geared Turbofan family of engines (or other engines), whether for manufacturing reasons or otherwise** , we may not meet ~~customers~~ - **customer requirements** ~~' delivery schedules~~ , which could result in material additional costs, including liquidated damages or other liabilities ~~that could be assessed under existing contracts~~ . Competition may reduce our revenues and limit our future opportunities. We operate in highly competitive industries and our competitors may have more extensive or more specialized engineering, manufacturing, marketing **,** and servicing capabilities than we do. Our contracts are typically awarded on a competitive basis. Our bids are based in part upon the cost to provide the products and services. If we fail to accurately estimate these costs, the profitability of our contracts may be adversely affected. In addition, we may face customer- directed cost reduction targets that could have a material adverse effect on the profitability of our contracts if these targets are not achieved when required. We have also experienced highly competitive pricing, in which a bidder may anticipate making a substantial investment in a program in order to win the work. Moreover, bid protests from unsuccessful bidders on new program awards are frequent with respect to DoD awards in particular. Generally, a bid protest will delay the start of contract activities, delay earnings, and could result in the award decision being overturned and require a re- bid of the contract. Highly competitive activity within the commercial aerospace industry has included substantial discounts and other financial incentives, performance and operating cost guarantees, and participation in financing arrangements, in order to secure both new engine business and the aftermarket revenues associated with these products. Further, our competitors, including our customers, may develop competing technologies which gain industry acceptance in advance of **,** or instead of **,** our products, or meet particular in- demand technological needs before us or with technology that is superior to our existing or new technologies. **This** ~~In addition, our competitors~~ **competition could** ~~or customers might develop new technologies or offerings that might~~ cause our existing technologies and offerings to become obsolete or otherwise decrease demand for our offerings. In addition, the possibility exists that competitors or customers will develop aftermarket services and parts for our products that attract customers and adversely impact our return on investment on new products. We also anticipate companies continuing to enhance their competitive position against our defense businesses as a result of continued domestic and cross- border defense industry consolidation and the expansion of competitors' capabilities throughout the supply chain through vertical integration. We are also facing heightened competition domestically and internationally from foreign and multinational firms. Additionally, some customers, including the DoD, are increasingly turning to commercial contractors, rather than traditional defense contractors, for space- related technologies and for information technology and other support work **. Moreover, we are seeing increased government, particularly foreign, sponsorship of competitors on defense development programs** . If we are unable to continue to compete successfully against our current or future competitors in our core businesses, we may experience declines in revenues and industry segment share which could have a material adverse effect on our competitive position, results of operations, financial condition **,** or liquidity. **OPERATIONAL RISKS Our business and financial performance may be adversely affected by cyber- attacks on information technology infrastructure and products, as well as changes in cybersecurity regulations. Our business may be impacted by disruptions to our own or third- party information technology (IT) infrastructure, which could result from, among other causes, cyberattacks on or failures of such infrastructure or compromises to its physical security.** The ~~Coronavirus Disease 2019 technology (IT) infrastructure,which could result from,among other causes,~~ **products and services that we provide our customers are also at risk of being adversely affected by** cyber- attacks **,including** ~~on or failures of such infrastructure or compromises to its physical security.We also encounter~~ attempts to infiltrate **them** ~~our~~ - **or** ~~products and services and~~ sabotage or disable their use ~~by our customers~~ **.Like other companies,we regularly experience cyber- based attacks** .Cybersecurity threats are **continuously** evolving and include,but are not limited to,both attacks on our IT infrastructure and attacks on the IT infrastructure of our customers,suppliers,subcontractors and other third parties with whom we do business routinely,both on premises and in the cloud,attempting to gain unauthorized access to our confidential **,** ~~or other~~ proprietary **,or otherwise protected** information,classified information,or information relating to our employees,customers and other third parties,or to disrupt our systems or the systems of third parties.Cybersecurity threats also include attacks targeting the security, **confidentiality,** integrity and / or availability of the hardware,software and information installed,stored or transmitted in our products,including after the purchase of those products and when they are incorporated into third- party products,facilities or infrastructure.We are also exposed to the risk of insider threat attacks.Any such attacks could disrupt our systems or those of third parties (~~COVID~~ **including mission critical systems), impact business operations, result in unauthorized release of confidential, proprietary, or otherwise protected information, and corrupt our data or that of third parties. The threats we face are continuous and evolving, and vary in degree of severity and sophistication. These threats include advanced persistent threats from highly organized adversaries, including but not limited to cyber criminals, nation states and so** - ~~19) pandemic~~ **called hacktivists, particularly those adverse to the security interests of the U. S. and its allies, which target us and other defense contractors. These types of threats are related to the geopolitical environment and have, therefore, grown in number due to recent geopolitical conflicts. In addition,** ~~has~~ - **as** ~~affected~~ **a result of the rapid pace of technological change, we and** our **customers, suppliers, subcontractors and other third parties with whom we conduct** business ~~,~~ **continue to rely on legacy systems** and **software, which can be more vulnerable to cyber threats and attacks. Moreover,** we **, like** ~~continue to face risks associated with it. The COVID- 19 pandemic continues to negatively affect the~~ **other companies** ~~global economy~~ , ~~our business~~ **are seeing** ~~and~~ - **an** ~~operations~~ **unprecedented number of previously unknown vulnerabilities** , **for** ~~and the industries in~~ which ~~we operate. The pandemic and government, business and individual actions in response, including lockdowns, quarantines, border closings and other~~ - **there** ~~travel restrictions~~ **are no known mitigations, being revealed by new attacks. Further, the sophistication, availability and use of artificial intelligence by threat actors present** ~~and~~ - **an increased level of risk** ~~requirements, remote working, facilities closures and reduced business and leisure travel, led to significant declines in demand for commercial air travel in 2020 and 2021 and, therefore, for our commercial aerospace products and services~~ . ~~While~~ **Due to the evolving threat landscape,** we have **experienced** ~~seen signs of ongoing recovery in the overall demand for commercial air travel~~ and ~~currently~~ expect ~~that recovery~~ to continue ~~, some commercial aviation segments have recovered less quickly than others, and it remains uncertain when commercial air traffic will fully return~~ to **experience more frequent** and **increasingly advanced cyber** ~~/ or exceed pre~~ - **attacks** ~~pandemic levels. The resulting financial impact is highly uncertain and subject to a wide range of factors and future developments~~ . In addition, **changes in domestic** and ~~corrupt our data or that of third parties~~ **international cybersecurity- related laws and regulations have expanded cybersecurity- related compliance requirements,and cybersecurity regulatory enforcement activity has grown** .We **expect** ~~have experienced cyber- based attacks,and due to~~ the **regulatory environment to** ~~evolving threat landscape,may~~ continue to **evolve** ~~experience them going forward~~ , ~~potentially~~ **and staying apace** with ~~more frequency~~ **these regulatory changes could increase our operational and compliance expenditures and those of our suppliers,and lead to new or additional information technology and product development expenses** . **We also** ~~The threats we~~ face **reputational** ~~are continuous and evolving~~ , **litigation** and ~~vary from attacks common~~ **financial risks in relation** to **potential required disclosures** ~~most industries to more advanced~~ and **increased risk of enforcement** ~~persistent,highly organized adversaries,including nation states,which target us and other defense contractors~~ .We continue to make investments and adopt measures designed to enhance our protection,detection,response,and recovery capabilities,and to mitigate potential risks to our technology,products,services and operations from potential cybersecurity threats **,as well as to comply with evolving regulations** .However,given the unpredictability,nature and scope of cyber- attacks,it is possible that we are unable to defend against all cyber **-** attacks,that potential vulnerabilities could go undetected and persist in the environment for an extended period,or that we may otherwise be unable to mitigate customer losses and other potential consequences of these attacks.In addition,some products and services that we provide to customers,particularly those related to public security,may raise potential liabilities related to privacy and intellectual property.In some cases **,** we must rely on the safeguards put in place by our customers,suppliers,subcontractors and other third parties to protect against and report cyber threats **and attacks** .We could potentially be subject to production downtimes,operational delays,other detrimental impacts on our operations or ability to provide products and services to our customers,the compromise of confidential information,intellectual property or otherwise protected information,misappropriation,destruction or corruption of data,security breaches,other manipulation or improper use of our or third- party systems,networks or products,financial losses from remedial actions,loss of business,or potential liability,penalties,fines and / or damage to our reputation.Any of these could have ~~a material adverse effect on our competitive position,results of operations,financial condition or liquidity.Some of these risks may be heightened due~~ a **material adverse** ~~resurgence of the pandemic (including COVID- 19 variants), regional lockdowns or other negative developments associated with the pandemic could hinder or reverse the commercial air traffic recovery. Negative developments concerning the~~ effect ~~of the pandemic or additional variants, the efficacy and acceptance of vaccines, new or continued actions to contain the pandemic' s spread or treat its impact, and governmental, business and individual actions taken in response to the pandemic (lockdowns, quarantines, border closings and other travel restrictions and requirements, remote working, facilities closures, and reduced business and leisure travel patterns and work environments) could create significant business disruption for us and our suppliers, subcontractors and customers, exacerbate existing supply chain and labor shortages, redirect government funds and decrease defense budgets, and negatively affect global economic conditions. These factors could hinder or delay our production capabilities, impede our ability to perform~~ on our **competitive position** ~~obligations to our customers, result in increased costs to us and decreased demand for our products and services, and could negatively affect our performance on our customer contracts and our business~~ , results of operations, financial condition ~~and~~ **or** liquidity. ~~The ultimate duration and financial~~ **Due to the evolving nature of such risks, the** impact of **any potential incident cannot be predicted. Further, our insurance coverage, which may exclude losses from war or cyber operations, may not be adequate to cover all related costs and we may not otherwise be fully indemnified for** ~~the~~ **them** ~~COVID- 19 pandemic remains unknown at this time~~ . ~~OPERATIONAL RISKS~~ We **are** ~~depend~~ **dependent** on **a** ~~the availability of materials and performance of our suppliers, and the impacts of~~ global supply chain and ~~labor market disruptions on~~ **subject to risks related to the availability of materials and the performance of** our **suppliers; in recent years we have experienced** supply chain ~~have negatively~~ **disruptions that resulted in delays and**

increased costs and adversely affected ~~and will continue to negatively affect~~ our ~~business~~ **performance** . Our performance requires a variety of raw materials, supplier- provided parts, components, sub- systems **,** and contract manufacturing services, and we rely on U. S. and non- U. S. suppliers (including third- party manufacturing suppliers, subcontractors **,** and service providers) and commodity markets for these materials and services. In some instances, we depend upon a single source of supply, manufacturing, services support **,** or assembly, or participate in commodity markets that may be subject to allocations of limited supplies by **suppliers. Emerging laws and increasing regulatory requirements aimed at global supply chains may impact our ability to access certain materials and components, and otherwise adversely affect our business, and we may not only be held responsible for our compliance, but for that of our** suppliers. In addition, our defense businesses are subject to specific procurement requirements that limit the types of materials they use. Our defense businesses also must require suppliers to comply with various DoD requirements, ~~including cybersecurity requirements,~~ any of which requirements may further limit the suppliers and subcontractors they may utilize. Identifying and qualifying second- or third- source suppliers can be difficult, time- consuming **,** and may result in increased costs. In ~~addition~~ **2023** , global supply chain **disruptions impacted our ability to procure raw materials, microelectronics, and certain commodities. These disruptions were driven by supply chain market constraints and macroeconomic conditions, including inflation** and labor ~~markets~~ - **market** ~~are continuing to experience high levels of disruption, causing significant materials and parts~~ shortages **. Current geopolitical conditions, including conflicts and other causes of strained intercountry relations** , as well as ~~delivery delays, labor shortages, distribution issues, energy cost increases and price increases. Current geopolitical conditions, including~~ sanctions and other trade restrictive activities ~~and strained intercountry relations~~ , are contributing to these issues. ~~Certain~~ **In addition, current high inflation levels have increased material and component prices, labor rates, and supplier costs, and put pressure on our margins. Credit market conditions, including higher interest rates and the availability of credit, have impacted some** of our suppliers and subcontractors **as well** ~~have been unable to hire and retain sufficient qualified personnel for their performance. We and our suppliers and subcontractors have also experienced difficulties in procuring necessary raw materials and components, including microelectronics. All of the above have contributed to price increases. These issues have led to significant supplier and subcontractor performance failures and delays~~ . As a result of these ~~various problems~~ **procurement issues** , ~~we have had difficulties receiving necessary materials, components, other~~ -- **the production flow in** ~~supplies and third- party services timely or~~ **our factories has been** ~~at all, which have~~ negatively impacted ~~production flow~~ **, which has,** in **turn** ~~our factories~~ , hindered our ability to perform on our commitments to customers and negatively affected our results of operations, financial condition **,** and liquidity. Our supply costs have increased due to the above factors ~~. Continuing high inflation has exacerbated these increases and increased our operating costs~~ . In addition, we are largely dependent upon foreign sources for certain raw materials, such as cobalt, tantalum, chromium, rhenium, nickel **,** and titanium ~~. Moreover~~ , ~~some of our~~ **and we rely on foreign suppliers as** single- source **suppliers of some** components ~~are sourced from foreign countries~~ . Some raw materials and components have been in the past sourced from areas now under sanctions, such as Russia, or are currently sourced from areas which are at risk of sanctions or other trade restrictive actions, such as China. ~~We work continuously to mitigate the effects of these supply chain issues and risks, including providing raw materials and technical support to our suppliers and subcontractors, as well as providing them with access to our contract labor networks to augment supplier and subcontractor workforces; seeking alternate supply sources; increasing our inventory of available materials and parts; pursuing various cost reductions such as long- term agreements; and leveraging our raw materials supply contracts to apply our negotiated rates to our suppliers' purchases.~~ The timing of the impacts of these supply chain risks and issues and our ability to mitigate them are uncertain and difficult to predict. However, we expect the current supply chain, ~~labor availability~~ **inflation,** and price issues, and their negative impacts on our business, to continue **into 2024** . In particular, we expect to experience prolonged delays for certain critical component parts and sub- systems. Furthermore, the existing supply chain ~~and labor market~~ issues could be compounded by other events, such as an economic downturn; supplier capacity constraints for other reasons; supplier quality issues (for example, defects or fraudulent parts); supplier closing, bankruptcy **,** or financial difficulties; price increases for various reasons; **and** worsening shortages of raw materials or commodities ~~; and energy supply constraints~~ , including as a result of war or other geopolitical actions, natural disaster (including the effects of climate change), health pandemic or other business continuity events, or transport and distribution issues, any of which could further negatively impact our ability to meet our commitments to customers or increase our operating costs and therefore incrementally affect our results of operations, financial condition **,** and liquidity. Due to the nature of our products and services, a product safety failure **, quality issue** or other failure affecting our or our customers' or suppliers' products or systems could seriously harm our business. Our products and services are highly sophisticated and specialized, involve complex advanced technologies, are often integrated with third- party products and services **,** and are utilized for specific purposes that require precision, reliability **,** and durability. Many of our products and services include both hardware and software that involve industrial machinery and intricate aviation and defense systems, including commercial and military jet engines, power and control systems **,** and other aircraft parts, air and missile defense systems, and military sensors and command and control systems. Technical, mechanical **, quality, electronic,** and other failures may occur from time to time, whether as a result of manufacturing or design defect, operational process **,** or production issue attributable to us, our customers, suppliers, **partners,** third party integrators **,** or others **. Product design changes and updates could also have associated cost and schedule impacts** . In addition, our products could fail as a result of cyber- attacks, such as those that seize control and result in misuse or unintended use of our products, or other intentional acts. The impact of a catastrophic product or system failure or similar event affecting our or our customers' or suppliers' products or services could be significant, and could result in injuries or death, property damage, loss of strategic capabilities, loss of intellectual property, loss of reputation, and other significant negative effects. A product or system failure **, or perceived failure,** could lead to negative publicity, a diversion of management attention **,** and damage to our reputation that could reduce demand for our products and services. It could also result in product recalls and product liability and warranty claims (including claims related to the safety or reliability of our products) and related expenses, other service, repair and maintenance costs, **labor and material costs, customer support costs,** significant damages **,** and other costs, including fines and other remedies **,** and regulatory and environmental liabilities. We may also incur increased costs, delayed payments, reputational harm **,** or lost equipment or services revenue in connection with a significant issue with a third party' s product with which our products are integrated. Further, our insurance coverage may not be adequate to cover all related costs and we may not otherwise be fully indemnified for them. Any of the foregoing could have a material adverse effect on our competitive position, results of operations, financial condition **,** or liquidity **. In particular, as previously disclosed, Pratt & Whitney has determined that a rare condition in powder metal used to manufacture certain engine parts requires accelerated inspection of the PW1100 GTF fleet, which powers the A320neo family of aircraft. This determination and corresponding fleet actions have significantly increased both the incremental number of PW1100 GTF engines that will need to be removed and the incremental number of shop visits necessary to perform the inspections as compared to estimates prior to this determination. Actual and future estimated aircraft on ground levels for the A320neo family of aircraft have therefore increased. As a result, we have and will continue to incur significant customer support and mitigation costs and significant labor, material, and related costs. This matter has caused reputational harm and has negatively impacted, and will continue to impact, our results of operations and financial condition. The financial impact of the powder metal issue is based on historical experience and is subject to various assumptions and judgments, including, without limitation, the number and expected timing of shop visits, inspection results and scope of work to be performed, turnaround time, availability of parts, available capacity at overhaul facilities, and outcomes of negotiations with impacted customers, and these assumptions are subject to variability. Potential changes to these assumptions could have a material effect on the Company' s results of operations for the periods in which it is recognized. In addition, other engine models within Pratt & Whitney' s fleet contain parts manufactured with affected powder metal. The negative impacts to our company arising from the Powder Metal matter could increase if any other engine models are found to be materially impacted by this rare condition** . We depend on the recruitment and retention of qualified personnel, and our failure to attract, train **,** and retain such personnel could seriously harm our business. Due to the specialized nature of our business, our future performance is highly dependent upon the continued services of our key technical personnel and executive officers, and the hiring, development **,** and retention of qualified technical, engineering, manufacturing, marketing, sales **,** and management personnel for our operations. Our defense business in particular requires qualified personnel with security clearances due to our classified programs. ~~In addition, we experienced personnel reductions when the COVID- 19 pandemic caused significant declines in demand for our commercial aerospace products and services, but current demand for our products and services across our businesses has created a significant need for us to hire additional and replacement personnel.~~ Moreover, a significant percentage of our current workforce is nearing or eligible for retirement. To the extent that we lose experienced personnel in the future, it is critical that we develop other employees, hire new qualified personnel **,** and successfully manage the transfer of knowledge. **We** ~~Current macroeconomic, industry and labor market conditions~~ have ~~exacerbated~~ **experienced,** ~~an~~ **and** ~~already highly competitive market for~~ **continue to experience, challenges** hiring ~~and retaining employees with relevant qualifications and experience. There is an ongoing labor shortage, particularly for~~ highly qualified personnel including engineers, skilled laborers **,** and security clearance holders. **We expect these difficulties to continue in the future. In addition, the cost of** ~~Labor~~ **labor remains** ~~market trends also include~~ high **.** ~~attrition and wage inflation, and some~~ **Some** candidates and new personnel may have ~~different~~ **job- related** expectations **that differ** from our current workforce ~~. As a result of the above factors, we have experienced,~~ and **are inconsistent** ~~expect to continue to experience, significant difficulties in hiring and retaining personnel~~ with ~~relevant qualifications and experience, which has negatively impacted, and may continue to negatively impact,~~ our **corporate culture** ~~results of operations, financial condition and liquidity~~ . **With respect to** ~~In addition, certain~~ existing personnel **, some** may ~~be~~ **become** required to receive various security clearances and substantial training in order to work on certain programs or perform certain tasks. Necessary security clearances may be delayed, which may impact our ability to perform on our U. S. government contracts. We also may not be successful in training or developing qualified personnel with the requisite relevant skills or security clearances. ~~Loss~~ **Moreover, some** of ~~key~~ **our** employees **are covered by collective bargaining agreements. Historically** , ~~increased attrition~~ **we have been able to renegotiate expiring agreements without experiencing significant disruptions to business operations. However, the U. S. labor environment has experienced shifts, and if we have additional challenges renegotiating agreements** ~~for~~ **or if our** ~~various reasons, failure to adequately train newly hired~~ employees **pursue new collective representation** , **then we** ~~delays in receiving required security clearances, or delays in hiring key personnel~~ could ~~also~~ **experience additional costs and / or be subject to work stoppages. Any of the above factors could** seriously harm our business. Moreover, we believe that a critical element of our ability to successfully attract, train **,** and retain qualified personnel is our corporate culture, which we believe fosters innovation, collaboration, diversity **, equity,** and inclusion, and a focus on execution, all in an environment of high ethical standards. Our global operations may present challenges in maintaining these important aspects of our corporate culture, and a failure to maintain our corporate culture could negatively impact us. Further, we rely on our key personnel to lead with integrity and to meet our high ethical standards that promote excellent performance and cultivate diversity, equity **,** and inclusion. To the extent any of our key personnel were to behave in a way that is inconsistent with our values, including with respect to product safety or quality, legal or regulatory compliance, financial reporting **,** or people management, we could experience a materially adverse impact to our reputation and our operating results. In addition, failure or perceived failure to meet increasing stakeholder expectations on environmental, social **,** and governance (ESG) matters could harm our reputation and impact demand for our products and services. Our business and financial performance may be...... otherwise be fully indemnified for them. Exports and imports of certain of our products are subject to various export control, sanctions **,** and import regulations and may require authorization from regulatory agencies of the U. S. or other countries. We must comply with various laws and regulations relating to the export and import of products, services **,** and technology from and into the U. S. and other countries having jurisdiction over our operations. In the U. S., these laws and regulations include, among others, the Export Administration Regulations (EAR) administered by the U. S. Department of Commerce, the International Traffic in Arms Regulations (ITAR) administered by the U. S. Department of State, embargoes and sanctions regulations administered by the U. S. Department of the Treasury, and import regulations administered by the U. S. Department of Homeland Security and the U. S. Department of Justice. Certain of our products, services **,** and technologies have military or strategic applications and are on the U. S. Munitions List of the ITAR, the Commerce Control List of the EAR **,** or are otherwise subject to the EAR ~~,~~ and / or the U. S. Munitions Import List **,** and we are required to obtain licenses and authorizations from the appropriate U. S. government agencies before ~~selling~~ **exporting** these products ~~outside~~ **out** of the U. S. or importing these products into the U. S. U. S. foreign policy or **the** foreign policy of other licensing jurisdictions may affect the licensing process or otherwise prevent us from engaging in business dealings with certain individuals, entities **,** or countries. Any failure by us, our customers **,** or our suppliers to comply with these laws and regulations could result in civil or criminal penalties, fines, seizure of our products, adverse publicity, restrictions on our ability to **engage in** export or import **transactions** ~~our products~~, or the suspension or debarment from doing business with the U. S. government. Moreover, any changes in export control, sanctions **,** or import regulations may further restrict the export or import of our products or services, and the possibility of such changes requires constant monitoring to ensure we remain compliant. Our ability to obtain required licenses and authorizations on a timely basis **,** or at all **,** is subject to risks and uncertainties, including changing ~~U. S. government~~ laws, regulations **,** or foreign policies, delays in Congressional action, or geopolitical and other factors. If we are not successful in obtaining or maintaining the necessary licenses or authorizations in a timely manner, our sales relating to those approvals may be prevented or delayed, and revenue and profit previously recognized may be reversed. Any restrictions on the export or import of our products or product lines could have a material adverse effect on our competitive position, results of operations, financial condition **,** or liquidity. Our business and financial performance may be adversely affected by threats to our physical security and other events outside our control. We could encounter threats to our physical security, including our facilities and personnel, and threats from ~~,~~ workplace violence, civil unrest, terrorism **,** or similar acts, any of which could disrupt our business. In addition, our business, and the businesses of our suppliers, subcontractors ~~and~~ **,** service providers **,** and customers, could be disrupted by public health crises, such as pandemics and epidemics (including **a resurgence of** the **Coronavirus Disease 2019 (** COVID- 19 **)** pandemic) **, and governmental, business, and individual actions taken in response** , damaging weather or other acts of nature, cyber- attacks on IT infrastructure and products **,** or other events outside of our control. Any such business disruption could subject us to production downtimes, operational delays, **supply chain challenges,** other detrimental impacts on our operations or ability to provide products and services to our customers **, decreased demand for our products, decreased defense budgets** , financial losses from remedial actions, the diversion of management' s attention and resources, or loss of business, any of which could have a material adverse effect on our competitive position, results of operations, financial condition **,** or liquidity. The impact of any such business disruption is difficult to predict. We depend on our intellectual property and have access to certain third party intellectual property; infringement or failure to protect our intellectual property or access to third party intellectual property could adversely affect our future growth and success. We rely on a combination of patents, trademarks, copyrights, trade secrets, nondisclosure agreements, IT security systems, internal controls and compliance systems **,** and other measures to protect our intellectual property. We also rely on nondisclosure agreements, confidentiality obligations in contracts, IT security systems **,** and other measures to protect certain customer and supplier information and intellectual property that we have in our possession or to which we have access. The U. S. government and foreign governments have licenses under certain of our intellectual property, including certain patents, which are developed or used in performance of government contracts. Governments may use or authorize others (including our competitors) to use such patents and intellectual property for government and other purposes. Governments may challenge the sufficiency of intellectual property rights we have granted in government contracts and attempt to obtain greater rights, which could reduce our ability to protect our intellectual property rights and to compete. In some instances, we have augmented our technology base by licensing the proprietary intellectual property of others. Intellectual property obtained from third parties is also subject to challenge, invalidation, misappropriation **,** or circumvention by third parties. In addition, we may not be able to obtain necessary licenses on commercially reasonable terms. In other instances, our ability to procure and perform government contracts requires us to obtain certain rights in the intellectual property of others through government grants. Governments may deny us the right to obtain such rights in the intellectual property of others, which may affect our ability to perform government contracts. Moreover, our efforts to protect intellectual property and proprietary rights may not be sufficient. We cannot be sure that our pending patent applications will result in the issuance of patents to us, that patents issued to or licensed by us in the past or in the future will not be challenged or circumvented by competitors, or that these patents will be found to be valid or sufficiently broad to preclude our competitors from introducing technologies similar to those covered by our patents and patent applications. Our ability to protect and enforce our intellectual property rights may be limited in certain countries outside the U. S. In addition, we may be the target of competitor or other third- party patent enforcement actions seeking substantial monetary damages or seeking to prevent our sale and marketing of certain of our products or services. Our competitive position also may be adversely impacted by limitations on our ability to obtain possession of, and ownership of **,** necessary licenses concerning ~~,~~ data important to the development or provision of our products or service offerings, or by limitations on our ability to restrict the use by others of data related to our products or services. We may also be subject to disruptions, losses **,** and liability resulting from various cybersecurity attacks or information technology failures, as described above. Any of these events or factors could have a material adverse effect on our competitive position, subject us to judgments, penalties **,** and significant litigation costs, or temporarily or permanently disrupt our sales and marketing of the affected products or services. Any of the foregoing could have a material adverse effect on our competitive position, results of operations, financial condition **,** or liquidity. LEGAL, ENVIRONMENTAL **,** AND REGULATORY RISKS As a U. S.

government contractor, we are subject to risks relating to U. S. government audits, investigations, and disputes. We are subject to U. S. government investigations relating to our U. S. government contracts. Such U. S. government investigations often take years to complete and could result in administrative, civil **,** or criminal liabilities, including repayments, fines, treble and other damages, forfeitures, restitution **,** or penalties, or could lead to suspension or debarment of U. S. government contracting or of export privileges. For instance, if we or one of our business units were charged with wrongdoing in connection with a U. S. government investigation (including fraud, or violation of certain environmental **, FCPA, and other anti- bribery and anti- corruption laws,** or export laws, as further described below), the U. S. government could suspend us from bidding on or receiving awards of new U. S. government contracts pending the completion of legal proceedings. If convicted or found liable, the U. S. government could fine and debar us from new U. S. government contracting for a period generally not to exceed three years **,** and could void any contracts found to be tainted by fraud. We also could suffer reputational harm if allegations of impropriety were made against us, even if such allegations are later determined to be unsubstantiated. Further, our U. S. government contracts are subject to audit and we have received audit reports recommending the reduction of certain contract prices because, for example, cost or pricing data disclosures or cost accounting practices used to price and negotiate those contracts may not have conformed to government regulations. Some of these audit reports recommend that certain payments be repaid, delayed, or withheld, and may involve substantial amounts, which could, if the audit reports' theories were to prevail in litigation, also have future impacts such as increasing the costs absorbed by our commercial businesses. We have made voluntary refunds in those cases we believe appropriate, have settled some allegations **,** and, in some cases, continue to negotiate and / or litigate. We may be, and have been, required to make significant payments into escrow of disputed liabilities while the related litigation is pending. If the litigation is resolved in our favor, any such payments will be returned to us with interest. The Defense Contract Audit Agency (DCAA) and the Defense Contract Management Agency (DCMA) also review the adequacy of **,** and our compliance with **,** our internal control systems and policies, including our accounting, purchasing, government property, estimating, earned value management **,** and material management accounting systems. Our final allowable incurred costs for each year are subject to audit and have from time to time resulted in disputes between us and the U. S. government, including DCMA claims to recover payments for alleged noncompliance with cost accounting standards. In some cases, the Department of Justice (DOJ) has **conducted investigations or** convened grand juries to investigate possible irregularities in our costs. Any costs found to be improperly allocated to a specific contract will not be reimbursed by the U. S. government or must be refunded by us to the U. S. government if already reimbursed. An adverse outcome of any audit or investigation could result in civil and criminal penalties and fines, which could negatively impact our results of operations, financial condition **,** and liquidity. In addition, if allegations of impropriety were made against us, we could suffer serious reputational harm, which could negatively affect our financial position, results of operations **,** and liquidity. We are subject to litigation, environmental, anti- corruption **,** and other legal and compliance risks. We are subject to a variety of litigation and legal compliance risks. These risks relate to, among other things, product safety and reliability, personal injuries, intellectual property rights, contract- related claims, government contracts, taxes, environmental matters, export control, **sanctions,** employment matters, **securities laws,** competition laws **,** and laws governing improper business practices. We or one of our businesses could be charged with wrongdoing as a result of such matters. If convicted or found liable, we could be subject to significant fines, penalties, repayments, or other damages (in certain cases, treble damages). Product recalls and product liability and warranty claims can result in significant damages and costs, including fines **,** as well as other harm to our business as discussed above. As a global business, we are subject to complex laws and regulations in the U. S. and in other countries in which we operate. Those laws and regulations may be interpreted in different ways. They may also change from time to time, as may related interpretations and other guidance. Changes in laws or regulations could result in higher expenses. Uncertainty relating to laws or regulations may also affect how we conduct our operations and structure our investments and could limit our ability to enforce our rights. We use hazardous substances and generate hazardous wastes in **certain of** our operations. As a result, we are subject to potentially material liabilities related to personal injuries or property damage that may be caused by hazardous substance releases and exposures. Personal injury lawsuits may involve individual and purported class actions alleging that contaminants originating from our current or former products or operating facilities caused or contributed to medical conditions, including cancers **or other illnesses** incurred by employees, former employees, third- parties' employees **,** or residents in the area, and environmental damage or diminution of real estate values. For example, we are investigating and remediating contamination related to past practices at a number of properties and, in some cases, have been named as a defendant in related " toxic tort " claims. We are also subject to laws and regulations that: (1) impose requirements for the proper management, treatment, storage **,** and disposal of hazardous substances and wastes; (2) restrict air and water emissions from our operations (including U. S. government- owned facilities we manage); and (3) require maintenance of a safe workplace. These laws and regulations can lead to substantial fines and criminal sanctions for violations, and may require the installation of costly equipment or operational changes to limit pollution emissions, decrease the likelihood of accidental hazardous substance releases, and / or reduce the risks of injury to people. We incur, and expect to continue to incur, capital and other expenditures to comply with these laws and regulations. A criminal violation of certain U. S. environmental statutes such as the Clean Air Act and Clean Water Act could result in suspension, debarment **,** or disqualification by the U. S. Environmental Protection Agency (EPA). A facility determined to be in violation of the criminal provisions of these statutes can be prohibited from performing any U. S. government contract work until the violation has been corrected and the EPA approves the reinstatement of the facility. Even in litigation where we believe our liability is remote, there is a risk that a negative finding or decision in a matter involving multiple plaintiffs or a purported class action could have a material adverse effect on our competitive position, results of operations, financial condition **,** or liquidity, in particular with respect to environmental claims in regions where we have, or previously had, significant operations. In addition, new laws, regulations, or governmental policies, sudden changes in the interpretation and enforcement of existing laws and regulations, the discovery of previously unknown contamination, or the imposition of new clean- up standards could require us to incur additional costs in the future that would have a negative effect on our results of operations, financial condition, and liquidity. In addition, the FCPA and other anti- bribery and **anti** - corruption laws generally prohibit companies and their intermediaries from making improper payments to U. S. and non- U. S. officials for the purpose of obtaining or retaining business. These laws apply to companies, individual directors, officers, employees, and agents. U. S. companies also may be held liable for actions taken by strategic or local partners or representatives. The FCPA also imposes accounting standards and requirements on publicly traded U. S. corporations and their foreign affiliates, which are intended to prevent the diversion of corporate funds to the payment of bribes and other improper payments. Certain of our customer relationships outside of the U. S. are with governmental entities and are, therefore, subject to the FCPA and other anti- bribery and **anti** - corruption laws, including the anti- bribery and **anti** - corruption laws of non- U. S. countries. Our policies mandate compliance with these anti- bribery and **anti** - corruption laws. Despite meaningful measures that we undertake to ensure lawful conduct, which include training and internal control policies, these measures may not always prevent violations of the FCPA or similar laws. We have been subject to regulatory investigations for alleged violations of anti- bribery and **anti** - corruption laws, and could be subject to such investigations in the future, which could result in criminal and civil penalties, disgorgement, further changes or enhancements to our procedures, policies and controls, personnel changes, or other remedial actions. Violations of these laws, or allegations of such violations, could disrupt our operations, cause reputational harm, involve significant management attention, and result in a material adverse effect on our competitive position, results of operations, financial condition, or liquidity. Cybersecurity and data security and protection laws and regulations are evolving and present increasing compliance challenges, which may increase our costs, affect our competitiveness, cause reputational harm, and expose us to substantial fines or other penalties. Our business and financial performance may be adversely affected by climate change, including ~~changes in~~ regulations, customer demand, technologies, and extreme weather. Our business may be impacted by climate change and governmental and industry actions taken in response, which present short, medium, and long- term risks to our business and financial condition. ~~Changes in~~ **Current and emerging** environmental and climate- related laws ~~or~~ **,** regulations **, or other policies** , including regulations on greenhouse gas emissions, carbon pricing, energy taxes, product efficiency standards, mandatory disclosure obligations, and U. S. government procurement requirements, could increase our operational and compliance expenditures and those of our suppliers, including increased energy and raw materials costs, and costs associated with manufacturing changes, and lead to new or additional investments in product designs and facility upgrades. In addition, we continue to see ever- increasing demands for offerings focused on addressing climate change, transitioning to lower emission technologies, including low to no carbon products and services, the use of alternative energy sources, and other sustainable aviation technologies, and climate **monitoring and** adaptation products and services. Customers, shareholders, and institutional investors **are** ~~continue to increase their focus~~ **focused** on ESG, including our environmental sustainability practices and commitments with respect to our operations, products, and suppliers. As a result, we **continue** ~~anticipate that we will need~~ to make additional investments in new technologies and capabilities, and devote ~~additional~~ management and other resources in response to the foregoing. We may not realize, on a timely basis or at all, the anticipated benefits of these investments and actions for a variety of reasons, including technological challenges, evolving government and customer requirements, and our ability to anticipate them and develop in- demand technologies on a timely basis, and other risks related to the development of advanced technologies described above. In addition, certain technologies will be dependent upon government action, such as investments in infrastructure, creating appropriate market incentives, and making certain raw materials available for development of certain technologies. Moreover, we rely on our suppliers to timely and effectively adapt and meet our evolving technological supply needs, and they may be unable to fully respond to our requirements in a timely manner or at all. We also face competition risks as our competitors also respond to advancing sustainable technologies. Our competitors may develop these in- demand technologies before we do, their new technologies may be deemed by our customers to be superior to technologies we may develop, and their technologies may otherwise gain industry acceptance in advance of or instead of our products. In addition, as we and our competitors develop increasingly sustainable technologies, demand for our older offerings may decrease or become nonexistent. Our reputation may also be damaged if we or our industry fail, or are perceived to fail, to achieve sustainability goals or commitments or to comply with evolving climate- related regulations. In addition, climate- related litigation and government investigations could be commenced against us, could be costly to defend, and could adversely affect our business. Moreover, our business, the businesses of our suppliers, subcontractors, service providers, distributors, and customers, and the industries in which we operate, could be negatively impacted by increasing frequency and severity of acute extreme weather events caused by climate change, including hurricanes, tornadoes, floods, snow and ice storms, fires, heat waves, and mud slides, and by chronic changes in weather patterns, such as temperature increases, drought, and sea level rise. These events could damage our and our suppliers' facilities, products, and other assets, and cause disruptions to our business and operations, supply chain, and distribution networks, and the businesses of our customers, and require an increase in expenditures to improve climate resiliency of our operations. Any of the foregoing could materially decrease our revenues and materially increase our costs and expenses. FINANCIAL, TAX, AND INSURANCE RELATED RISKS **We may be unable** to **obtain debt** ~~interest rate and credit market risk~~ at **competitive rates,on commercially reasonable terms or in sufficient amounts.We depend,in part,upon** the ~~time~~ **issuance** of ~~refinancing outstanding~~ debt **to fund** ~~,as well as these same risks on~~ our **business requirements** ~~commercial paper obligations,which are issued at variable rates~~ . **If** ~~In addition,if~~ we require additional funding in order to ~~fund outstanding financing commitments or~~ meet ~~other~~ **our** business requirements,a number of factors could cause us to incur increased borrowing costs and to have greater difficulty accessing public and private markets for debt ~~,any of which may adversely affect our ability to fund our business requirements~~ .These factors include disruptions or declines in the global capital markets and / or a decline in our financial performance,outlook ~~,~~ or credit ratings. **The occurrence of any or all of these events may adversely affect our ability to fund our business requirements.** We use estimates in accounting for many of our programs, and changes in our estimates could adversely affect our future financial results.

Accounting for long- term contracts and related assets requires estimates and judgments related to our progress toward completion and the long- term performance on the contract. Significant judgments include potential risks associated with the ability and cost to achieve program schedule, including customer- directed delays or reductions in scheduled deliveries, and technical and other specific contract requirements including customer activity levels and variable consideration based upon that activity. Due to the nature of the work required to be performed on many of our performance obligations, the estimation of total revenues and cost at completion is complex and subject to many variables. Management must make assumptions and estimates regarding contract revenue and cost (such as estimates of variable consideration, including award fees and penalties), including with respect to: (1) labor productivity and availability; (2) the complexity and scope of the work to be performed; (3) the availability and cost of materials; (4) the length of time to complete the performance obligation; (5) execution by our subcontractors; (6) the availability and timing of funding from our customer; (7) overhead cost rates; and (8) current and past service cost and frequency driven by estimated aircraft and engine utilization and estimated useful lives of components, among other variables. Cost estimates may also include the estimated cost of satisfying our industrial cooperation agreements, sometimes in the form of either offset obligations or ICIP agreements, required under certain contracts **. In addition, as previously disclosed, Pratt & Whitney has determined that a rare condition in powder metal used to manufacture certain engine parts requires accelerated inspection of the PW1100 GTF fleet, which powers the A320neo family of aircraft. This determination and corresponding fleet actions have significantly increased both the incremental number of PW1100 GTF engines that will need to be removed and the incremental number of shop visits necessary to perform the inspections as compared to estimates prior to this determination. Actual and future estimated aircraft on ground levels for the A320neo family of aircraft have therefore increased. The financial impact of the powder metal issue is based on historical experience and is subject to various assumptions and judgments, including, without limitation, the number and expected timing of shop visits, inspection results and scope of work to be performed, turnaround time, availability of parts, available capacity at overhaul facilities, and outcomes of negotiations with impacted customers, and these assumptions are subject to variability** . Because of the significance of management' s judgments and estimation processes described above, it is likely that materially different amounts could be recorded if we used different assumptions or if the underlying circumstances were to change. Changes in underlying assumptions, circumstances **,** or estimates may adversely affect our future results of operations and financial condition. Significant changes in key estimates and assumptions with respect to our retirement plans, such as discount rate, expected return on plan assets (EROA), and other actuarial factors, could affect our future earnings, equity **,** and pension contributions. We must determine our pension and other postretirement benefit plans' expense or income, which involves significant judgment particularly with respect to our discount rate, EROA **,** and other actuarial assumptions. These assumptions are evaluated annually at December 31 and when significant events require a mid-year remeasurement. They may change significantly due to changes in economic, legislative, regulatory, and / or demographic experience or circumstances. Changes in our assumptions or actual experience that differs from these assumptions **, as well as management changes to retirement plans,** could impact our pension and postretirement net periodic benefit (income) expense, the plans' funded status, and / or the required cash contributions to such plans, which could negatively impact our results of operations, financial condition **,** or liquidity. Our plan assets are invested in accordance with our investment management objectives and are subject to market volatility and other conditions. Additional tax expense or exposures could affect our future profitability. We are subject to income taxes in the United States and international jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are transactions and calculations where the ultimate tax determination is uncertain. Changes in tax laws and regulations, as well as changes and conflicts in related interpretations and other tax guidance, and fluctuations in taxable income could materially impact our tax receivables and liabilities and our deferred tax assets and deferred tax liabilities, as well as our income tax expense and tax payments. Additionally, in the ordinary course of business, we are subject to examinations by various tax authorities. In addition to ongoing examinations, there could be additional examinations launched in the future by governmental authorities in various jurisdictions, and existing examinations could be expanded. The final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. Additionally, changes in the geographic mix of our sales could impact our tax liabilities and affect our income tax expense and profitability. The global and diverse nature of our operations means that these risks will continue to exist and additional examinations, proceedings **,** and contingencies will arise from time to time. Our ~~competitive position,~~ results of ~~operation~~ **operations** , financial condition **,** or liquidity ~~may~~ **could** be ~~affected~~ **negatively impacted** by **any of the above factors,** the outcome of **any one of which** ~~examinations, proceedings and other contingencies that~~ cannot be predicted with certainty. Goodwill and other intangible assets represent a significant portion of our assets, and any impairment of these assets could negatively impact our results of operations and financial condition. A significant portion of our assets consists of goodwill and other intangible assets, primarily recorded as the result of historical acquisitions or investments in businesses. We may subsequently experience unforeseen events that could adversely affect the value of our goodwill or intangible assets. Our goodwill and indefinite- lived intangible assets are subject to an impairment test annually and are also tested for impairment whenever facts and circumstances indicate that goodwill or indefinite- lived intangible assets may be impaired. In the event of an impairment, any excess of the carrying value of these assets over the fair value must be written off in the period of determination. Finite- lived intangible assets are generally amortized over the useful life of such assets. Future determinations of significant impairments of goodwill or indefinite- lived intangible assets as a result of an impairment test or accelerated amortization of finite- lived intangible assets could have a negative impact on our results of operations and financial condition. We may be unable to obtain debt...... ability to fund our business requirements. Quarterly cash dividends and share repurchases are subject to uncertainties and may affect our common stock price. Quarterly cash dividends and share repurchases under our share repurchase program generally constitute components of our capital allocation strategy, which we fund through a combination of operating free cash flow, borrowings **,** and proceeds from divestitures.

However, we are not required to declare dividends or make any share repurchases under our share repurchase program **, other than with respect to the final settlement pursuant to the ASR transactions** . Dividends and share repurchases may be discontinued, accelerated, suspended **,** or delayed at any time without prior notice. Even if not discontinued, the amount of such dividends and repurchases may be changed, and the amount, timing **,** and frequency of such dividends and repurchases may vary from historical practice or from the company' s stated expectations. Decisions with respect to dividends and share repurchases are subject to the discretion of our Board of Directors and are based on a variety of factors. Important factors that could cause us to discontinue, limit, suspend, increase **,** or delay our quarterly cash dividends or share repurchases include market conditions, the price of our common stock, the nature and timing of other investment opportunities, changes in our business strategy, the terms of our financing arrangements, our outlook as to the ability to obtain financing at attractive rates, the impact on our credit ratings, the availability of domestic cash **,** and overall business expectations. The reduction or elimination of our cash dividend, or suspension or elimination of our share repurchase program could adversely affect the market price of our common stock. Additionally, there can be no assurance that any share repurchases will enhance shareowner value because the market price of our common stock may decline below the levels at which we repurchased shares of common stock, and short- term stock price fluctuations could reduce the program' s effectiveness. **See Item 5. " Market for Registrants Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities " in this Form 10- K for a description of our share repurchase program and past share repurchases, including our ASR transactions.** We face certain significant risk exposures and potential liabilities that may not be adequately covered by indemnity or insurance. A significant portion of our business relates to designing, developing **,** and manufacturing advanced aerospace, defense **,** and technology systems and products. New technologies may be untested or unproven. In addition, we may incur significant liabilities that are unique to our products and services. In some, but not all, circumstances, we may be entitled to indemnification from our customers through contractual provisions, and we may obtain limitations of liability and additional defenses for various reasons including the qualification of our products and services by the Department of Homeland Security (DHS) under the SAFETY Act provisions of the Homeland Security Act of 2002. The insurance coverage we maintain or indemnification to which we may be contractually or otherwise entitled may not be adequate to cover all claims or liabilities. Accordingly, we may be forced to bear substantial costs resulting from risks and uncertainties of our business, which would negatively impact our results of operations, financial condition **,** and liquidity. Any accident, failure of, or defect in our products and services, even if fully indemnified or insured, could negatively affect our reputation among our customers and the public, and make it more difficult for us to compete effectively. It could also affect the cost and availability of insurance in the future. STRATEGIC INITIATIVE AND TRANSACTION RISKS We may be unable to realize expected benefits from strategic initiatives. In order to operate more effectively and efficiently, from time to time we undertake strategic and other operational initiatives. For example, we are undergoing a significant, multi- year digital transformation initiative to improve our business **, modernize operations,** and reduce costs. Under this initiative, we are leveraging digital capabilities throughout the way in which we conduct our business and provide our products and services to customers, including how we design, build **,** and maintain our products and services. We also continue to engage our Customer Oriented Results Excellence (CORE) operating system to drive continuing improvement into our processes and facilities. In addition, we continue to invest in structural cost reduction in our facilities, including aligning work to more efficient manufacturing centers, implementing advanced manufacturing capabilities including automation, and closing facilities that are not required to meet future capacity and work needs. Other initiatives include the pursuit of advanced technologies and new business acquisitions and subsequent integrations. **For example, we are investing in the integration of artificial intelligence technologies into our processes and business operations. Moreover, effective July 1, 2023, we realigned our current business segment structure from four to three business segments.** We also implement restructuring plans from time to time. ~~For example, we recently announced our plans to reorganize our current business segment structure from four to three business segments in the second half of 2023.~~ Restructuring activities include or may result in workforce reductions, global facility reductions, procurement cost reduction activities, legal entity and operational reorganizations **,** and other cost reduction initiatives. These strategic activities are complex and require the investment of resources including in personnel and systems. If we do not successfully manage our current or future strategic initiatives, expected efficiencies and benefits might be delayed or not realized, and our operations and business could be disrupted. In addition, certain U. S. government contracts and programs have begun to require digital engineering and other digital capabilities, and our inability to achieve these capabilities with respect to these programs timely may result in loss of revenues. Risks associated with workforce management issues include unfavorable political responses to such actions, unforeseen delays in the implementation of anticipated workforce reductions, additional unexpected costs, adverse effects on employee morale **,** and the failure to meet operational targets due to the loss of employees or work stoppages. Any of the above factors may impair our ability to achieve anticipated benefits, or otherwise harm our business, or have a material adverse effect on our competitive position, results of operations, financial condition **,** or liquidity. **Failure** ~~We may be unable~~ to successfully ~~complete the integration of the legacy businesses of United Technologies Corporation (UTC) and Raytheon Company and realize the anticipated benefits of the Raytheon merger. The ultimate success of the Raytheon merger continues to depend, in part, on our ability to successfully combine and integrate UTC and Raytheon Company' s legacy businesses, and realize the anticipated benefits, including synergies, cost savings, innovation and technological opportunities (including technology- driven revenue synergies) and operational efficiencies from the Raytheon merger in a manner that does not materially disrupt existing customer, supplier and employee relations and does not result in decreased revenues due to losses of, or decreases in orders by, customers. We continue to be exposed to risks associated with our ability to identify and achieve revenue synergy opportunities among the legacy businesses. In addition, we may be unable to consolidate all of the corporate and administrative infrastructures and eliminate all of the duplicative operations which we intend, and continue to be at risk for unanticipated issues in integrating information technology, communications and other systems. Any one of these challenges could result in delays, increased costs,~~

~~decreases in the amount of expected revenues, reduced expected cash generation, and diversion of management' s time and energy, which could materially affect our financial condition, results of operations and liquidity. If we fail to~~ manage potential future acquisitions, investments, divestitures, joint ventures **,** and other transactions ~~successfully~~ , **and other risks associated with** these activities could adversely affect our future financial results. In pursuing our business strategies, we continually review, evaluate **,** and consider potential investments, acquisitions, divestitures, joint ventures **,** and other teaming and collaborative arrangements. We undertake to identify opportunities that will complement our existing products and services or customer base, as well as expand our offerings and business opportunities into new areas that naturally extend from our core capabilities. In evaluating such transactions, we are required to make difficult judgments regarding the value of business opportunities, technologies and other assets, and the risks and cost of potential liabilities. Further, these transactions involve certain other risks and uncertainties including: (1) the risks involved with entering new markets ; (2) the difficulty in integrating newly- acquired businesses and managing or monitoring other collaborative business arrangements ; (3) the complexity of separating a portion of our business to enable a divestiture; (4) challenges and failures in achieving strategic objectives and other expected benefits, which may result in certain liabilities to us for guarantees and other commitments ; (5) **the risk that regulatory authorities may deny our proposed transactions, or may impose on those transactions conditions that undermine the strategic rationale, reduce the financial benefit of, or jeopardize the consummation of those transactions; (6)** unidentified issues not discovered in ~~RTC~~ **RTX** ' s due diligence ; (~~6~~ **7**) the diversion of our attention and resources from our operations and other initiatives; (~~7~~ **8**) the potential impairment of acquired assets ; (~~8~~ **9**) the performance of underlying products, capabilities **,** or technologies ; and (~~9~~ **10**) the potential loss of key employees and customers of acquired businesses. In addition, future transactions may impact our deployment of capital, including dividends, stock repurchases, pension contributions, and investments **. In particular, if we are unable to complete the pending divestitures of Collins' actuation and flight controls business and / or Raytheon' s Cybersecurity, Intelligence and Services business within our expected timeframes or at all, we may be unable to reduce our outstanding debt according to planned timeframes** . If either distribution of the stock of Carrier or Otis, together with certain related transactions, were to fail to qualify as a transaction that is generally tax- free, including as a result of subsequent acquisitions of our stock (including pursuant to the Raytheon merger), we could be subject to significant tax liabilities. On April 3, 2020, **United Technologies Corporation (** UTC **)** completed **the separation of UTC' s business into three independent, publicly traded companies (UTC, Carrier Global Corporation (Carrier) and Otis Worldwide Corporation (Otis)) (** the Separation Transactions **)** . UTC distributed all of the outstanding shares of Carrier common stock and all of the outstanding shares of Otis common stock to UTC shareowners who held shares of UTC common stock as of the close of business on March 19, 2020, the record date for the distributions (the Distributions) effective at 12: 01 a. m., Eastern Time, on April 3, 2020. We received (1) a private letter ruling from the Internal Revenue Service (IRS) regarding certain U. S. federal income tax matters relating to the Separation Transactions and Distributions and (2) an opinion of outside counsel regarding the qualification of certain elements of the Distributions under Section 355 of the Code. Although we intend for the Distributions generally to be tax- free for U. S. federal income tax purposes, there can be no assurance that they will so qualify. Even if the Distributions were to otherwise qualify as tax- free transactions under Sections 355 and 368 (a) (1) (D) of the Code, either Distribution or both Distributions may result in taxable gain to us (but not our stockholders) under Section 355 (e) of the Code if such Distribution (s) were deemed to be part of a plan (or series of related transactions) pursuant to which one or more persons acquire, directly or indirectly, shares representing a 50 % or greater interest (by vote or value) in shares of Carrier, Otis, or us, as applicable. If the IRS were to determine that any post- Distribution acquisitions of Carrier stock, Otis stock, or our stock, as applicable, pursuant to such a plan (when aggregated with any pre- Distribution acquisitions of Carrier stock, Otis stock, or our stock, as applicable, pursuant to such a plan) would represent a 50 % or greater interest in shares of Carrier, Otis, or us, as applicable, such determination could result in significant tax liabilities to us. For purposes of this test, even if the Raytheon merger were treated as part of such plan, it did not result in an acquisition of a 50 % or greater interest in us. Any such tax liabilities imposed on us may adversely affect an investment in us. In addition, we obtained tax rulings in certain non- U. S. jurisdictions and / or opinions of external tax advisors, in each case, regarding the tax treatment of certain Separation Transactions. Notwithstanding the receipt of such tax rulings and opinions, there can be no assurance that the relevant taxing authorities will not assert that the tax treatment of the relevant Separation Transactions differs from the conclusions reached therein. In the event the relevant taxing authorities prevail with any challenge in respect of any relevant Separation Transaction, we would be subject to significant tax liabilities, which may adversely affect an investment in us. Further, under a tax matters agreement that we entered into with Carrier and Otis in connection with the Separation Transactions and Distributions, each of Carrier and Otis generally is required to indemnify us for certain taxes we may incur resulting from the Separation Transactions and / or the Distributions failing to qualify for the intended tax treatment. In addition, under the tax matters agreement, each of Carrier and Otis is responsible for (i) a specified portion of any installment payment we are required to make pursuant to Section 965 (h) (2) of the Code and (ii) specified taxes that exclusively relate to the Carrier business or the Otis business, as applicable. The amount of any such taxes for which we would be responsible may be significant, and if we were unable to obtain indemnification payments from Carrier or Otis to which we are entitled under the tax matters agreement and / or other agreements entered into in connection with the Separation Transactions and the Distributions, we would incur significant losses.