

**SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

Quarterly Report Under Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For Quarter Ended September 30, 2001

Commission File Number 000-33049

New RC, Inc.  
(Exact name of registrant as specified in its charter)

Delaware 52-2297449  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

701 Ninth Street, N.W., Washington, D.C. 20068  
(Address of principal executive office) (Zip Code)

202-872-2000  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding at September 30, 2001</u>
Common Stock, \$0.01 par value	100

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Part I	-	FINANCIAL INFORMATION
Item 1.	-	<u>CONSOLIDATED FINANCIAL STATEMENTS</u>

**NEW RC, INC.**  
**CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED INCOME**  
**(Unaudited)**

	Three Months Ended <u>September 30, 2001</u>	February 9, 2001 (Inception) through <u>September 30, 2001</u>
REVENUE	<u>\$ -</u>	<u>\$ -</u>
EXPENSES	<u>\$ -</u>	<u>\$ -</u>
NET INCOME	<u>\$ -</u>	<u>\$ -</u>
Retained Income at Beginning of Period	\$ -	\$ -
Retained Income at End of Period	\$ -	\$ -

The accompanying notes are an integral part of these statements.

**NEW RC, INC.**  
**CONSOLIDATED BALANCE SHEET**  
**AT SEPTEMBER 30, 2001**  
**(Unaudited)**

ASSETS

Cash	<u>\$200</u>
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LIABILITIES AND SHAREHOLDER'S EQUITY

LIABILITIES	\$ -
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SHAREHOLDER'S EQUITY

Common Stock, \$.01 par value (Note 1):	
100 shares authorized, issued and outstanding	1
Additional Paid-in-Capital	<u>199</u>
Total Liabilities and Shareholder's Equity	<u>\$200</u>

The accompanying notes are an integral part of this statement.

**NEW RC, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FROM INCEPTION (FEBRUARY 9, 2001) THROUGH SEPTEMBER 30, 2001**  
**(Unaudited)**

FINANCING ACTIVITIES

Proceeds from the issuance of New RC common stock	<u>\$200</u>
Net Increase in Cash and Cash Equivalents	\$200
Cash and Cash Equivalents at Beginning of Period	<u>\$ -</u>
Cash and Cash Equivalents at End of Period	<u>\$200</u>

The accompanying notes are an integral part of this statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Formation and Organization

Organization

New RC, Inc. (New RC) was incorporated under the laws of Delaware on February 9, 2001, as a wholly owned subsidiary of Potomac Electric Power Company (Pepco). New RC has issued 100 shares of common stock (with a par value of \$.01), all of which are owned by Pepco. New RC has not commenced operations and therefore as of September 30, 2001 has no operating results. New RC will be a holding company registered under the Public Utility Holding Company Act of 1935, as amended.

Pepco, New RC, and Conectiv (a Delaware corporation), entered into an Agreement and Plan of Merger (Agreement) on February 9, 2001, providing for a reorganization in which two wholly owned and newly formed subsidiaries of New RC will merge with and into Pepco and Conectiv, respectively. As a result of these mergers, Pepco and Conectiv will be wholly owned subsidiaries of New RC and existing Pepco and Conectiv shareholders will own all outstanding shares of New RC. The Agreement is expected to close shortly after all of the conditions to the consummation of the Agreement, including obtaining applicable regulatory approvals, are met or waived. The regulatory approval process is expected to take approximately 12 to 18 months from the date of the Agreement. The transaction will be accounted for as a purchase of Conectiv by Pepco under the purchase accounting method, and the total consideration of approximately \$2.2 billion will consist of 50% in cash and 50% in stock. Pepco's historical financial statements will become the historical financial statements of New RC upon the consummation of the transaction. The transaction has received approval from both

Pepco's and Conectiv's shareholders, the Pennsylvania commission, and the Federal Energy Regulatory Commission. Additionally, antitrust clearance has been received under the Hart-Scott-Rodino Antitrust Improvements Act (HSR) effective August 7, 2001. HSR provides the Federal Trade Commission and the Justice Department the opportunity to review the proposed transaction prior to its completion to ensure it will not violate antitrust laws. Pending the receipt of various other regulatory approvals, the transaction is expected to close in early 2002.

## (2) Summary of Significant Accounting Policies

### New Accounting Standards

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141 entitled "Business Combinations," which applies to all business combinations initiated after June 30, 2001. This statement requires that the purchase method of accounting be used for all business combinations. Additionally, intangible assets that can be identified and named must be recognized as assets apart from goodwill if certain criteria are met. Due to the pending transaction with Conectiv, the Company is in the process of assessing the provisions of SFAS 141 in order to determine the impact it will have on its financial position and results of operations.

In June 2001, the FASB issued SFAS 142 "Goodwill and Other Intangible Assets," which is required to be applied starting with fiscal years beginning after December 15, 2001. This statement establishes the accounting and reporting standards for goodwill and other intangible assets and requires that goodwill no longer be amortized but rather tested for impairment based on the criteria prescribed in the statement. Due to the pending transaction with Conectiv, the Company is in the process of assessing the provisions of SFAS 142 in order to determine the impact it will have on its financial position and results of operations.

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This Quarterly Report on Form 10-Q will automatically be incorporated by reference in the Prospectus constituting part of New RC, Inc.'s Registration Statement on Form S-4 (Number 333-57042), filed under the Securities Act of 1933.

## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Refer to Note 1. Formation and Organization, and Note 2. Summary of Significant Accounting Policies, herein.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

New RC, Inc.  
Registrant

By: D.R. WRAASE  
D. R. Wraase  
President and Treasurer

November 6, 2001  
Date