TEXTRON INC

FORM 10-K
(Annual Report)

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

[x] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended January 3, 2015
or

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____.

Commission File Number 1-5480

Textron Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**05-0315468** (I.R.S. Employer Identification No.)
40 Westminster Street, Providence, RI (Address of principal executive offices)	**02903** (Zip code)

Registrant's Telephone Number, Including Area Code: **(401) 421-2800**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock — par value $0.125	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ✓ No___

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ___ No ✓

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No___

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ✓ No____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [✓]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [✓] Accelerated filer [___]

Non-accelerated filer [___] Smaller reporting company [___]
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ___ No ✓

The aggregate market value of the registrant's Common Stock held by non-affiliates at June 28, 2014 was approximately $10.8 billion based on the New York Stock Exchange closing price for such shares on that date. The registrant has no non-voting common equity.

At February 7, 2015, 276,834,630 shares of Common Stock were outstanding.

Documents Incorporated by Reference

Part III of this Report incorporates information from certain portions of the registrant's Definitive Proxy Statement for its Annual Meeting of Shareholders to be held on April 22, 2015.

Textron Inc.
Index to Annual Report on Form 10-K
For the Fiscal Year Ended January 3, 2015

PART I

Item 1. Business

Textron Inc. is a multi-industry company that leverages its global network of aircraft, defense, industrial and finance businesses to provide customers with innovative products and services around the world. We have approximately 34,000 employees worldwide. Textron Inc. was founded in 1923 and reincorporated in Delaware on July 31, 1967. Unless otherwise indicated, references to "Textron Inc.," the "Company," "we," "our" and "us" in this Annual Report on Form 10-K refer to Textron Inc. and its consolidated subsidiaries.

On March 14, 2014, we completed the acquisition of Beech Holdings, LLC, which included Beechcraft Corporation and other subsidiaries (collectively "Beechcraft"). We combined Beechcraft with our legacy Cessna segment to form the Textron Aviation segment.

We conduct our business through five operating segments: Textron Aviation, Bell, Textron Systems and Industrial, which represent our manufacturing businesses, and Finance, which represents our finance business. A description of the business of each of our segments is set forth below. Our business segments include operations that are unincorporated divisions of Textron Inc. and others that are separately incorporated subsidiaries. Financial information by business segment and geographic area appears in Note 15 to the Consolidated Financial Statements on pages 72 through 73 of this Annual Report on Form 10-K. The following description of our business should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 19 through 36 of this Annual Report on Form 10-K. Information included in this Annual Report on Form 10-K refers to our continuing businesses unless otherwise indicated.

Textron Aviation Segment

Textron Aviation is a leader in general aviation. Textron Aviation manufactures, sells and services Beechcraft and Cessna aircraft, and services the Hawker brand of business jets. The segment has two principal product lines: aircraft sales and aftermarket. Aircraft sales include business jets, turboprop aircraft, piston aircraft, and military trainer and defense aircraft. Aftermarket includes parts sales, and maintenance, inspection and repair services. Revenues in the Textron Aviation segment accounted for approximately 33%, 23% and 25% of our total revenues in 2014, 2013 and 2012, respectively. Revenues for Textron Aviation's principal lines of business were as follows:

(In millions)	2014	2013	2012
Aircraft sales	$ 3,182	$ 1,868	$ 2,318
Aftermarket	1,386	916	793
Total revenues	$ 4,568	$ 2,784	$ 3,111

The family of jets currently produced by Textron Aviation includes the Mustang, Citation M2, Citation CJ3+, Citation CJ4, Citation XLS+, Citation Sovereign+ and the recently certified Citation X+, the fastest civilian jet in the world. In addition, Textron Aviation is developing the Citation Latitude, a midsize business jet expected to enter into service in 2015, as well as the larger Citation Longitude expected to enter into service in 2017.

Textron Aviation's turboprop aircraft include the best-selling business turboprop family in the world, the King Air, which offers the King Air C90GTx, with recently announced performance enhancements, the King Air 250, available with a new payload upgrade and the King Air 350. The world's best-selling utility turboprop, the Cessna Caravan, is used in the United States primarily for overnight express package shipments and for personal transportation. International uses of Caravans include air taxi service, humanitarian flights, tourism and freight transport.

Textron Aviation's single-engine piston aircraft include the Baron, Bonanza, Skyhawk SP, Turbo Stationair and the high performance TTx. The Turbo Skylane JT-A, Textron Aviation's first Jet-A fueled piston aircraft is expected to be certified and begin delivering in 2015.

Textron Aviation also offers the T-6 trainer and AT-6 light attack military aircraft. During 2014, Textron Aviation received new orders from the U.S. Government, Mexico and New Zealand for T-6 aircraft. More than 25 countries now operate the T-6 aircraft as a part of their military training fleet.

The Textron Aviation family of aircraft is supported by a global network of 21 service centers operated by Textron Aviation, two of which are co-located with Bell Helicopter, along with 401 authorized independent service centers located in 49 countries throughout the world. Textron Aviation-owned service centers provide customers with 24-hour service and maintenance. Textron

Aviation provides its customers with around-the-clock parts support and also offers ServiceDirect® for Citation, King Air and Hawker aircraft. ServiceDirect® delivers service capabilities directly to customer locations with a mobile service unit fleet in the United States, Canada and Europe.

Textron Aviation markets its products worldwide through its own sales force, as well as through a network of authorized independent sales representatives. Textron Aviation has several competitors domestically and internationally in various market segments. Textron Aviation's aircraft compete with other aircraft that vary in size, speed, range, capacity and handling characteristics on the basis of price, product quality and reliability, direct operating costs, product support and reputation.

Bell Segment

Bell Helicopter is one of the leading suppliers of military and commercial helicopters, tiltrotor aircraft, and related spare parts and services in the world. Revenues for Bell accounted for approximately 31%, 37% and 35% of our total revenues in 2014, 2013 and 2012, respectively. Revenues by Bell's principal lines of business were as follows:

(In millions)	2014	2013	2012
Military:			
V-22 Program	$ 1,771	$ 1,755	$ 1,611
Other Military	860	959	940
Commercial	1,614	1,797	1,723
Total revenues	$ 4,245	$ 4,511	$ 4,274

Bell supplies advanced military helicopters and support to the U.S. Government and to military customers outside the United States. Bell's primary U.S. Government programs are the V-22 tiltrotor aircraft and the H-1 helicopters. Bell is one of the leading suppliers of helicopters to the U.S. Government and, in association with The Boeing Company (Boeing), the only supplier of military tiltrotor aircraft. Tiltrotor aircraft are designed to provide the benefits of both helicopters and fixed-wing aircraft. Through its strategic alliance with Boeing, Bell produces and supports the V-22 tiltrotor aircraft for the U.S. Department of Defense (DoD). The U.S. Marine Corps H-1 helicopter program includes a utility model, the UH-1Y, and an advanced attack model, the AH-1Z, which have 84% parts commonality between them.

Through its commercial business, Bell is a leading supplier of commercially certified helicopters and support to corporate, offshore petroleum exploration and development, utility, charter, police, fire, rescue, emergency medical helicopter operators and foreign governments. Bell produces a variety of commercial aircraft types, including light single- and twin-engine helicopters and medium twin-engine helicopters, along with other related products. The helicopters currently offered by Bell for commercial applications include the 206L-4, 407, 407GX, 412EP/EPI, 429 and Huey II. The new 505 Jet Ranger X, a short-light single helicopter, achieved its first flight in late 2014. In addition, Bell continues to develop the 525 Relentless, its first super medium commercial helicopter, and first flight is expected in 2015.

For both its military programs and its commercial products, Bell provides post-sale support and service for an installed base of approximately 13,000 helicopters through a network of eight Bell-operated service centers, four supply centers and over 100 independent service centers located in 34 countries. Collectively, these service sites offer a complete range of logistics support, including parts, support equipment, technical data, training devices, pilot and maintenance training, component repair and overhaul, engine repair and overhaul, aircraft modifications, aircraft customizing, accessory manufacturing, contractor maintenance, field service and product support engineering.

Bell competes against a number of competitors throughout the world for its helicopter business and its parts and support business. Competition is based primarily on price, product quality and reliability, product support, performance and reputation.

Textron Systems Segment

Textron Systems' product lines consist of unmanned aircraft systems, marine and land systems, weapons and sensors, simulation, training and other defense and aviation mission support products and services. Textron Systems is a supplier to the defense, aerospace and general aviation markets, and represents approximately 12%, 14% and 14% of Textron's revenues in 2014, 2013 and 2012, respectively. This segment sells its products to U.S. Government customers and to customers outside the U.S. through foreign military sales sponsored by the U.S. Government and directly through commercial sales channels. Textron Systems competes on the basis of technology, contract performance, price, product quality and reliability, product support and reputation. Revenues by Textron Systems' product lines were as follows:

(In millions)	2014	2013	2012
Unmanned Systems	$ 797	$ 666	$ 694
Weapons and Sensors	264	311	285
Marine and Land Systems	158	392	443
Simulation, Training and Other	405	296	315
Total revenues	$ 1,624	$ 1,665	$ 1,737

Unmanned Systems

Unmanned Systems consists of the Unmanned Systems and Support Solutions businesses. The Unmanned Systems business has designed, manufactured and fielded combat-proven unmanned aircraft systems for more than 25 years, including the U.S. Army's premier tactical unmanned aircraft system, the Shadow. This business's unmanned aircraft and interoperable command and control technologies provide critical situational awareness and actionable intelligence for users worldwide. Our Support Solutions business provides logistical support for various unmanned systems as well as training and supply chain services to government and commercial customers worldwide.

Weapons and Sensors

The Weapons and Sensors business consists of state-of-the-art smart weapons; airborne and ground-based sensors and surveillance systems; and protection systems for the defense and aerospace industries. It primarily sells its products to international allies through foreign military sales.

Marine and Land Systems

The Marine and Land Systems business is a world leader in the design, production and support of armored vehicles, turrets and related subsystems as well as advanced marine craft. It produces a family of extremely mobile, highly protective vehicles for the U.S. Army and international allies, and is developing the U.S. Navy's next generation air cushion vehicle.

Simulation, Training and Other

Simulation, Training and Other includes five businesses: TRU Simulation + Training, Lycoming, Electronic Systems, Advanced Information Solutions and Geospatial Solutions. TRU Simulation + Training designs, develops, manufactures, installs, and provides maintenance of advanced flight training courseware and devices, including full flight simulators, for both rotary- and fixed-wing aircraft for commercial airlines, aircraft original equipment manufacturers (OEMs), flight training centers and training organizations worldwide. Through its training centers, TRU Simulation + Training provides initial type-rating and recurrency training for pilots. Lycoming specializes in the engineering, manufacture, service and support of piston aircraft engines for the general aviation and remotely piloted aircraft markets. Electronic Systems provides high technology test equipment and electronic warfare test and training solutions. Advanced Information Solutions and Geospatial Solutions provide intelligence software solutions for U.S. and international defense, intelligence and law enforcement communities.

Industrial Segment

Our Industrial segment designs and manufactures a variety of products under three principal product lines. Industrial segment revenues were as follows:

(In millions)	2014	2013	2012
Fuel Systems and Functional Components	$ 1,975	$ 1,853	$ 1,842
Specialized Vehicles and Equipment	868	713	660
Tools and Test Equipment	495	446	398
Total revenues	$ 3,338	$ 3,012	$ 2,900

Fuel Systems and Functional Components
Our Fuel Systems and Functional Components product line is operated by our Kautex business unit, which is headquartered in Bonn, Germany. Kautex is a leading developer and manufacturer of blow-molded plastic fuel systems for cars, light trucks, all-terrain vehicles, windshield and headlamp washer systems for automobiles and selective catalytic reduction systems used to reduce emissions from diesel engines. Kautex serves the global automobile market, with operating facilities near its major customers around the world. Kautex also produces cast iron engine camshafts and develops and produces plastic bottles and containers for food, household, laboratory and industrial uses. Revenues of Kautex accounted for approximately 14%, 15% and 15% of our total revenues in 2014, 2013 and 2012, respectively.

Our automotive products have several major competitors worldwide, some of which are affiliated with the OEMs that comprise our targeted customer base. Competition typically is based on a number of factors including price, technology, environmental performance, product quality and reliability, prior experience and available manufacturing capacity.

Specialized Vehicles and Equipment
Our Specialized Vehicles and Equipment product line includes the products designed, manufactured and sold by our Textron Specialized Vehicles and Jacobsen businesses. Textron Specialized Vehicles, which includes E-Z-GO, Bad Boy Buggies and Cushman, and the recently-acquired TUG Technologies and Douglas Equipment businesses, designs, manufactures and sells golf cars, off-road utility vehicles, light transportation vehicles and aviation ground support equipment. Although Textron Specialized Vehicles is best known for its electric-vehicle technology, it also manufactures and sells models powered by internal combustion engines. Textron Specialized Vehicles' diversified customer base includes golf courses and resorts, government agencies and municipalities, consumers, and commercial and industrial users such as factories, warehouses, airports, planned communities, hunting preserves and educational and corporate campuses. Sales are made through a combination of factory direct resources and a network of independent distributors and dealers worldwide. Textron Specialized Vehicles has two major competitors for golf cars and several other competitors for off-road and light transportation vehicles and for aviation ground support equipment. Competition is based primarily on price, product quality and reliability, product support and reputation.

Jacobsen designs, manufactures and sells professional turf-maintenance equipment, as well as specialized turf-care vehicles. Brand names include Ransomes, Jacobsen, Cushman and Dixie Chopper, which was acquired in 2014. Jacobsen's customers include golf courses, resort communities, sporting venues, municipalities and landscaping professionals. Products are sold primarily through a worldwide network of distributors and dealers, as well as factory direct. Jacobsen has two major competitors for professional turf-maintenance equipment and several other major competitors for specialized turf-care products. Competition is based primarily on price, product features, product quality and reliability and product support.

Tools and Test Equipment
The Tools and Test Equipment product line includes products sold by businesses that design and manufacture powered equipment, electrical test and measurement instruments, mechanical and hydraulic tools, cable connectors, fiber optic assemblies, underground and aerial transmission and distribution products and power utility products. These businesses also encompass the Greenlee, Greenlee Communications, Greenlee Utility, HD Electric, Klauke, Sherman & Reilly, Rothenberger and Endura brand names, and their products are used principally in the construction, maintenance, telecommunications, data communications, electrical, utility and plumbing industries. Their products are distributed through a global network of sales representatives and distributors and are also sold directly to home improvement retailers and OEMs. The businesses operate 13 plants across four countries with almost 50% of their combined revenue coming from outside the United States. These businesses face competition from numerous manufacturers based primarily on price, delivery lead time, product quality and reliability.

Finance Segment
Our Finance segment, or the Finance group, is a commercial finance business that consists of Textron Financial Corporation (TFC) and its consolidated subsidiaries. The Finance segment provides financing primarily to purchasers of new and pre-owned Textron Aviation aircraft and Bell helicopters. The majority of new finance receivables are cross-border transactions for aircraft sold outside of the U.S. New originations in the U.S. are primarily for purchasers who had difficulty in accessing other sources of financing for the purchase of Textron-manufactured products. In 2014, 2013 and 2012, our Finance group paid our Manufacturing group $215 million, $248 million and $309 million, respectively, related to the sale of Textron-manufactured products to third parties that were financed by the Finance group.

The commercial finance business traditionally is extremely competitive. Our Finance segment is subject to competition from various types of financing institutions, including banks, leasing companies, commercial finance companies and finance operations of equipment vendors. Competition within the commercial finance industry primarily is focused on price, term, structure and service.

Our Finance segment's largest business risk is the collectability of its finance receivable portfolio. See "Finance Portfolio Quality" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 28 for information about the Finance segment's credit performance.

Backlog
Our backlog at the end of 2014 and 2013 is summarized below:

(In millions)	January 3, 2015	December 28, 2013
Bell	$ 5,524	$ 6,450
Textron Systems	2,790	2,803
Textron Aviation	1,365	1,018
Total backlog	$ 9,679	$ 10,271

Approximately 52% of our total backlog at January 3, 2015 represents orders that are not expected to be filled in 2015.

At the end of 2014, approximately 66% of our total backlog was with the U.S. Government, which included only funded amounts as the U.S. Government is obligated only up to the amount of funding formally appropriated for a contract. Bell's 2014 backlog included $2.0 billion related to a multi-year procurement contract with the U.S. Government for the purchase of V-22 tiltrotor aircraft.

U.S. Government Contracts
In 2014, approximately 28% of our consolidated revenues were generated by or resulted from contracts with the U.S. Government. This business is subject to competition, changes in procurement policies and regulations, the continuing availability of funding, which is dependent upon congressional appropriations, national and international priorities for defense spending, world events, and the size and timing of programs in which we may participate.

Our contracts with the U.S. Government generally may be terminated by the U.S. Government for convenience or if we default in whole or in part by failing to perform under the terms of the applicable contract. If the U.S. Government terminates a contract for convenience, we normally will be entitled to payment for the cost of contract work performed before the effective date of termination, including, if applicable, reasonable profit on such work, as well as reasonable termination costs. If, however, the U.S. Government terminates a contract for default, generally: (a) we will be paid the contract price for completed supplies delivered and accepted and services rendered, an agreed-upon amount for manufacturing materials delivered and accepted and for the protection and preservation of property, and an amount for partially completed products accepted by the U.S. Government; (b) the U.S. Government may not be liable for our costs with respect to unaccepted items and may be entitled to repayment of advance payments and progress payments related to the terminated portions of the contract; (c) the U.S. Government may not be liable for assets we own and utilize to provide services under the "fee-for-service" contracts; and (d) we may be liable for excess costs incurred by the U.S. Government in procuring undelivered items from another source.

Research and Development
Information regarding our research and development expenditures is contained in Note 1 to the Consolidated Financial Statements on page 51 of this Annual Report on Form 10-K.

Patents and Trademarks
We own, or are licensed under, numerous patents throughout the world relating to products, services and methods of manufacturing. Patents developed while under contract with the U.S. Government may be subject to use by the U.S. Government. We also own or license active trademark registrations and pending trademark applications in the U.S. and in various foreign countries or regions, as well as trade names and service marks. While our intellectual property rights in the aggregate are important to the operation of our business, we do not believe that any existing patent, license, trademark or other intellectual property right is of such importance that its loss or termination would have a material adverse effect on our business taken as a whole. Some of these trademarks, trade names and service marks are used in this Annual Report on Form 10-K and other reports, including: Aeronautical Accessories; AAI; acAlert; Ascent; Aerosonde; AH-1Z; Ambush; Arc Horizon; AVCOAT; Bad Boy Buggies; Baron; BattleHawk; Beechcraft; Beechcraft T-6: Bell; Bell Helicopter; Bonanza; Bravo; Cadillac Gage; Caravan; Caravan Amphibian; Caravan 675; Cessna; Cessna 350; Cessna 400; Cessna Corvalis TTX; Cessna Turbo Skylane JT-A; Cessna Turbo Skyhawk JT-A; Citation; CITATION ALPINE EDITION; Citation Encore+; Citation Latitude; Citation Longitude; Citation M2; Citation Sovereign; Citation X; Citation X+; Citation XLS+; CJ1+; CJ2+; CJ3; CJ3+. CJ4; Clairity; CLAW; Commando; Corvalis; Cushman; DataScout; Dixie Chopper; Eclipse; Excel; Extreme; Extreme Ti-METAL; E-Z-GO; Fury; GTS-1930 Saber, G3 Tugger; GatorEye; Gator Grips; GLOBAL MISSION SUPPORT; Grand Caravan; Greenlee; H-1; HDE; Hawker; Huey; Huey II; iCommand; IE2; Instinct; Integrated Command Suite; Jacobsen; Jet Ranger X; Kautex; King Air; King Air C90GTx; King Air

250; King Air 350; Kiowa Warrior; Klauke; LF; Lycoming; M1117 ASV; McCauley; Mechtronix; Millenworks; Mission Critical Support (MCS): MissionLink (IVHM); Mustang; Next Generation Carbon Canister; Next Generation Fuel System; NGCC; NGFS; Odyssey; On a Mission; OPINICUS; Overwatch; PDCue; Power Advantage; Pro-Fit; ProParts; Ransomes; REALCue; REALFeel; Recoil; Relentless; Rothenberger LLC; RT ^{2} ; RXV; Scorpion; Sensor Fuzed Weapon; ServiceDirect; Shadow; Shadow Knight; Shadow Master; SkyBOOKS; Skycatcher; Skyhawk; Skyhawk SP; Skylane; SkyPLUS; Sovereign; Speed Punch; Spider; Stationair; ST 4X4; Super Cargomaster; Super Medium; SuperCobra; SYMTX; TDCue; Textron; Textron Aviation; Textron Defense Systems; Textron Financial Corporation; Textron Marine & Land Systems; Textron Systems; TRUESET; TRU Simulation + Training; TUG; Turbo Skylane; Turbo Stationair; UH-1Y; V-Watch Connect; VALOR; V-22 Osprey; V-280; 2FIVE; 206; 407; 407GT; 407GX; 412, 429, 505; 525 and 525 Relentless. These marks and their related trademark designs and logotypes (and variations of the foregoing) are trademarks, trade names or service marks of Textron Inc., its subsidiaries, affiliates or joint ventures.

Environmental Considerations

Our operations are subject to numerous laws and regulations designed to protect the environment. Compliance with these laws and expenditures for environmental control facilities has not had a material effect on our capital expenditures, earnings or competitive position. Additional information regarding environmental matters is contained in Note 13 to the Consolidated Financial Statements on page 71 of this Annual Report on Form 10-K.

We do not believe that existing or pending climate change legislation, regulation, or international treaties or accords are reasonably likely to have a material effect in the foreseeable future on our business or markets nor on our results of operations, capital expenditures or financial position. We will continue to monitor emerging developments in this area.

Employees

At January 3, 2015, we had approximately 34,000 employees.

Executive Officers of the Registrant

The following table sets forth certain information concerning our executive officers as of February 25, 2015.

Name	Age	Current Position with Textron Inc.
Scott C. Donnelly	53	Chairman, President and Chief Executive Officer
Frank T. Connor	55	Executive Vice President and Chief Financial Officer
Cheryl H. Johnson	54	Executive Vice President, Human Resources
E. Robert Lupone	55	Executive Vice President, General Counsel, Secretary and Chief Compliance Officer

Mr. Donnelly joined Textron in June 2008 as Executive Vice President and Chief Operating Officer and was promoted to President and Chief Operating Officer in January 2009. He was appointed to the Board of Directors in October 2009 and became Chief Executive Officer of Textron in December 2009, at which time the Chief Operating Officer position was eliminated. In July 2010, Mr. Donnelly was appointed Chairman of the Board of Directors effective September 1, 2010. Previously, Mr. Donnelly was the President and CEO of General Electric Company's Aviation business unit, a position he had held since July 2005. GE's Aviation business unit is a $16 billion maker of commercial and military jet engines and components, as well as integrated digital, electric power and mechanical systems for aircraft. Prior to July 2005, Mr. Donnelly served as Senior Vice President of GE Global Research, one of the world's largest and most diversified industrial research organizations with facilities in the U.S., India, China and Germany and held various other management positions since joining General Electric in 1989.

Mr. Connor joined Textron in August 2009 as Executive Vice President and Chief Financial Officer. Previously, Mr. Connor was head of Telecom Investment Banking at Goldman, Sachs & Co from 2003 to 2008. Prior to that position, he served as Chief Operating Officer of Telecom, Technology and Media Investment Banking at Goldman, Sachs from 1998 to 2003. Mr. Connor joined the Corporate Finance Department of Goldman, Sachs in 1986 and became a Vice President in 1990 and a Managing Director in 1996.

Ms. Johnson was named Executive Vice President, Human Resources in July 2012. Ms. Johnson joined Textron in 1996 and has held various human resources leadership positions across Textron's businesses, including Senior Human Resources Business Partner for Greenlee and Vice President of Human Resources for E-Z-GO, a position she held from 2006 until joining Bell in 2009. At Bell, she most recently served as Director of Talent and Organizational Development. Prior to Textron, Ms. Johnson held roles in human resources, marketing and sales, and finance disciplines at several organizations, including IBM and Hamilton Sundstrand, a United Technologies Company.

Mr. Lupone joined Textron in February 2012 as Executive Vice President, General Counsel, Secretary and Chief Compliance Officer. Previously, he was senior vice president and general counsel of Siemens Corporation (U.S.) since 1999 and general

counsel of Siemens AG for the Americas since 2008. Prior to joining Siemens in 1992, Mr. Lupone was vice president and general counsel of Price Communications Corporation.

Available Information

We make available free of charge on our Internet Web site (www.textron.com) our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

Forward-Looking Information

Certain statements in this Annual Report on Form 10-K and other oral and written statements made by us from time to time are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements, which may describe strategies, goals, outlook or other non-historical matters, or project revenues, income, returns or other financial measures, often include words such as "believe," "expect," "anticipate," "intend," "plan," "estimate," "guidance," "project," "target," "potential," "will," "should," "could," "likely" or "may" and similar expressions intended to identify forward-looking statements. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause our actual results to differ materially from those expressed or implied by such forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update or revise any forward-looking statements. In addition to those factors described herein under "RISK FACTORS," among the factors that could cause actual results to differ materially from past and projected future results are the following:

- Interruptions in the U.S. Government's ability to fund its activities and/or pay its obligations;
- Changing priorities or reductions in the U.S. Government defense budget, including those related to military operations in foreign countries;
- Our ability to perform as anticipated and to control costs under contracts with the U.S. Government;
- The U.S. Government's ability to unilaterally modify or terminate its contracts with us for the U.S. Government's convenience or for our failure to perform, to change applicable procurement and accounting policies, or, under certain circumstances, to withhold payment or suspend or debar us as a contractor eligible to receive future contract awards;
- Changes in foreign military funding priorities or budget constraints and determinations, or changes in government regulations or policies on the export and import of military and commercial products;
- Volatility in the global economy or changes in worldwide political conditions that adversely impact demand for our products;
- Volatility in interest rates or foreign exchange rates;
- Risks related to our international business, including establishing and maintaining facilities in locations around the world and relying on joint venture partners, subcontractors, suppliers, representatives, consultants and other business partners in connection with international business, including in emerging market countries;
- Our Finance segment's ability to maintain portfolio credit quality or to realize full value of receivables;
- Performance issues with key suppliers or subcontractors;
- Legislative or regulatory actions, both domestic and foreign, impacting our operations or demand for our products;
- Our ability to control costs and successfully implement various cost-reduction activities;
- The efficacy of research and development investments to develop new products or unanticipated expenses in connection with the launching of significant new products or programs;
- The timing of our new product launches or certifications of our new aircraft products;
- Our ability to keep pace with our competitors in the introduction of new products and upgrades with features and technologies desired by our customers;
- Pension plan assumptions and future contributions;
- Continued demand softness or volatility in the markets in which we do business;
- Difficulty or unanticipated expenses in connection with integrating acquired businesses; and
- The risk that anticipated synergies and opportunities as a result of acquisitions will not be realized or the risk that acquisitions do not perform as planned, including, for example, the risk that acquired businesses will not achieve revenue and profit projections.

Item 1A. Risk Factors

Our business, financial condition and results of operations are subject to various risks, including those discussed below, which may affect the value of our securities. The risks discussed below are those that we believe currently are the most significant to our business.

We have customer concentration with the U.S. Government; reduction in U.S. Government defense spending may adversely affect our results of operations and financial condition.

During 2014, we derived approximately 28% of our revenues from sales to a variety of U.S. Government entities. Our revenues from the U.S. Government largely result from contracts awarded to us under various U.S. Government defense-related programs. The funding of these programs is subject to congressional appropriation decisions and the U.S. Government budget process which includes enacting relevant legislation, such as appropriations bills and accords on the debt ceiling. Although multiple-year contracts may be planned in connection with major procurements, Congress generally appropriates funds on a fiscal year basis even though a program may continue for several years. Consequently, programs often are only partially funded initially, and additional funds are committed only as Congress makes further appropriations. If we incur costs in excess of funds committed on a contract, we are at risk for non-reimbursement of those costs until additional funds are appropriated. The reduction, termination or delay in the timing of funding for U.S. Government programs for which we currently provide or propose to provide products or services may result in a loss of anticipated future revenues that could materially and adversely impact our results of operations and financial condition. Significant changes in national and international priorities for defense spending could impact the funding, or the timing of funding, of our programs, which could negatively impact our results of operations and financial condition.

Under the Budget Control Act of 2011, the U.S. Government committed to significantly reduce the federal deficit over ten years. As a result, long-term funding for various programs in which we participate, as well as future purchasing decisions by our U.S. Government customers, could be reduced, delayed or cancelled. In addition, these cuts could adversely affect the viability of the suppliers and subcontractors under our programs. There are many variables in how these budget cuts could be implemented that make it difficult to determine specific impacts; however, we expect that sequestration, as currently provided for under the Budget Control Act, would result in lower revenues, profits and cash flows for our company. Such circumstances may also result in an impairment of our goodwill and intangible assets. Because our U.S. Government contracts generally require us to continue to perform even if the U.S. Government is unable to make timely payments; if, for example, the debt ceiling is not raised, and, as a result, our customer does not pay us on a timely basis, we would need to finance our continued performance of the impacted contracts from our other resources. An extended delay in the timely payment by the U.S. Government could result in a material adverse effect on our cash flows, results of operations and financial condition.

U.S. Government contracts may be terminated at any time and may contain other unfavorable provisions.

The U.S. Government typically can terminate or modify any of its contracts with us either for its convenience or if we default by failing to perform under the terms of the applicable contract. In the event of termination for the U.S. Government's convenience, contractors are generally protected by provisions covering reimbursement for costs incurred on the contracts and profit on those costs but not the anticipated profit that would have been earned had the contract been completed. A termination arising out of our default for failure to perform could expose us to liability, including but not limited to, liability for re-procurement costs in excess of the total original contract amount, net of the value of work performed and accepted by the customer under the contract. Such an event could also have an adverse effect on our ability to compete for future contracts and orders. If any of our contracts are terminated by the U.S. Government whether for convenience or default, our backlog and anticipated revenues would be reduced by the expected value of the remaining work under such contracts. We also enter into "fee for service" contracts with the U.S. Government where we retain ownership of, and consequently the risk of loss on, aircraft and equipment supplied to perform under these contracts. Termination of these contracts could materially and adversely impact our results of operations. On contracts for which we are teamed with others and are not the prime contractor, the U.S. Government could terminate a prime contract under which we are a subcontractor, irrespective of the quality of our products and services as a subcontractor. In addition, in the event that the U.S. Government is unable to make timely payments, failure to continue contract performance places the contractor at risk of termination for default. Any such event could result in a material adverse effect on our cash flows, results of operations and financial condition.

As a U.S. Government contractor, we are subject to procurement rules and regulations.

We must comply with and are affected by laws and regulations relating to the formation, administration and performance of U.S. Government contracts. These laws and regulations, among other things, require certification and disclosure of all cost and pricing data in connection with contract negotiation, define allowable and unallowable costs and otherwise govern our right to reimbursement under certain cost-based U.S. Government contracts, and restrict the use and dissemination of classified information and the exportation of certain products and technical data. Our U.S. Government contracts contain provisions that allow the U.S. Government to unilaterally suspend or debar us from receiving new contracts for a period of time, reduce the value of existing contracts, issue modifications to a contract, and control and potentially prohibit the export of our products, services and

associated materials. A number of our U.S. Government contracts contain provisions that require us to make disclosure to the Inspector General of the agency that is our customer if we have credible evidence that we have violated U.S. criminal laws involving fraud, conflict of interest, or bribery; the U.S. civil False Claims Act; or received a significant overpayment under a U.S. Government contract. Failure to properly and timely make disclosures under these provisions may result in a termination for default or cause, suspension and/or debarment, and potential fines.

As a U.S. Government contractor, our businesses and systems are subject to audit and review by the Defense Contract Audit Agency (DCAA) and the Defense Contract Management Agency (DCMA).
We operate in a highly regulated environment and are routinely audited and reviewed by the U.S. Government and its agencies such as DCAA and DCMA. These agencies review our performance under contracts, our cost structure and our compliance with laws and regulations applicable to U.S. Government contractors. The systems that are subject to review include, but are not limited to, our accounting, estimating, material management and accounting, earned value management, purchasing and government property systems. If an audit uncovers improper or illegal activities we may be subject to civil and criminal penalties and administrative sanctions that may include the termination of our contracts, forfeiture of profits, suspension of payments, fines, and, under certain circumstances, suspension or debarment from future contracts for a period of time. Whether or not illegal activities are alleged, the U.S. Government also has the ability to decrease or withhold certain payments when it deems systems subject to its review to be inadequate. These laws and regulations affect how we conduct business with our government customers and, in some instances, impose added costs on our business.

Cost overruns on U.S. Government contracts could subject us to losses or adversely affect our future business.
Under fixed-price contracts, as a general rule, we receive a fixed price irrespective of the actual costs we incur, and, consequently, any costs in excess of the fixed price are absorbed by us. Changes in underlying assumptions, circumstances or estimates used in developing the pricing for such contracts may adversely affect our results of operations. Additionally, U.S. Government procurement policies increasingly favor fixed-price incentive-based fee arrangements rather than traditional fixed-price contracts; these fee arrangements could negatively impact our profitability. Other current U.S. Government policies could negatively impact our working capital and cash flow. For example, the government has expressed a preference for requiring progress payments rather than performance based payments on new fixed-price contracts, which if implemented, delays our ability to recover a significant amount of costs incurred on a contract and thus affects the timing of our cash flows. Under time and materials contracts, we are paid for labor at negotiated hourly billing rates and for certain expenses. Under cost-reimbursement contracts that are subject to a contract-ceiling amount, we are reimbursed for allowable costs and paid a fee, which may be fixed or performance based, however, if our costs exceed the contract ceiling or are not allowable under the provisions of the contract or applicable regulations, we may not be able to obtain reimbursement for all such costs. Under each type of contract, if we are unable to control costs incurred in performing under the contract, our cash flows, results of operations and financial condition could be adversely affected. Cost overruns also may adversely affect our ability to sustain existing programs and obtain future contract awards.

Demand for our aircraft products is cyclical and could adversely affect our financial results.
Demand for business jets, turbo props and commercial helicopters has been cyclical and difficult to forecast. Therefore, future demand for these products could be significantly and unexpectedly less than anticipated and/or less than previous period deliveries. Similarly, there is uncertainty as to when or whether our existing commercial backlog for aircraft products will convert to revenues as the conversion depends on production capacity, customer needs and credit availability. Changes in economic conditions may cause customers to request that firm orders be rescheduled or cancelled. Reduced demand for our aircraft products or delays or cancellations of orders could result in a material adverse effect on our cash flows, results of operations and financial condition.

We may make acquisitions that increase the risks of our business.
We may enter into acquisitions in an effort to expand our business and enhance shareholder value. Acquisitions involve risks and uncertainties that could result in our not achieving expected benefits. Such risks include difficulties in integrating newly acquired businesses and operations in an efficient and cost-effective manner; challenges in achieving expected strategic objectives, cost savings and other benefits; the risk that the acquired businesses' markets do not evolve as anticipated and that the acquired businesses' products and technologies do not prove to be those needed to be successful in those markets; the risk that our due diligence reviews of the acquired business do not identify or adequately assess all of the material issues which impact valuation of the business or that may result in costs or liabilities in excess of what we anticipated; the risk that we pay a purchase price that exceeds what the future results of operations would have merited; the risk that the acquired business may have significant internal control deficiencies or exposure to regulatory sanctions; and the potential loss of key customers, suppliers and employees of the acquired businesses. In addition, unanticipated delays or difficulties in effecting acquisitions may prevent the consummation of the acquisition or divert the attention of our management and resources from our existing operations.

If our Finance segment is unable to maintain portfolio credit quality, our financial performance could be adversely affected .
A key determinant of the financial performance of our Finance segment is the quality of loans, leases and other assets in its portfolio. Portfolio quality may be adversely affected by several factors, including finance receivable underwriting procedures,

collateral value, geographic or industry concentrations, and the effect of general economic conditions. In addition, a majority of the new originations in our finance receivable portfolio are cross-border transactions for aircraft sold outside of the U.S. Cross-border transactions present additional challenges and risks in realizing upon collateral in the event of borrower default, which may result in difficulty or delay in collecting on the related finance receivables. If our Finance segment has difficulty successfully collecting its finance receivable portfolio, our cash flow, results of operations and financial condition could be adversely affected.

We may need to obtain financing in the future; such financing may not be available to us on satisfactory terms, if at all.
We may periodically need to obtain financing in order to meet our debt obligations as they come due, to support our operations and/or to make acquisitions. Our access to the debt capital markets and the cost of borrowings are affected by a number of factors including market conditions and the strength of our credit ratings. If we cannot obtain adequate sources of credit on favorable terms, or at all, our business, operating results, and financial condition could be adversely affected.

Failure to perform by our subcontractors or suppliers could adversely affect our performance.
We rely on other companies to provide raw materials, major components and subsystems for our products. Subcontractors also perform services that we provide to our customers in certain circumstances. We depend on these suppliers and subcontractors to meet our contractual obligations to our customers and conduct our operations. Our ability to meet our obligations to our customers may be adversely affected if suppliers or subcontractors do not provide the agreed-upon supplies or perform the agreed-upon services in compliance with customer requirements and in a timely and cost-effective manner. Likewise, the quality of our products may be adversely impacted if companies to whom we delegate manufacture of major components or subsystems for our products, or from whom we acquire such items, do not provide components or subsystems which meet required specifications and perform to our and our customers' expectations. Our suppliers may be less likely than us to be able to quickly recover from natural disasters and other events beyond their control and may be subject to additional risks such as financial problems that limit their ability to conduct their operations. The risk of these adverse effects may be greater in circumstances where we rely on only one or two subcontractors or suppliers for a particular raw material, product or service. In particular, in the aircraft industry, most vendor parts are certified by the regulatory agencies as part of the overall Type Certificate for the aircraft being produced by the manufacturer. If a vendor does not or cannot supply its parts, then the manufacturer's production line may be stopped until the manufacturer can design, manufacture and certify a similar part itself or identify and certify another similar vendor's part, resulting in significant delays in the completion of aircraft. Such events may adversely affect our financial results, damage our reputation and relationships with our customers, and result in regulatory actions and/or litigation.

Our business could be negatively impacted by information technology disruptions and security threats.
Our information technology (IT) and related systems are critical to the smooth operation of our business and essential to our ability to perform day to day operations. From time to time, we update and/or replace IT systems used by our businesses. The implementation of new systems can present temporary disruptions of business activities as existing processes are transitioned to the new systems, resulting in productivity issues, including delays in production, shipments or other business operations. In addition, we outsource certain support functions, including certain global IT infrastructure services, to third-party service providers. Any disruption of such outsourced processes or functions also could have a material adverse impact on our operations. In addition, as a U.S. defense contractor, we face certain security threats, including threats to our IT infrastructure, unlawful attempts to gain access to our proprietary or classified information and threats to the physical security of our facilities and employees, as do our customers, suppliers, subcontractors and joint venture partners. Cybersecurity threats, such as malicious software, attempts to gain unauthorized access to our confidential, classified or otherwise proprietary information or that of our employees or customers, as well as other security breaches, are persistent, continue to evolve and require highly skilled IT resources. While we have experienced cybersecurity attacks, we have not suffered any material losses relating to such attacks, and we believe our threat detection and mitigation processes and procedures are robust. Due to the evolving nature of these security threats, the possibility of future material incidents cannot be completely mitigated. An IT system failure, issues related to implementation of new IT systems or breach of data security, whether of our systems or the systems of our service providers or other third parties who may have access to our data for business purposes, could disrupt our operations, cause the loss of business information or compromise confidential information. Such an incident also could require significant management attention and resources and increased costs, and could adversely affect our competitiveness and our results of operations.

Developing new products and technologies entails significant risks and uncertainties.
To continue to grow our revenues and segment profit, we must successfully develop new products and technologies or modify our existing products and technologies for our current and future markets. Our future performance depends, in part, on our ability to identify emerging technological trends and customer requirements and to develop and maintain competitive products and services. Delays or cost overruns in the development and acceptance of new products, or certification of new aircraft and other products, could affect our results of operations. These delays could be caused by unanticipated technological hurdles, production changes to meet customer demands, unanticipated difficulties in obtaining required regulatory certifications of new aircraft or other products, coordination with joint venture partners or failure on the part of our suppliers to deliver components as agreed. We also could be adversely affected if our research and development investments are less successful than expected or if we do not adequately

protect the intellectual property developed through these efforts. Likewise, new products and technologies could generate unanticipated safety or other concerns resulting in expanded product liability risks, potential product recalls and other regulatory issues that could have an adverse impact on us. Furthermore, because of the lengthy research and development cycle involved in bringing certain of our products to market, we cannot predict the economic conditions that will exist when any new product is complete. A reduction in capital spending in the aerospace or defense industries could have a significant effect on the demand for new products and technologies under development, which could have an adverse effect on our financial condition and results of operations. In addition, the market for our product offerings may not develop or continue to expand as we currently anticipate. Furthermore, we cannot be sure that our competitors will not develop competing technologies which gain superior market acceptance compared to our products. A significant failure in our new product development efforts or the failure of our products or services to achieve market acceptance relative to our competitors' products or services could have an adverse effect on our financial condition and results of operations.

We are subject to the risks of doing business in foreign countries.

Conducting business internationally, including U.S. exports, exposes us to additional risks than if we conducted our business solely within the U.S. We maintain manufacturing facilities, service centers, supply centers and other facilities worldwide, including in various emerging market countries. We also have entered into, and expect to continue to enter into, joint venture arrangements in emerging market countries, some of which may require capital investment, guaranties or other commitments. We expect that our international business and our investment in emerging market countries will continue to increase. Risks related to international operations include import, export and other trade restrictions; changing U.S. and foreign procurement policies and practices; restrictions on technology transfer; difficulties in protecting intellectual property; increasing complexity of employment and environmental, health and safety regulations; foreign investment laws; exchange controls; repatriation of earnings or cash settlement challenges, competition from foreign and multinational firms with home country advantages; economic and government instability, acts of terrorism and related safety concerns. The impact of any one or more of these or other factors could adversely affect our business, financial condition or operating results.

Additionally, some international government customers require contractors to agree to specific in-country purchases, manufacturing agreements or financial support arrangements, known as offsets, as a condition for a contract award. The contracts generally extend over several years and may include penalties if we fail to perform in accordance with the offset requirements which are typically subjective. We also are exposed to risks associated with using foreign representatives and consultants for international sales and operations and teaming with international subcontractors and suppliers in connection with international programs. In many foreign countries, particularly in those with developing economies, it is common to engage in business practices that are prohibited by laws and regulations applicable to us, such as the Foreign Corrupt Practices Act. Although we maintain policies and procedures designed to facilitate compliance with these laws, a violation of such laws by any of our international representatives, consultants, joint ventures, business partners, subcontractors or suppliers, even if prohibited by our policies, could have an adverse effect on our business and reputation.

We are subject to increasing compliance risks that could adversely affect our operating results.

As a global business, we are subject to laws and regulations in the U.S. and other countries in which we operate. Our increased focus on international sales and global operations requires importing and exporting goods and technology, some of which have military applications subjecting them to more stringent import-export controls across international borders on a regular basis. For example, we sometimes initially must obtain licenses and authorizations from various U.S. Government agencies before we are permitted to sell certain of our aerospace and defense products outside the U.S. Both U.S. and foreign laws and regulations applicable to us have been increasing in scope and complexity. For example, both U.S. and foreign governments and government agencies regulate the aviation industry, and they may impose new regulations with additional aircraft security or other requirements or restrictions, including, for example, restrictions and/or fees related to carbon emissions levels. Changes in environmental laws and regulations, including those enacted in response to climate change concerns and other actions known as "green initiatives," could lead to the necessity for new or additional investment in product designs or manufacturing processes and could increase environmental compliance expenditures, including costs to defend regulatory reviews. New or changing laws and regulations or related interpretation and policies could increase our costs of doing business, affect how we conduct our operations, adversely impact demand for our products, and/or limit our ability to sell our products and services. Compliance with laws and regulations of increasing scope and complexity is even more challenging in our current business environment in which reducing our operating costs is often necessary to remain competitive. In addition, a violation of U.S. and/or foreign laws by one of our employees or business partners could subject us or our employees to civil or criminal penalties, including material monetary fines, or other adverse actions, such as denial of import or export privileges and/or debarment as a government contractor which could damage our reputation and have an adverse effect on our business.

We are subject to legal proceedings and other claims.

We are subject to legal proceedings and other claims arising out of the conduct of our business, including proceedings and claims relating to commercial and financial transactions; government contracts; alleged lack of compliance with applicable laws and

regulations; production partners; product liability; patent and trademark infringement; employment disputes; and environmental, safety and health matters. Due to the nature of our manufacturing business, we may be subject to liability claims arising from accidents involving our products, including claims for serious personal injuries or death caused by weather or by pilot, driver or user error. In the case of litigation matters for which reserves have not been established because the loss is not deemed probable, it is reasonably possible that such claims could be decided against us and could require us to pay damages or make other expenditures in amounts that are not presently estimable. In addition, we cannot be certain that our reserves are adequate and that our insurance coverage will be sufficient to cover one or more substantial claims. Furthermore, we may not be able to obtain insurance coverage at acceptable levels and costs in the future. Litigation is inherently unpredictable, and we could incur judgments, receive adverse arbitration awards or enter into settlements for current or future claims that could adversely affect our financial position or our results of operations in any particular period.

Intellectual property infringement claims of others and the inability to protect our intellectual property rights could harm our business and our customers.

Intellectual property infringement claims may be asserted by third parties against us or our customers. Any related indemnification payments or legal costs we may be obliged to pay on behalf of our businesses, our customers or other third parties could be costly. In addition, we own the rights to many patents, trademarks, brand names, trade names and trade secrets that are important to our business. The inability to enforce these intellectual property rights may have an adverse effect on our results of operations. Additionally, our intellectual property could be at risk due to various cybersecurity threats.

Certain of our products are subject to laws regulating consumer products and could be subject to repurchase or recall as a result of safety issues.

As a distributor of consumer products in the U.S., certain of our products also are subject to the Consumer Product Safety Act, which empowers the U.S. Consumer Product Safety Commission (CPSC) to exclude from the market products that are found to be unsafe or hazardous. Under certain circumstances, the CPSC could require us to repair, replace or refund the purchase price of one or more of our products, or potentially even discontinue entire product lines, or we may voluntarily do so, but within strictures recommended by the CPSC. The CPSC also can impose fines or penalties on a manufacturer for non-compliance with its requirements. Furthermore, failure to timely notify the CPSC of a potential safety hazard can result in significant fines being assessed against us. Any repurchases or recalls of our products or an imposition of fines or penalties could be costly to us and could damage the reputation or the value of our brands. Additionally, laws regulating certain consumer products exist in some states, as well as in other countries in which we sell our products, and more restrictive laws and regulations may be adopted in the future.

The increasing costs of certain employee and retiree benefits could adversely affect our results.

Our earnings and cash flow may be adversely impacted by the amount of income or expense we expend or record for employee benefit plans. This is particularly true for our defined benefit pension plans, where required contributions to those plans and related expenses are driven by, among other things, our assumptions of the expected long-term rate of return on plan assets, the discount rate used for future payment obligations and the rates of future cost growth. Additionally, as part of our annual evaluation of these plans, significant changes in our assumptions, due to changes in economic, legislative and/or demographic experience or circumstances, or changes in our actual investment returns could negatively impact the funded status of our plans requiring us to substantially increase our pension liability with a resulting decrease in shareholders' equity. Also, changes in pension legislation and regulations could increase the cost associated with our defined benefit pension plans.

In addition, medical costs are rising at a rate faster than the general inflation rate. Continued medical cost inflation in excess of the general inflation rate would increase the risk that we will not be able to mitigate the rising costs of medical benefits. Moreover, we expect that some of the requirements of the new comprehensive healthcare law will increase our future costs. Increases to the costs of pension and medical benefits could have an adverse effect on our results of operations.

Our business could be adversely affected by strikes or work stoppages and other labor issues.

Approximately 7,100, or 28%, of our U.S. employees are unionized, and many of our non-U.S. employees are represented by organized councils. As a result, we may experience work stoppages, which could negatively impact our ability to manufacture our products on a timely basis, resulting in strain on our relationships with our customers and a loss of revenues. The presence of unions also may limit our flexibility in responding to competitive pressures in the marketplace. In addition, the workforces of many of our suppliers and customers are represented by labor unions. Work stoppages or strikes at the plants of our key suppliers could disrupt our manufacturing processes; similar actions at the plants of our customers could result in delayed or canceled orders for our products. Any of these events could adversely affect our results of operations.

Currency, raw material price and interest rate fluctuations may adversely affect our results.

We are exposed to a variety of market risks, including the effects of changes in foreign currency exchange rates, raw material prices and interest rates. Currency variations also contribute to variations in sales of products and services in impacted

jurisdictions. Accordingly, fluctuations in foreign currency rates could adversely affect our profitability in future periods. We monitor and manage these exposures as an integral part of our overall risk management program. In some cases, we purchase derivatives or enter into contracts to insulate our results of operations from these fluctuations. Nevertheless, changes in currency exchange rates, raw material prices and interest rates can have substantial adverse effects on our results of operations.

We may be unable to effectively mitigate pricing pressures.
In some markets, particularly where we deliver component products and services to OEMs, we face ongoing customer demands for price reductions, which sometimes are contractually obligated. However, if we are unable to effectively mitigate future pricing pressures through technological advances or by lowering our cost base through improved operating and supply chain efficiencies, our results of operations could be adversely affected.

Unanticipated changes in our tax rates or exposure to additional income tax liabilities could affect our profitability.
We are subject to income taxes in both the U.S. and various non-U.S. jurisdictions, and our domestic and international tax liabilities are subject to the allocation of income among these different jurisdictions. Our effective tax rate could be adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes to unrecognized tax benefits or changes in tax laws, which could affect our profitability. In particular, the carrying value of deferred tax assets is dependent on our ability to generate future taxable income, as well as changes to applicable statutory tax rates. In addition, the amount of income taxes we pay is subject to audits in various jurisdictions, and a material assessment by a tax authority could affect our profitability.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

On January 3, 2015, we operated a total of 56 plants located throughout the U.S. and 54 plants outside the U.S. We own 59 plants and lease the remainder for a total manufacturing space of approximately 23.4 million square feet. We consider the productive capacity of the plants operated by each of our business segments to be adequate. We also own or lease offices, warehouses, service centers and other space at various locations. In general, our facilities are in good condition, are considered to be adequate for the uses to which they are being put and are substantially in regular use.

Item 3. Legal Proceedings

On October 7, 2014, the Federal Aviation Administration of the U.S. Department of Transportation (DOT) issued a Notice of Proposed Civil Penalty to McCauley Propeller Systems, a Division of Cessna Aircraft Company, for alleged violations of DOT's hazardous materials shipment regulations in connection with the shipment of resin product by air from McCauley's Columbus, GA facility. The DOT has proposed a civil penalty of $238,000, and Cessna Aircraft Company is currently negotiating the disposition of the matter.

We also are subject to actual and threatened legal proceedings and other claims arising out of the conduct of our business, including proceedings and claims relating to commercial and financial transactions; government contracts; alleged lack of compliance with applicable laws and regulations; production partners; product liability; patent and trademark infringement; employment disputes; and environmental, health and safety matters. Some of these legal proceedings and claims seek damages, fines or penalties in substantial amounts or remediation of environmental contamination. As a government contractor, we are subject to audits, reviews and investigations to determine whether our operations are being conducted in accordance with applicable regulatory requirements. Under federal government procurement regulations, certain claims brought by the U.S. Government could result in our suspension or debarment from U.S. Government contracting for a period of time. On the basis of information presently available, we do not believe that existing proceedings and claims will have a material effect on our financial position or results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The principal market on which our common stock is traded is the New York Stock Exchange under the symbol "TXT." At January 3, 2015, there were approximately 10,700 record holders of Textron common stock. The high and low sales prices per share of our common stock as reported on the New York Stock Exchange and the dividends paid per share are provided in the following table:

	2014			2013		
	High	Low	Dividends per Share	High	Low	Dividends per Share
First quarter	$ 40.18	$ 34.28	$ 0.02	$ 31.30	$ 23.94	$ 0.02
Second quarter	40.93	36.96	0.02	30.22	24.87	0.02
Third quarter	39.03	35.54	0.02	29.81	25.36	0.02
Fourth quarter	44.23	32.28	0.02	37.43	26.17	0.02

Issuer Repurchases of Equity Securities

The following provides information about our fourth quarter 2014 repurchases of equity securities that are registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended:

Period *(shares in thousands)*	**Total Number of Shares Purchased (1)**	**Average Price Paid per Share (excluding commissions)**	**Total Number of Shares Purchased as part of Publicly Announced Plan (1)**	**Maximum Number of Shares that may yet be Purchased under the Plan**
September 28, 2014 – November 1, 2014	225	$ 35.90	225	16,399
November 2, 2014 – November 29, 2014	—	—	—	—
November 30, 2014 – January 3, 2015	320	39.66	320	16,079
Total	545	$ 38.11	545	

(1) These shares were purchased pursuant to a plan authorizing the repurchase of up to 25 million shares of Textron common stock that had been announced on January 23, 2013. This plan has no expiration date.

In February 2014, we entered into an Accelerated Share Repurchase agreement (ASR) with a counterparty and repurchased 4.3 million shares of our outstanding common stock from the counterparty for an initial estimated purchase price of $150 million. Final settlement of the ASR occurred in December 2014 and resulted in a final average price of $38.90 per share.

Stock Performance Graph

The following graph compares the total return on a cumulative basis at the end of each year of $100 invested in our common stock on December 31, 2009 with the Standard & Poor's (S&P) 500 Stock Index, the S&P 500 Aerospace & Defense (A&D) Index and the S&P 500 Industrials Index, all of which include Textron. The values calculated assume dividend reinvestment.

In 2014, we changed from the S&P Industrial Conglomerates Index to the S&P 500 Industrials Index, which we believe is a better comparator for the performance of our business. We have provided the S&P Industrial Conglomerates Index in the graph below for comparison purposes only.

	2009	2010	2011	2012	2013	2014
Textron Inc.	$ 100.00	$ 126.17	$ 99.08	$ 133.26	$ 198.15	$ 227.77
S&P 500	100.00	115.06	117.49	136.30	180.44	205.10
S&P 500 A&D	100.00	115.11	121.19	138.84	215.08	239.90
S&P 500 Industrials	100.00	115.73	122.01	140.01	184.31	206.98
S&P 500 Industrial Conglomerates	100.00	118.70	119.53	143.14	201.91	203.64

Item 6. Selected Financial Data

(*Dollars in millions, except per share amounts*)	2014	2013	2012	2011	2010
Revenues					
Textron Aviation	$ 4,568	$ 2,784	$ 3,111	$ 2,990	$ 2,563
Bell	4,245	4,511	4,274	3,525	3,241
Textron Systems	1,624	1,665	1,737	1,872	1,979
Industrial	3,338	3,012	2,900	2,785	2,524
Finance	103	132	215	103	218
Total revenues	$ 13,878	$ 12,104	$ 12,237	$ 11,275	$ 10,525
Segment profit					
Textron Aviation (a)	$ 234	$ (48)	$ 82	$ 60	$ (29)
Bell	529	573	639	521	427
Textron Systems	150	147	132	141	230
Industrial	280	242	215	202	162
Finance (b)	21	49	64	(333)	(237)
Total segment profit	1,214	963	1,132	591	553
Corporate expenses and other, net	(161)	(166)	(148)	(114)	(137)
Interest expense, net for Manufacturing group	(148)	(123)	(143)	(140)	(140)
Acquisition and restructuring costs (c)	(52)	—	—	—	—
Special charges (d)	—	—	—	—	(190)
Income tax (expense) benefit	(248)	(176)	(260)	(95)	6
Income from continuing operations	$ 605	$ 498	$ 581	$ 242	$ 92
Per share of common stock					
Income from continuing operations — basic	$ 2.17	$ 1.78	$ 2.07	$ 0.87	$ 0.33
Income from continuing operations — diluted	$ 2.15	$ 1.75	$ 1.97	$ 0.79	$ 0.30
Dividends declared	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.08
Book value at year-end	$ 15.45	$ 15.54	$ 11.03	$ 9.84	$ 10.78
Common stock price: High	$ 44.23	$ 37.43	$ 29.18	$ 28.87	$ 25.30
Low	$ 32.28	$ 23.94	$ 18.37	$ 14.66	$ 15.88
Year-end	$ 42.17	$ 36.61	$ 24.12	$ 18.49	$ 23.64
Common shares outstanding *(In thousands)*					
Basic average	279,409	279,299	280,182	277,684	274,452
Diluted average	281,790	284,428	294,663	307,255	302,555
Year-end	276,582	282,059	271,263	278,873	275,739
Financial position					
Total assets	$ 14,605	$ 12,944	$ 13,033	$ 13,615	$ 15,282
Manufacturing group debt	$ 2,811	$ 1,931	$ 2,301	$ 2,459	$ 2,302
Finance group debt	$ 1,063	$ 1,256	$ 1,686	$ 1,974	$ 3,660
Shareholders' equity	$ 4,272	$ 4,384	$ 2,991	$ 2,745	$ 2,972
Manufacturing group debt-to-capital (net of cash)	33%	15%	24%	37%	32%
Manufacturing group debt-to-capital	40%	31%	44%	47%	44%
Investment data					
Capital expenditures	$ 429	$ 444	$ 480	$ 423	$ 270
Depreciation	$ 389	$ 349	$ 336	$ 343	$ 334

(a) In 2014, segment profit includes amortization of $63 million related to fair value step-up adjustments of Beechcraft acquired inventories sold during the period.

(b) For 2011, segment profit includes a $186 million initial mark-to-market adjustment for finance receivables in the Golf Mortgage portfolio that were transferred to the held for sale classification.

(c) Acquisition and restructuring costs are related to the acquisition of Beech Holdings, LLC, the parent of Beechcraft Corporation, which was completed on March 14, 2014.

(d) Special charges include restructuring charges of $99 million, primarily related to severance and asset impairment charges, and a $91 million non-cash pre-tax charge to reclassify a foreign exchange loss from equity as a result of substantially liquidating a Finance segment entity.

Item 7. Manage m ent's Discussion and Analysis of Financial Condition and Results of Operations

Overview and Consolidated Results of Operations

Our revenues increased 15% in 2014 reflecting the success of our strategy of investing in new products and complementary acquisitions. Several highlights of the year include the following:

- Invested $694 million in research and development activities demonstrating our continued commitment to expand our current product lines across our businesses.
- Invested $1.6 billion in strategic acquisitions along with $429 million in capital expenditures.
- Delivered strong cash flow performance as manufacturing operating cash flows from continuing operations increased 67% to $1.1 billion.
- Grew segment profit by 26% to $1.2 billion.
- Raised diluted earnings per share from continuing operations by 23%.

On March 14, 2014, we completed the acquisition of Beech Holdings, LLC, which included Beechcraft Corporation and other subsidiaries, (collectively "Beechcraft"); this business and the legacy Cessna segment were combined to form a new segment named Textron Aviation. We also made seven acquisitions in the Industrial and Textron Systems segments, which complemented our products and services. The results of these acquisitions are included in Textron's consolidated financial statements only for the period subsequent to the completion of each acquisition and do not reflect a full year of operations.

An analysis of our consolidated operating results is set forth below. A more detailed analysis of our segments' operating results is provided in the Segment Analysis section on pages 21 to 28.

Revenues

(Dollars in millions)	2014	2013	2012
Revenues	$ 13,878	$ 12,104	$ 12,237
% change compared with prior period	*15 %*	*(1) %*	

Revenues increased $1.8 billion, 15%, in 2014, compared with 2013, as increases in the Textron Aviation and Industrial segments were partially offset by lower revenues in the Bell, Textron Systems and Finance segments. The net revenue increase included the following factors:

- Higher Textron Aviation revenues of $1.8 billion, primarily due to a $1.5 billion impact from the Beechcraft acquisition and a $263 million increase in volume, largely related to Citation jets.
- Higher Industrial segment revenues of $326 million, primarily due to $181 million in higher volume, largely in the Fuel Systems and Functional Components product line, and a $142 million impact from acquisitions.
- Lower Bell revenues of $266 million, largely due to a $183 million decrease in commercial revenues reflecting lower sales activity across the commercial helicopter market, and $99 million in lower other military volume, largely related to the H-1 program reflecting lower aircraft deliveries and production support.
- Lower Textron Systems revenues of $41 million, primarily due to lower volume of $233 million in the Marine and Land Systems product line, reflecting lower vehicle deliveries, partially offset by higher volume of $130 million in the Unmanned Systems product line and a $62 million impact from acquisitions.
- Lower Finance revenues of $29 million, primarily attributable to gains on the disposition of finance receivables held for sale during 2013.

Revenues decreased $133 million, 1%, in 2013, compared with 2012, as decreases in the Textron Aviation, Finance and Textron Systems segments were partially offset by higher revenues in the Bell and Industrial segments. The net revenue decrease included the following factors:

- Lower Textron Aviation revenues of $327 million, primarily due to lower Citation jet volume of $384 million and CitationAir volume of $114 million, partially offset by higher aftermarket volume of $65 million and higher pre-owned aircraft volume of $53 million.

- Lower Finance revenues of $83 million, primarily attributable to an unfavorable impact of $46 million from lower average finance receivables and a decrease of $25 million in revenues related to the resolution of a Timeshare account in 2012.
- Lower Textron Systems revenues of $72 million, largely due to lower volume of $51 million in the Marine and Land Systems product line and lower volume of $28 million in the Unmanned Systems product line.
- Higher Bell revenues of $237 million, largely due to higher volume of $163 million in our military programs, primarily reflecting higher V-22 deliveries and aftermarket volume, and $74 million of higher commercial revenues, largely due to higher aircraft volume.
- Higher Industrial segment revenues of $112 million, primarily due to higher volume of $58 million and the impact from acquisitions of $46 million.

Cost of Sales and Selling and Administrative Expense

(Dollars in millions)	**2014**	**2013**	**2012**
Operating expenses	$ 12,782	$ 11,257	$ 11,184
Cost of sales	11,421	10,131	10,019
% change compared with prior period	*13%*	*1%*	
Gross margin as a percentage of Manufacturing revenues	*17.1%*	*15.4%*	*16.7%*
Selling and administrative expenses	1,361	1,126	1,165
% change compared with prior period	*21%*	*(3)%*	

Manufacturing cost of sales and selling and administrative expenses together comprise our operating expenses. Cost of sales increased $1.3 billion, 13%, in 2014, compared with 2013, largely due to the impact of acquired businesses, primarily Beechcraft. In 2014, gross margin as a percentage of manufacturing revenues increased 170 basis points largely due to improved leverage resulting from higher revenues primarily at Textron Aviation.

Selling and administrative expense increased $235 million, 21%, in 2014, compared with 2013, largely related to businesses acquired in the past year and compensation expense. These increases were partially offset by $28 million in severance costs incurred in 2013 in connection with a voluntary separation program at Textron Aviation.

Manufacturing cost of sales increased $112 million, 1%, in 2013, compared with 2012, primarily due to higher volume at Bell and the impact from businesses acquired in 2013, partially offset by lower sales at Textron Aviation and Textron Systems. In 2013, gross margin as a percentage of manufacturing revenues decreased 130 basis points primarily due to unfavorable performance at Bell, largely due to manufacturing inefficiencies associated with labor disruptions resulting from negotiations with bargained employees and with the implementation of a new enterprise resource planning system in the first quarter of 2013, as well as lower Citation jet and CitiationAir volume at Textron Aviation.

Selling and administrative expenses decreased $39 million, 3%, in 2013 compared with 2012, largely due to a reduction in administrative expenses of $26 million and lower provision for loan losses of $20 million at the Finance segment, both primarily associated with the non-captive business. Selling and administrative expense was also impacted by $28 million in severance costs incurred in 2013 at Textron Aviation, which were largely offset by a $27 million charge from an unfavorable arbitration award in 2012 at Textron Aviation.

Acquisition and Restructuring Costs

In connection with the integration of Beechcraft, we initiated a restructuring program in our Textron Aviation segment in the first quarter of 2014 to align the Cessna and Beechcraft businesses, reduce operating redundancies and maximize efficiencies. During 2014, we recorded charges of $41 million related to these restructuring activities that were included in the Acquisition and restructuring costs line on the Consolidated Statements of Operations. In addition, we incurred transaction costs of $11 million in 2014 related to the acquisition that were also included in the Acquisition and restructuring costs line. We expect to incur additional restructuring costs in 2015, but do not expect these costs to be material.

Interest Expense

(Dollars in millions)	2014	2013	2012
Interest expense	$ 191	$ 173	$ 212
% change compared with prior period	*10%*	*(18)%*	

Interest expense on the Consolidated Statement of Operations includes interest for both the Manufacturing and Finance borrowing groups with interest related to intercompany borrowings eliminated. Consolidated interest expense increased $18 million, 10%, in 2014, compared with 2013, primarily due to a $31 million impact related to financing the Beechcraft acquisition, partially offset by $9 million of lower interest expense due to the maturity of our convertible notes in the second quarter of 2013. In 2013, consolidated interest expense decreased $39 million, 18%, compared with 2012, primarily due to lower average debt outstanding.

Income Tax Expense

Our effective tax rate was 29.1% in 2014, 26.1% in 2013 and 30.9% in 2012. This rate generally differs from the U.S. federal statutory tax rate of 35% due to certain earnings from operations in lower-tax jurisdictions throughout the world, as well as the research credit. The jurisdictions with favorable tax rates that have the most significant effective tax rate impact in the periods presented include Canada, Germany, Belgium and China. We have not provided for U.S. taxes for those earnings because we plan to reinvest all of those earnings indefinitely outside of the U.S.

In 2013, our effective tax rate was reduced by approximately 4.0% due to the tax benefit recognized upon the retroactive reinstatement and extension of the Federal Research and Development Tax Credit for the period from January 1, 2012 to December 31, 2013. In 2014, this credit was extended through the end of 2014, resulting in a 1.5% reduction in our effective tax rate.

For a full reconciliation of our effective tax rate to the U.S. federal statutory tax rate of 35% see Note 12 to the Consolidated Financial Statements.

Segment Analysis

We operate in, and report financial information for, the following five business segments: Textron Aviation, which consists of the legacy Cessna segment combined with the recently-acquired Beechcraft business, Bell, Textron Systems, Industrial and Finance. Segment profit is an important measure used for evaluating performance and for decision-making purposes. Segment profit for the manufacturing segments excludes interest expense, certain corporate expenses and acquisition and restructuring costs related to the Beechcraft acquisition. The measurement for the Finance segment includes interest income and expense along with intercompany interest income and expense.

In our discussion of comparative results for the Manufacturing group, changes in revenues and segment profit typically are expressed for our commercial business in terms of volume, pricing, foreign exchange and acquisitions. Additionally, changes in segment profit may be expressed in terms of mix, inflation and cost performance. Volume changes in revenues represent increases/decreases in the number of units delivered or services provided. Pricing represents changes in unit pricing. Foreign exchange is the change resulting from translating foreign-denominated amounts into U.S. dollars at exchange rates that are different from the prior period. Acquisitions refers to the revenues generated from businesses that were acquired within the previous 12 months. For segment profit, mix represents a change due to the composition of products and/or services sold at different profit margins. Inflation represents higher material, wages, benefits, pension or other costs. Performance reflects an increase or decrease in research and development, depreciation, selling and administrative costs, warranty, product liability, quality/scrap, labor efficiency, overhead, product line profitability, start-up, ramp up and cost-reduction initiatives or other manufacturing inputs.

Approximately 28% of our 2014 revenues were derived from contracts with the U.S. Government. For our segments that have significant contracts with the U.S. Government, we typically express changes in segment profit related to the government business in terms of volume, changes in program performance or changes in contract mix. Changes in volume that are discussed in net sales typically drive corresponding changes in our segment profit based on the profit rate for a particular contract. Changes in program performance typically relate to profit recognition associated with revisions to total estimated costs at completion that reflect improved or deteriorated operating performance or award fee rates. Changes in contract mix refers to changes in operating margin due to a change in the relative volume of contracts with higher or lower fee rates such that the overall average margin rate for the segment changes.

Textron Aviation

(Dollars in millions)	2014	2013	2012	% Change 2014	% Change 2013
Revenues	$ 4,568	$ 2,784	$ 3,111	64%	(11)%
Operating expenses	4,334	2,832	3,029	53%	(7)%
Segment profit (loss)	234	(48)	82	—	—
Profit margin	5.1%	(1.7)%	2.6%		
Backlog	$ 1,365	$ 1,018	$ 1,062	34%	(4)%

Textron Aviation Revenues and Operating Expenses

Factors contributing to the 2014 year-over-year revenue change are provided below:

(In millions)	2014 versus 2013
Acquisitions	$ 1,480
Volume	263
Pricing	41
Total change	$ 1,784

Textron Aviation's revenues increased by $1.8 billion, 64%, in 2014, compared with 2013, primarily due to the impact of the Beechcraft acquisition of $1.5 billion and higher volume of $263 million. The increase in volume was primarily the result of higher Citation jet volume of $344 million, partially offset by lower CitationAir volume of $78 million related to exiting our fractional share business. We delivered 159 Citation jets and 113 King Air turboprops in 2014, compared with 139 Citation jets in 2013. During 2014, the portion of the segment's revenues derived from aftermarket sales and services represented 30% of its total revenues, compared with 33% in 2013.

Textron Aviation's operating expenses increased by $1.5 billion, 53%, in 2014, compared with 2013, primarily due to the incremental operating costs related to the Beechcraft acquisition, and higher net volume as described above. Textron Aviation's operating expenses exclude acquisition and restructuring costs incurred across the segment as a result of the Beechcraft integration, which are reported separately and are discussed in the Acquisition and Restructuring Costs section above.

Factors contributing to the 2013 year-over-year revenue change are provided below:

(In millions)	2013 versus 2012
Volume	$ (373)
Acquisitions	33
Other	13
Total change	$ (327)

In 2013, Textron Aviation's revenues decreased $327 million, 11%, compared with 2012, primarily due to lower Citation jet volume of $384 million and lower CitationAir volume of $114 million, largely related to the wind-down of our fractional share business. These decreases were partially offset by higher aftermarket volume of $65 million, largely due to increased service demand, and higher pre-owned aircraft volume of $53 million. We delivered 139 Citation jets in 2013, compared with 181 jets in 2012. During 2013, the portion of Textron Aviation's revenues derived from aftermarket sales and services increased to 33%, compared with 25% in 2012, due to higher aftermarket volume and the impact of lower Citation jet revenues.

Textron Aviation's operating expenses decreased $197 million, 7%, in 2013, compared with 2012, primarily due to lower volume as discussed above. The volume-related decrease in operating expenses was partially offset by $37 million of operating costs incurred by service centers acquired at the beginning of 2013 and $33 million of inflation, largely due to higher pension expense of $17 million. Operating expenses in 2013 were also impacted by $28 million in severance costs incurred during the first half of the year in connection with a voluntary separation program offered to qualifying salaried employees and a reduction of certain direct production positions due to an adjustment of our production schedule. Operating expenses in 2012 included a $27 million charge from an unfavorable arbitration award.

Textron Aviation Segment Profit (Loss)
Factors contributing to 2014 year-over-year segment profit (loss) change are provided below:

(In millions)	2014 versus 2013
Performance and other	$ 117
Volume	89
Pricing and inflation	48
2013 Voluntary Separation Program	28
Total change	$ 282

Textron Aviation segment profit increased $282 million in 2014, compared with 2013, primarily due to an increase in Performance and other, higher volume as described above, favorable pricing and inflation and $28 million in severance costs incurred in 2013. During the second quarter of 2014, the cost structures of Beechcraft and Cessna were significantly integrated, and as a result, Performance and other reflects the net profit impact of Beechcraft, including the benefit of the integrated cost structure. Performance and other also includes amortization of $63 million in 2014, related to fair value step-up adjustments of acquired inventories sold during the periods.

Factors contributing to 2013 year-over-year segment profit (loss) change are provided below:

(In millions)	2013 versus 2012
Volume	$ (99)
Inflation, net of pricing	(21)
Other	(10)
Total change	$ (130)

Textron Aviation's segment profit decreased $130 million in 2013, compared with 2012, primarily due to a $99 million impact from lower volume as described above and $21 million in inflation, net of pricing, largely due to higher pension expense of $17 million. Segment profit was also impacted by $28 million in severance costs incurred in 2013, largely offset by a $27 million charge from an unfavorable arbitration award incurred in 2012.

Textron Aviation Backlog
Textron Aviation's backlog increased $347 million, 34%, in 2014 and decreased $44 million, 4%, in 2013. The increase in 2014 included the Beechcraft acquisition.

Bell

				% Change	
(Dollars in millions)	2014	2013	2012	2014	2013
Revenues:					
V-22 program	$ 1,771	$ 1,755	$ 1,611	1%	9%
Other military	860	959	940	(10)%	2%
Commercial	1,614	1,797	1,723	(10)%	4%
Total revenues	4,245	4,511	4,274	(6)%	6%
Operating expenses	3,716	3,938	3,635	(6)%	8%
Segment profit	529	573	639	(8)%	(10)%
Profit margin	12.5%	12.7%	15.0%		
Backlog	$ 5,524	$ 6,450	$ 7,469	(14)%	(14)%

Bell's major U.S. Government programs at this time are the V-22 tiltrotor aircraft and the H-1 helicopter platforms, which are both in the production stage and represent a significant portion of Bell's revenues from the U.S. Government.

Bell Revenues and Operating Expenses
Factors contributing to the 2014 year-over-year revenue change are provided below:

(In millions)	2014 versus 2013
Volume and mix	$ (300)
Other	34
Total change	$ (266)

Bell's revenues decreased $266 million, 6%, in 2014, compared with 2013, primarily due to the following factors:

- $183 million decrease in commercial revenues, largely related to lower volume reflecting lower sales activity across the commercial helicopter market. Bell delivered 178 commercial aircraft in 2014, compared with 213 commercial aircraft in 2013.
- $99 million decrease in other military volume, primarily related to the H-1 program, largely reflecting lower aircraft deliveries and production support. Lower volume was partially offset by $41 million recorded in the second quarter of 2014, related to the settlement of the SDD phase of the ARH program, which was terminated in October 2008. Bell delivered 24 H-1 aircraft in 2014, compared with 25 aircraft in 2013.
- $16 million increase in V-22 program revenues, reflecting higher product support volume of $115 million. This increase was largely offset by lower aircraft deliveries, as we delivered 37 V-22 aircraft in 2014 compared to 41 V-22 aircraft in 2013.

Bell's operating expenses decreased $222 million, 6% in 2014, compared with 2013, primarily due to the lower net volume as discussed above. In addition, Bell experienced favorable profit adjustments on its long-term contracts, primarily driven by cost reduction activities in 2014 as well as unfavorable performance in 2013 as discussed below.

Factors contributing to the 2013 year-over-year revenue change are provided below:

(In millions)	2013 versus 2012
Volume	$ 193
Other	44
Total change	$ 237

Bell's revenues increased $237 million, 6% in 2013, compared with 2012, due to the following factors:

- $144 million increase in V-22 program volume largely due to higher aircraft deliveries, as we delivered 41 V-22 aircraft in 2013, compared with 39 aircraft in 2012. In addition, military aftermarket volume was higher by $35 million, reflecting increased support of fielded aircraft.
- $74 million increase in commercial revenues, largely due to higher aircraft volume, as we delivered 213 aircraft in 2013, compared to 188 aircraft in 2012. This increase was partially offset by lower commercial aftermarket revenues of $50 million, largely due to lower volume, which in part, resulted from the conversion to a new enterprise resource planning system in the first quarter of 2013.
- $19 million increase in other military volume, reflecting higher H-1 deliveries. We delivered 25 H-1 aircraft in 2013, compared with 24 H-1 aircraft in 2012.

Bell's operating expenses increased $303 million, 8%, in 2013, respectively, compared with 2012, largely due to higher volume as described above and $68 million in unfavorable performance, which included $27 million in lower favorable profit adjustments on its long-term contracts. The unfavorable performance was largely due to manufacturing inefficiencies associated with labor disruptions resulting from negotiations with bargained employees and with the implementation of a new enterprise resource planning system in the first quarter of 2013. On October 13, 2013, Bell reached a new five-year collective bargaining agreement with the United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) and UAW Local 218 which represents these employees.

Bell Segment Profit
Factors contributing to 2014 year-over-year segment profit change are provided below:

(In millions)	2014 versus 2013
Volume and Mix	$ (72)
Performance	23
Other	5
Total change	$ (44)

Bell's segment profit decreased $44 million, 8%, in 2014, compared with 2013. The impact of volume and mix was largely driven by lower commercial volume and an unfavorable mix of commercial aircraft deliveries, partially offset by a $16 million favorable program profit adjustment related to the ARH program described above. Favorable performance primarily reflected our cost reduction activities in 2014 as well as unfavorable performance in 2013 as described above.

Factors contributing to 2013 year-over-year segment profit change are provided below:

(In millions)	2013 versus 2012
Performance	$ (68)
Volume and mix	(10)
Other	12
Total change	$ (66)

Bell's segment profit decreased $66 million, 10%, in 2013, respectively, compared with 2012, primarily due to unfavorable performance as described above. Segment profit was also impacted by an unfavorable mix of commercial aircraft deliveries.

Bell Backlog
Backlog decreased $926 million, 14%, at Bell during 2014, primarily due to V-22 aircraft deliveries, in excess of orders. In 2013, Bell's backlog decreased $1.0 billion, 14%, primarily due to deliveries on the V-22 and H-1 programs that exceeded orders.

Textron Systems

				% Change	
(Dollars in millions)	2014	2013	2012	2014	2013
Revenues	$ 1,624	$ 1,665	$ 1,737	(2)%	(4)%
Operating expenses	1,474	1,518	1,605	(3)%	(5)%
Segment profit	150	147	132	2%	11%
Profit margin	9.2%	8.8%	7.6%		
Backlog	$ 2,790	$ 2,803	$ 2,919	—	(4)%

Textron Systems Revenues and Operating Expenses
Factors contributing to the 2014 year-over-year revenue change are provided below:

(In millions)	2014 versus 2013
Volume	$ (106)
Acquisitions	62
Other	3
Total change	$ (41)

Revenues at Textron Systems decreased $41 million, 2%, in 2014, compared with 2013, primarily due to lower volume in the Marine and Land Systems product line of $233 million, reflecting fewer vehicle deliveries, partially offset by higher volume in the Unmanned Systems product line of $130 million and a $62 million impact largely related to the acquisition of two flight simulation and training businesses in December 2013.

Textron Systems' operating expenses decreased $44 million, 3%, in 2014, compared with 2013, primarily due to lower volume as described above, as well as the impact of a $15 million charge recorded in 2013 related to the fee-for-service program described below. Operating expenses also included the impact of costs related to acquisitions.

Factors contributing to the 2013 year-over-year revenue change are provided below:

(In millions)	**2013 versus 2012**
Volume	$ (76)
Other	4
Total change	$ (72)

Revenues at Textron Systems decreased $72 million, 4%, in 2013, compared with 2012, primarily due to lower volume in the Marine and Land product line of $51 million and in the Unmanned Systems product line of $28 million.

Textron Systems' operating expenses decreased $87 million, 5%, in 2013, compared with 2012, primarily due to improved performance reflecting the favorable impact of lower profit adjustments, including $22 million in lower fee-for-service program charges discussed below, along with cost reduction initiatives across most product lines. Operating expenses were also impacted by lower volume as described above.

In 2013 and 2012, we recorded $15 million and $37 million, respectively, in unfavorable program profit adjustments related to start-up and engine performance issues for Unmanned System's fee-for-service program. As a result of the engine performance issues, during the third quarter of 2013 we transitioned the manufacture of the engines to our Lycoming business, which has resulted in improved performance.

Textron Systems Segment Profit

Factors contributing to 2014 year-over-year segment profit change are provided below:

(In millions)	**2014 versus 2013**
Performance	$ 22
Volume	(12)
Other	(7)
Total change	$ 3

Segment profit at Textron Systems increased $3 million, 2%, in 2014, compared with 2013, primarily driven by $22 million of improved performance, partially offset by $12 million from lower volume as described above. Performance primarily reflects the impact of unfavorable profit adjustments in 2013, including a $15 million charge related to the fee-for-service program described above.

Factors contributing to 2013 year-over-year segment profit change are provided below:

(In millions)	**2013 versus 2012**
Performance	$ 58
Volume and mix	(33)
Other	(10)
Total change	$ 15

Segment profit at Textron Systems increased $15 million, 11% in 2013 compared with 2012, largely due to improved performance reflecting the favorable impact of lower profit adjustments, including $22 million in lower fee-for-service program charges, along with cost reduction initiatives across most product lines. This improved performance was partially offset by lower volume as described above.

Industrial

(Dollars in millions)	2014	2013	2012	% Change 2014	% Change 2013
Revenues:					
Fuel Systems and Functional Components	$ 1,975	$ 1,853	$ 1,842	7%	1%
Other Industrial	1,363	1,159	1,058	18%	10%
Total revenues	3,338	3,012	2,900	11%	4%
Operating expenses	3,058	2,770	2,685	10%	3%
Segment profit	280	242	215	16%	13%
Profit margin	8.4%	8.0%	7.4%		

Industrial Revenues and Operating Expenses

Factors contributing to the 2014 year-over-year revenue change are provided below:

(In millions)	2014 versus 2013
Volume	$ 181
Acquisitions	142
Other	3
Total change	$ 326

Industrial segment revenues increased $326 million, 11%, in 2014, compared with 2013, primarily due to higher volume of $181 million and the impact from acquisitions of $142 million, primarily within our Specialized Vehicles and Equipment product line. Higher volume resulted from a $142 million increase in the Fuel Systems and Functional Components product line, principally reflecting automotive industry demand in North America and Europe, and a $39 million increase in the Other Industrial product lines.

Operating expenses for the Industrial segment increased $288 million, 10%, in 2014, compared with 2013, largely due to the impact from higher volume as described above and additional operating expenses from recently acquired businesses.

Factors contributing to the 2013 year-over-year revenue change are provided below:

(In millions)	2013 versus 2012
Volume	$ 58
Acquisitions	46
Other	8
Total change	$ 112

Industrial segment revenues increased $112 million, 4%, in 2013, compared with 2012, largely due to higher volume of $58 million and the impact from acquisitions of $46 million within our Tools and Test Equipment product line. Higher volume resulted from a $32 million increase in the Other Industrial product lines, mostly due to higher market demand in the Specialized Vehicles and Equipment product line, and a $26 million increase in the Fuel Systems and Functional Components line, reflecting higher automotive industry demand in North America.

Operating expenses for the Industrial segment increased $85 million, 3%, in 2013, compared with 2012, largely due to higher volume and a $43 million impact from acquisitions. Operating expenses were also impacted by improved performance of $27 million associated with the Fuel Systems and Functional Components product line, which was partially offset by $16 million of inflation in this product line, reflecting higher compensation and material costs.

Industrial Segment Profit

Factors contributing to 2014 year-over-year segment profit change are provided below:

(In millions)	2014 versus 2013
Volume and mix	$ 20
Performance	15
Other	3
Total change	$ 38

Segment profit for the Industrial segment increased $38 million, 16%, in 2014, compared with 2013, largely due to the impact from higher volume as described above. Profit was also impacted by improved performance of $15 million, primarily driven by the Fuel Systems and Functional Components product line.

Factors contributing to 2013 year-over-year segment profit change are provided below:

(In millions)	2013 versus 2012
Performance	$ 39
Volume	9
Inflation, net of pricing	(22)
Other	1
Total change	$ 27

Segment profit for the Industrial segment increased $27 million, 13%, in 2013, compared with 2012, primarily due to improved performance of which $27 million was associated with the Fuel Systems and Functional Components product line. The $22 million unfavorable impact from inflation, net of pricing, was primarily in the Fuel Systems and Functional Components product line, reflecting higher compensation and material costs.

Finance

(In millions)	2014	2013	2012
Revenues	$ 103	$ 132	$ 215
Segment profit	21	49	64

Finance Revenues

Finance segment revenues decreased $29 million in 2014, compared with 2013, primarily attributable to a $31 million impact from gains on the disposition of finance receivables held for sale during 2013. These gains resulted from the payoff of loans in amounts, and sale of loans at prices, in excess of the values established in previous periods.

Finance segment revenues decreased $83 million in 2013, compared with 2012, primarily attributable to an unfavorable impact of $46 million, attributable to lower average finance receivables of $834 million. Revenues during 2013 were also lower by $25 million due to the resolution of a Timeshare account that returned to accrual status in 2012.

Finance Segment Profit

Finance segment profit decreased $28 million in 2014, compared with 2013, primarily due to a change in provision for loan losses of $29 million, largely reflecting reserve reversals in 2013 primarily related to the non-captive business, and the impact from gains on finance receivables held for sale described above. These decreases in segment profit were partially offset by lower administrative expense of $19 million in 2014, primarily associated with the exit of the non-captive business.

Finance segment profit decreased $15 million in 2013, compared with 2012, primarily resulting from the resolution of a Timeshare account in 2012 as described above, as well as an unfavorable impact of $25 million in net interest margin from lower average finance receivables. These decreases were partially offset by lower administrative expenses of $26 million and lower provision for loan losses of $20 million, largely related to the downsizing of the non-captive business.

Finance Portfolio Quality

The following table reflects information about the Finance segment's credit performance related to finance receivables.

(Dollars in millions)	January 3, 2015	December 28, 2013
Finance receivables	$ 1,254	$ 1,483
Nonaccrual finance receivables	81	105
Ratio of nonaccrual finance receivables to finance receivables	6.46%	7.08%
60+ days contractual delinquency	$ 57	$ 80
60+ days contractual delinquency as a percentage of finance receivables	4.55%	5.39%

Liquidity and Capital Resources

Our financings are conducted through two separate borrowing groups. The Manufacturing group consists of Textron consolidated with its majority-owned subsidiaries that operate in the Textron Aviation, Bell, Textron Systems and Industrial segments. The Finance group, which also is the Finance segment, consists of Textron Financial Corporation and its consolidated subsidiaries. We designed this framework to enhance our borrowing power by separating the Finance group. Our Manufacturing group operations include the development, production and delivery of tangible goods and services, while our Finance group provides financial services. Due to the fundamental differences between each borrowing group's activities, investors, rating agencies and analysts use different measures to evaluate each group's performance. To support those evaluations, we present balance sheet and cash flow information for each borrowing group within the Consolidated Financial Statements.

Key information that is utilized in assessing our liquidity is summarized below:

(Dollars in millions)	January 3, 2015	December 28, 2013
Manufacturing group		
Cash and equivalents	$ 731	$ 1,163
Debt	2,811	1,931
Shareholders' equity	4,272	4,384
Capital (debt plus shareholders' equity)	7,083	6,315
Net debt (net of cash and equivalents) to capital	33%	15%
Debt to capital	40%	31%
Finance group		
Cash and equivalents	$ 91	$ 48
Debt	1,063	1,256

We believe that our calculations of debt to capital and net debt to capital are useful measures as they provide a summary indication of the level of debt financing (i.e., leverage) that is in place to support our capital structure, as well as to provide an indication of the capacity to add further leverage. We believe that we will have sufficient cash to meet our future needs, based on our existing cash balances, the cash we expect to generate from our manufacturing operations and other available funding alternatives, as appropriate.

Textron has a senior unsecured revolving credit facility that expires in October 2018 for an aggregate principal amount of $1.0 billion, of which up to $100 million is available for the issuance of letters of credit. At January 3, 2015, there were no amounts borrowed against the facility, and there were $35 million of letters of credits issued against it.

We maintain an effective shelf registration statement filed with the Securities and Exchange Commission that authorizes us to issue an unlimited amount of public debt and other securities. Under this shelf registration statement, in January 2014, we issued $250 million of 3.65% notes due 2021 and $350 million of 4.30% notes due 2024. We also entered into a five-year term loan agreement with a syndicate of banks in the principal amount of $500 million. Upon the closing of the Beechcraft acquisition on March 14, 2014, we fully drew down on the five-year term loan and used the cash, along with the net proceeds of the notes issued, to finance a portion of the acquisition. The balance of the Beechcraft acquisition purchase price was paid from cash on hand. During the third quarter of 2014, we repaid $200 million of the five-year term loan. Also under the shelf registration statement, in November 2014, we issued $350 million of 3.875% notes due 2025. Subsequently, prior to year-end, we prepaid $350 million of 6.2% notes which were due in March 2015.

Manufacturing Group Cash Flows

Cash flows from continuing operations for the Manufacturing group as presented in our Consolidated Statement of Cash Flows are summarized below:

(In millions)	2014	2013	2012
Operating activities	$ 1,097	$ 658	$ 958
Investing activities	(2,065)	(624)	(476)
Financing activities	552	(240)	29

Cash flows from operating activities increased $439 million during 2014, compared with 2013, largely due to a favorable change in working capital, higher income from continuing operations of $120 million and lower contributions of $118 million to our pension plans, partially offset by $175 million of dividends received from the Finance group in 2013. Working capital was

favorably impacted by an increase of $226 million in customer deposits, primarily at Textron Aviation, and a $174 million increase in cash from accounts receivable, largely at Bell, partially offset by an increase in net tax payments of $43 million. Net tax payments were $266 million and $223 million in 2014 and 2013, respectively.

We generated $658 million in cash from operating activities in 2013 on $914 million in Manufacturing group segment profit and $470 million of income from continuing operations. The $300 million decrease in cash flows from operating activities from 2012 was largely due to a $429 million impact related to working capital requirements and $64 million in lower income from continuing operations, which were partially offset by $211 million in lower contributions to our pension plans in 2013. The most significant change within working capital was a $230 million unfavorable impact resulting from net tax payments of $223 million in 2013, compared to net tax refunds of $7 million in 2012. In addition, we had $165 million in cash inflows related to changes in inventory levels, largely at Textron Aviation, which was more than offset by $264 million of cash outflows from changes in accounts receivable and accounts payable. The change in inventory levels at Textron Aviation was primarily related to lower pre-owned inventory, partially offset by higher inventory in support of new sales.

Pension contributions were $76 million, $194 million and $405 million in 2014, 2013 and 2012, respectively.

In 2014, cash flows from investing activities included a $1.6 billion aggregate cash payment for Beechcraft and seven other acquisitions within our Industrial and Textron Systems segments. Cash flows from investing activities in 2013 included $196 million of cash used for acquisitions of businesses within our Industrial and Textron Systems segments and two service centers in our Textron Aviation segment. Cash flows from investing activities also included capital expenditures of $429 million, $444 million and $480 million in 2014, 2013 and 2012, respectively.

Cash flows from financing activities in 2014 included proceeds from long-term debt of $1.4 billion, most of which was used to finance a portion of the Beechcraft acquisition, partially offset by the repayment of $559 million of outstanding debt. In 2013, cash flows used in financing activities primarily consisted of the repayment of $528 million of outstanding debt, including the settlement of our convertible notes, which was partially offset by proceeds from long-term debt of $150 million. In 2012, we generated cash from financing activities, largely due to the receipt of $490 million from the Finance group in payment of its intergroup borrowing, partially offset by $272 million in share repurchases and $189 million in payments on our outstanding debt.

Dividends
Dividend payments to shareholders totaled $28 million, $22 million and $17 million in 2014, 2013 and 2012, respectively.

Share Repurchases
During 2014, under a 2013 share repurchase authorization, we repurchased an aggregate of 8.9 million shares of our outstanding common stock for $340 million. In 2012, under a 2007 share repurchase authorization, we repurchased 11.1 million shares of our outstanding common stock for $272 million.

Capital Contributions Paid To and Dividends Received From the Finance Group
Under a Support Agreement between Textron and TFC, Textron is required to maintain a controlling interest in TFC. The agreement also requires Textron to ensure that TFC maintains fixed charge coverage of no less than 125% and consolidated shareholder's equity of no less than $200 million. Cash contributions paid to TFC to maintain compliance with the Support Agreement and dividends paid by TFC to Textron Inc. are detailed below:

(In millions)	2014	2013	2012
Dividends paid by TFC to Textron	$ —	$ 175	$ 345
Capital contributions paid to TFC under Support Agreement	—	—	(240)

Due to the nature of these contributions, we classify these contributions within cash flows used by operating activities for the Manufacturing group in the Consolidated Statements of Cash Flows. Capital contributions to support Finance group growth in the ongoing captive finance business are classified as cash flows from financing activities. The Finance group's net income is excluded from the Manufacturing group's cash flows, while dividends from the Finance group are included within cash flows from operating activities for the Manufacturing group as they represent a return on investment.

Finance Group Cash Flows
The cash flows from continuing operations for the Finance group are summarized below:

(In millions)	2014	2013	2012
Operating activities	$ 5	$ 66	$ 5
Investing activities	255	624	934
Financing activities	(217)	(677)	(918)

In 2014 and 2013, the Finance group's cash flows from operating activities were primarily impacted by changes in net taxes paid/received. Net tax (payments)/receipts were $(23) million, $49 million and $(43) million in 2014, 2013 and 2012, respectively.

Cash flows from investing activities primarily included finance receivables repaid and proceeds from sales of receivables and other finance assets totaling $499 million, $853 million and $1.3 billion in 2014, 2013 and 2012, respectively, partially offset by financial receivable originations of $215 million, $271 million and $331 million, respectively.

Cash used in financing activities included payments on long-term and nonrecourse debt of $345 million, $743 million and $426 million in 2014, 2013 and 2012, respectively, which were partially offset by proceeds from long-term debt of $128 million, $298 million and $106 million, respectively. In 2013 and 2012, dividend payments to the Manufacturing group, net of capital contributions received, totaled $174 million and $105 million, respectively. In 2012, the Finance group also made cash payments of $493 million to the Manufacturing group related to intergroup borrowings.

Consolidated Cash Flows
The consolidated cash flows from continuing operations, after elimination of activity between the borrowing groups, are summarized below:

(In millions)	2014	2013	2012
Operating activities	$ 1,211	$ 813	$ 935
Investing activities	(1,919)	(264)	378
Financing activities	335	(742)	(781)

Cash flows from operating activities increased $398 million during 2014, compared with 2013, largely due to a favorable change in working capital, lower contributions of $118 million to our pension plans and higher income from continuing operations of $107 million. Working capital was favorably impacted by an increase of $226 million in customer deposits, primarily at Textron Aviation, and a $174 million increase in cash from accounts receivable, largely at Bell, partially offset by an increase in net tax payments of $115 million and lower net cash receipts from captive finance receivables of $87 million. Net tax payments were $289 million and $174 million in 2014 and 2013, respectively.

During 2013, cash flows from operating activities decreased $122 million, compared with 2012, largely due to a $133 million impact related to working capital requirements and lower earnings, which were partially offset by a $206 million impact of lower contributions to our pension plans in 2013. Significant changes within working capital included a $138 million unfavorable impact resulting from net taxes paid between the periods as net tax payments were $174 million and $36 million in 2013 and 2012, respectively, and $264 million of cash outflows related to changes in accounts receivable and accounts payable. These cash outflows were partially offset by $198 million of cash inflows related to changes in inventory levels, largely at Textron Aviation, and a $141 million impact from lower captive finance receivables.

In 2014, cash flows from investing activities included a $1.6 billion aggregate cash payment for Beechcraft and seven other acquisitions within our Industrial and Textron Systems segments. Cash flows from investing activities in 2013 included $196 million of cash used for acquisitions of businesses within our Industrial and Textron Systems segments and two service centers in our Textron Aviation segment. Cash flows from investing activities also included capital expenditures of $429 million, $444 million and $480 million in 2014, 2013 and 2012, respectively. Collections on finance receivables and proceeds from sales of finance receivables and other finance assets totaled $134 million, $368 million, and $848 million in 2014, 2013 and 2012.

Cash flows from financing activities in 2014 included proceeds of $1.6 billion from long-term debt, most of which was used to finance a portion of the Beechcraft acquisition, partially offset by the repayment of $904 million of outstanding debt. In 2013 and 2012, financing activities primarily consisted of the repayment of outstanding long-term debt of $1.3 billion and $617 million, respectively, partially offset by proceeds from the issuance of long-term debt of $448 million and $106 million, respectively. Cash used in financing activities also included $340 million and $272 million of share repurchases in 2014 and 2012, respectively.

Captive Financing and Other Intercompany Transactions

The Finance group finances retail purchases and leases for new and pre-owned aircraft and equipment manufactured by our Manufacturing group, otherwise known as captive financing. In the Consolidated Statements of Cash Flows, cash received from customers or from the sale of receivables is reflected as operating activities when received from third parties. However, in the cash flow information provided for the separate borrowing groups, cash flows related to captive financing activities are reflected based on the operations of each group. For example, when product is sold by our Manufacturing group to a customer and is financed by the Finance group, the origination of the finance receivable is recorded within investing activities as a cash outflow in the Finance group's statement of cash flows. Meanwhile, in the Manufacturing group's statement of cash flows, the cash received from the Finance group on the customer's behalf is recorded within operating cash flows as a cash inflow. Although cash is transferred between the two borrowing groups, there is no cash transaction reported in the consolidated cash flows at the time of the original financing. These captive financing activities, along with all significant intercompany transactions, are reclassified or eliminated from the Consolidated Statements of Cash Flows.

Reclassification and elimination adjustments included in the Consolidated Statement of Cash Flows are summarized below:

(In millions)	2014	2013	2012
Reclassifications from investing activities:			
Finance receivable originations for Manufacturing group inventory sales	$ (215)	$ (248)	$ (309)
Cash received from customers and the sale of receivables	365	485	405
Other	(41)	27	(16)
Total reclassifications from investing activities	109	264	80
Reclassifications from financing activities:			
Capital contributions paid by Manufacturing group to Finance group	—	1	240
Dividends received by Manufacturing group from Finance group	—	(175)	(345)
Other	—	(1)	(3)
Total reclassifications from financing activities	—	(175)	(108)
Total reclassifications and adjustments to cash flow from operating activities	$ 109	$ 89	$ (28)

Contractual Obligations

Manufacturing Group

The following table summarizes the known contractual obligations, as defined by reporting regulations, of our Manufacturing group as of January 3, 2015:

		Payments Due by Period			
(In millions)	Total	Year 1	Years 2-3	Years 4-5	More Than 5 Years
Liabilities reflected in balance sheet:					
Long-term debt	$ 2,816	$ 8	$ 766	$ 562	$ 1,480
Interest on borrowings	747	128	242	176	201
Pension benefits for unfunded plans	392	26	49	46	271
Postretirement benefits other than pensions	413	45	79	65	224
Other long-term liabilities	650	121	194	76	259
Liabilities not reflected in balance sheet:					
Purchase obligations	3,370	2,651	677	28	14
Operating leases	438	73	104	68	193
Total Manufacturing group	$ 8,826	$ 3,052	$ 2,111	$ 1,021	$ 2,642

Pension and Postretirement Benefits

We maintain defined benefit pension plans and postretirement benefit plans other than pensions as discussed in Note 11 to the Consolidated Financial Statements. Included in the above table are discounted estimated benefit payments we expect to make related to unfunded pension and other postretirement benefit plans. Actual benefit payments are dependent on a number of factors, including mortality assumptions, expected retirement age, rate of compensation increases and medical trend rates, which are subject to change in future years. Our policy for funding pension plans is to make contributions annually, consistent with applicable laws and regulations; however, future contributions to our pension plans are not included in the above table. In 2015, we expect to make approximately $54 million of contributions to our funded pension plans and the Retirement Account Plan. Based on our current assumptions, which may change with changes in market conditions, our current contribution estimates for each of the years from 2016 through 2019 are estimated to be in the range of approximately $65 million to $155 million under the plan provisions in place at this time.

Other Long-Term Liabilities
Other long-term liabilities included in the table consist primarily of undiscounted amounts in the Consolidated Balance Sheet as of January 3, 2015, representing obligations under deferred compensation arrangements and estimated environmental remediation costs. Payments under deferred compensation arrangements have been estimated based on management's assumptions of expected retirement age, mortality, stock price and rates of return on participant deferrals. The timing of cash flows associated with environmental remediation costs is largely based on historical experience. Other long-term liabilities, such as deferred taxes, unrecognized tax benefits and product liability, warranty and litigation reserves, have been excluded from the table due to the uncertainty of the timing of payments combined with the absence of historical trends to be used as a predictor for such payments.

Purchase Obligations
Purchase obligations include undiscounted amounts committed under legally enforceable contracts or purchase orders for goods and services with defined terms as to price, quantity and delivery dates. Approximately 33% of the purchase obligations we disclose represent purchase orders issued for goods and services to be delivered under firm contracts with the U.S. Government for which we have full recourse under customary contract termination clauses.

Finance Group
The following table summarizes the known contractual obligations, as defined by reporting regulations, of our Finance group as of January 3, 2015:

		Payments Due by Period			
(In millions)	**Total**	**Year 1**	**Years 2-3**	**Years 4-5**	**More Than 5 Years**
Liabilities reflected in balance sheet:					
Term debt	$ 665	$ 82	$ 363	$ 115	$ 105
Subordinated debt	299	—	—	—	299
Securitized debt	98	46	35	9	8
Interest on borrowings	227	37	47	21	122
Total Finance group	$ 1,289	$ 165	$ 445	$ 145	$ 534

Securitized debt payments do not represent contractual obligations of the Finance group, and we do not provide legal recourse to investors who purchase interests in the securitizations beyond the credit enhancement inherent in the retained subordinate interests.

At January 3, 2015, the Finance group also had $33 million in other liabilities that are payable within the next 12 months.

Critical Accounting Estimates

To prepare our Consolidated Financial Statements to be in conformity with generally accepted accounting principles, we must make complex and subjective judgments in the selection and application of accounting policies. The accounting policies that we believe are most critical to the portrayal of our financial condition and results of operations are listed below. We believe these policies require our most difficult, subjective and complex judgments in estimating the effect of inherent uncertainties. This section should be read in conjunction with Note 1 to the Consolidated Financial Statements, which includes other significant accounting policies.

Long-Term Contracts
We make a substantial portion of our sales to government customers pursuant to long-term contracts. These contracts require development and delivery of products over multiple years and may contain fixed-price purchase options for additional products. We account for these long-term contracts under the percentage-of-completion method of accounting. Under this method, we estimate profit as the difference between total estimated revenues and cost of a contract. The percentage-of-completion method of accounting involves the use of various estimating techniques to project costs at completion and, in some cases, includes estimates of recoveries asserted against the customer for changes in specifications. Due to the size, length of time and nature of many of our contracts, the estimation of total contract costs and revenues through completion is complicated and subject to many variables relative to the outcome of future events over a period of several years. We are required to make numerous assumptions and estimates relating to items such as expected engineering requirements, complexity of design and related development costs, product performance, performance of subcontractors, availability and cost of materials, labor productivity and cost, overhead and capital costs, manufacturing efficiencies and the achievement of contract milestones, including product deliveries, technical requirements, or schedule.

Our cost estimation process is based on the professional knowledge and experience of engineers and program managers along with finance professionals. We update our projections of costs at least semiannually or when circumstances significantly change. Adjustments to projected costs are recognized in earnings when determinable. Anticipated losses on contracts are recognized in full in the period in which the losses become probable and estimable. Due to the significance of judgment in the estimation process described above, it is likely that materially different revenues and/or cost of sales amounts could be recorded if we used different assumptions or if the underlying circumstances were to change. Our earnings could be reduced by a material amount resulting in a charge to earnings if (a) total estimated contract costs are significantly higher than expected due to changes in customer specifications prior to contract amendment, (b) total estimated contract costs are significantly higher than previously estimated due to cost overruns or inflation, (c) there is a change in engineering efforts required during the development stage of the contract or (d) we are unable to meet contract milestones.

At the outset of each contract, we estimate the initial profit booking rate. The initial profit booking rate of each contract considers risks surrounding the ability to achieve the technical requirements (for example, a newly-developed product versus a mature product), schedule (for example, the number and type of milestone events), and costs by contract requirements in the initial estimated costs at completion. Profit booking rates may increase during the performance of the contract if we successfully retire risks surrounding the technical, schedule, and costs aspects of the contract. Likewise, the profit booking rate may decrease if we are not successful in retiring the risks; and, as a result, our estimated costs at completion increase. All of the estimates are subject to change during the performance of the contract and, therefore, may affect the profit booking rate. When adjustments are required, any changes from prior estimates are recognized using the cumulative catch-up method with the impact of the change from inception-to-date recorded in the current period.

The following table sets forth the aggregate gross amount of all program profit adjustments that are included within segment profit for the three years ended January 3, 2015:

(In millions)	2014	2013	2012
Gross favorable	$ 132	$ 51	$ 88
Gross unfavorable	(37)	(22)	(73)
Net adjustments	$ 95	$ 29	$ 15

Goodwill

We evaluate the recoverability of goodwill annually in the fourth quarter or more frequently if events or changes in circumstances, such as declines in sales, earnings or cash flows, or material adverse changes in the business climate, indicate that the carrying value of a reporting unit might be impaired. The reporting unit represents the operating segment unless discrete financial information is prepared and reviewed by segment management for businesses one level below that operating segment, in which case such component is the reporting unit. In certain instances, we have aggregated components of an operating segment into a single reporting unit based on similar economic characteristics.

We calculate the fair value of each reporting unit, primarily using discounted cash flows. These cash flows incorporate assumptions for short- and long-term revenue growth rates, operating margins and discount rates that represent our best estimates of current and forecasted market conditions, cost structure, anticipated net cost reductions, and the implied rate of return that we believe a market participant would require for an investment in a business having similar risks and business characteristics to the reporting unit being assessed. The revenue growth rates and operating margins used in our discounted cash flow analysis are based on our strategic plans and long-range planning forecasts. The long-term growth rate we use to determine the terminal value of the business is based on our assessment of its minimum expected terminal growth rate, as well as its past historical growth and broader economic considerations such as gross domestic product, inflation and the maturity of the markets we serve. We utilize a weighted-average cost of capital in our impairment analysis that makes assumptions about the capital structure that we believe a market participant would make and include a risk premium based on an assessment of risks related to the projected cash flows of each reporting unit. We believe this approach yields a discount rate that is consistent with an implied rate of return that an independent investor or market participant would require for an investment in a company having similar risks and business characteristics to the reporting unit being assessed.

If the reporting unit's estimated fair value exceeds its carrying value, the reporting unit is not impaired, and no further analysis is performed. Otherwise, the amount of the impairment must be determined by comparing the carrying amount of the reporting unit's goodwill to the implied fair value of that goodwill. The implied fair value of goodwill is determined by assigning a fair value to all of the reporting unit's assets and liabilities, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination. If the carrying amount of the goodwill exceeds the implied fair value, an impairment loss would be recognized in an amount equal to that excess.

Based on our annual impairment review, the fair value of all of our reporting units exceeded their carrying values, and we do not believe that there is a reasonable possibility that any units might fail the initial step of the impairment test in the foreseeable future.

Retirement Benefits

We maintain various pension and postretirement plans for our employees globally. These plans include significant pension and postretirement benefit obligations, which are calculated based on actuarial valuations. Key assumptions used in determining these obligations and related expenses include expected long-term rates of return on plan assets, discount rates and healthcare cost projections. We also make assumptions regarding employee demographic factors such as retirement patterns, mortality, turnover and rate of compensation increases. We evaluate and update these assumptions annually.

To determine the weighted-average expected long-term rate of return on plan assets, we consider the current and expected asset allocation, as well as historical and expected returns on each plan asset class. A lower expected rate of return on plan assets will increase pension expense. For 2014, the assumed expected long-term rate of return on plan assets used in calculating pension expense was 7.60%, compared with 7.56% in 2013. For the last three years, the assumed rate of return for our domestic plans, which represent approximately 90% of our total pension assets, was 7.75%. A 50-basis-point decrease in this long-term rate of return in 2014 would have increased pension expense for our domestic plans by approximately $27 million.

The discount rate enables us to state expected future benefit payments as a present value on the measurement date, reflecting the current rate at which the pension liabilities could be effectively settled. This rate should be in line with rates for high-quality fixed income investments available for the period to maturity of the pension benefits, which fluctuate as long-term interest rates change. A lower discount rate increases the present value of the benefit obligations and increases pension expense. In 2014, the weighted-average discount rate used in calculating pension expense was 4.92%, compared with 4.23% in 2013. For our domestic plans, the assumed discount rate was 5.00% in 2014, compared with 4.25% for 2013. A 50-basis-point decrease in this discount rate in 2014 would have increased pension expense for our domestic plans by approximately $29 million.

The trend in healthcare costs is difficult to estimate, and it has an important effect on postretirement liabilities. The 2014 medical and prescription drug healthcare cost trend rates represent the weighted-average annual projected rate of increase in the per capita cost of covered benefits. In 2014, we assumed a trend rate of 6.60% for both medical and prescription drug healthcare rates and assumed this rate would decrease to 5.00% by 2021 and then remain at that level. See Note 11 to the Consolidated Financial Statements for the impact of a one-percentage-point change in the cost trend rate.

Warranty and Product Maintenance Liabilities

We provide limited warranty and product maintenance programs, including parts and labor, for certain products for periods ranging from one to five years. A significant portion of these liabilities arises from our commercial aircraft businesses. We also may incur costs related to product recalls. We estimate the costs that may be incurred under warranty programs and record a liability in the amount of such costs at the time product revenue is recognized. Factors that affect this liability include the number of products sold, historical costs per claim, contractual recoveries from vendors, and historical and anticipated rates of warranty claims, including production and warranty patterns for new models. During our initial aircraft model launches, we typically incur higher warranty-related costs until the production process matures, at which point warranty costs moderate. We assess the adequacy of our recorded warranty and product maintenance liabilities periodically and adjust the amounts as necessary. Adjustments are made to accruals as claim data and actual experience warrant. Should future warranty experience differ materially from our historical experience, we may be required to record additional warranty liabilities, which could have a material adverse effect on our results of operations and cash flows in the period in which these additional liabilities are required.

Income Taxes

Deferred income tax balances reflect the effects of temporary differences between the financial reporting carrying amounts of assets and liabilities and their tax bases, as well as from net operating losses and tax credit carryforwards, and are stated at enacted tax rates in effect for the year taxes are expected to be paid or recovered. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. We evaluate the recoverability of these future tax deductions and credits by assessing the adequacy of future expected taxable income from all sources, including the future reversal of existing taxable temporary differences, taxable income in carryback years, available tax planning strategies and estimated future taxable income.

The amount of income taxes we pay is subject to ongoing audits by federal, state and foreign tax authorities, which may result in proposed assessments. Our estimate of the potential outcome for any uncertain tax issue is highly judgmental. We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. For those tax positions for which it is more likely than not that a tax benefit will be sustained, we record the largest amount of tax benefit with a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. Interest and penalties are accrued, where

applicable. We recognize net tax-related interest and penalties for continuing operations in income tax expense. If we do not believe that it is more likely than not that a tax benefit will be sustained, no tax benefit is recognized. However, our future results may include favorable or unfavorable adjustments to our estimated tax liabilities due to settlement of income tax examinations, new regulatory or judicial pronouncements, or other relevant events. As a result, our effective tax rate may fluctuate significantly on a quarterly and annual basis.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Risks

Our financial results are affected by changes in foreign currency exchange rates in the various countries in which our products are manufactured and/or sold. For our manufacturing operations, we manage exposures to foreign currency assets and earnings primarily by funding certain foreign currency-denominated assets with liabilities in the same currency so that certain exposures are naturally offset. We primarily use borrowings denominated in British pound sterling for these purposes. In managing our foreign currency transaction exposures, we also enter into foreign currency exchange contracts. These contracts generally are used to fix the local currency cost of purchased goods or services or selling prices denominated in currencies other than the functional currency. The notional amount of outstanding foreign currency exchange contracts was approximately $696 million and $636 million at the end of 2014 and 2013, respectively. The impact of foreign currency exchange rate changes on revenues and segment profit for 2014 and 2013 from the prior year was not significant.

Interest Rate Risks

Our financial results are affected by changes in interest rates. As part of managing this risk, we seek to achieve a prudent balance between floating- and fixed-rate exposures. We continually monitor our mix of these exposures and adjust the mix, as necessary. For our Finance group, we limit our risk to changes in interest rates with a strategy of matching floating-rate assets with floating-rate liabilities.

Quantitative Risk Measures

In the normal course of business, we enter into financial instruments for purposes other than trading. To quantify the market risk inherent in our financial instruments, we utilize a sensitivity analysis. The financial instruments that are subject to market risk (interest rate risk and foreign exchange rate risk) include finance receivables (excluding leases), debt (excluding lease obligations) and foreign currency exchange contracts.

Presented below is a sensitivity analysis of the fair value of financial instruments outstanding at year-end. We estimate the fair value of the financial instruments using discounted cash flow analysis and indicative market pricing as reported by leading financial news and data providers. This sensitivity analysis is most likely not indicative of actual results in the future. The following table illustrates the sensitivity to a hypothetical change in the fair value of the financial instruments assuming a 10% decrease in interest rates and a 10% strengthening in exchange rates against the U.S. dollar.

	2014			2013		
(*In millions*)	Carrying Value*	Fair Value*	Sensitivity of Fair Value to a 10% Change	Carrying Value*	Fair Value*	Sensitivity of Fair Value to a 10% Change
Manufacturing group						
Foreign exchange rate risk						
Debt	$ (236)	$ (277)	$ (28)	$ (249)	$ (275)	$ (27)
Foreign currency exchange contracts	(11)	(11)	52	(12)	(12)	33
	$ (247)	$ (288)	$ 24	$ (261)	$ (287)	$ 6
Interest rate risk						
Debt	$ (2,742)	$ (2,944)	$ (21)	$ (1,854)	$ (2,027)	$ (13)
Finance group						
Interest rate risk						
Finance receivables	$ 1,039	$ 1,056	$ 20	$ 1,296	$ 1,356	$ 24
Debt, including intergroup	(1,063)	(1,051)	9	(1,256)	(1,244)	(4)

** The value represents an asset or (liability).*

Item 8. Financial Statements and Supplementary Data

Our Consolidated Financial Statements and the related reports of our independent registered public accounting firm thereon are included in this Annual Report on Form 10-K on the pages indicated below:

All other schedules are omitted either because they are not applicable or not required or because the required information is included in the financial statements or notes thereto.

Report of Management

Management is responsible for the integrity and objectivity of the financial data presented in this Annual Report on Form 10-K. The Consolidated Financial Statements have been prepared in conformity with U.S. generally accepted accounting principles and include amounts based on management's best estimates and judgments. Management also is responsible for establishing and maintaining adequate internal control over financial reporting for Textron Inc. as such term is defined in Exchange Act Rules 13a-15(f). With the participation of our management, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on our evaluation under the framework in Internal Control – Integrated Framework, we have concluded that Textron Inc. maintained, in all material respects, effective internal control over financial reporting as of January 3, 2015.

The independent registered public accounting firm, Ernst & Young LLP, has audited the Consolidated Financial Statements of Textron Inc. and has issued an attestation report on Textron's internal controls over financial reporting as of January 3, 2015, as stated in its reports, which are included herein.

We conduct our business in accordance with the standards outlined in the Textron Business Conduct Guidelines, which are communicated to all employees. Honesty, integrity and high ethical standards are the core values of how we conduct business. Every Textron business prepares and carries out an annual Compliance Plan to ensure these values and standards are maintained. Our internal control structure is designed to provide reasonable assurance, at appropriate cost, that assets are safeguarded and that transactions are properly executed and recorded. The internal control structure includes, among other things, established policies and procedures, an internal audit function, and the selection and training of qualified personnel. Textron's management is responsible for implementing effective internal control systems and monitoring their effectiveness, as well as developing and executing an annual internal control plan.

The Audit Committee of our Board of Directors, on behalf of the shareholders, oversees management's financial reporting responsibilities. The Audit Committee consists of six directors who are not officers or employees of Textron and meets regularly with the independent auditors, management and our internal auditors to review matters relating to financial reporting, internal accounting controls and auditing.

/s/ Scott C. Donnelly	/s/ Frank T. Connor
Scott C. Donnelly Chairman, President and Chief Executive Officer	Frank T. Connor Executive Vice President and Chief Financial Officer

February 25, 2015

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Textron Inc.

We have audited Textron Inc.'s internal control over financial reporting as of January 3, 2015, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). Textron Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Textron Inc. maintained, in all material respects, effective internal control over financial reporting as of January 3, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Balance Sheets of Textron Inc. as of January 3, 2015 and December 28, 2013, and the related Consolidated Statements of Operations, Comprehensive Income, Shareholders' Equity and Cash Flows for each of the three years in the period ended January 3, 2015 of Textron Inc. and our report dated February 25, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts
February 25, 2015

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Textron Inc.

We have audited the accompanying Consolidated Balance Sheets of Textron Inc. as of January 3, 2015 and December 28, 2013, and the related Consolidated Statements of Operations, Comprehensive Income, Shareholders' Equity and Cash Flows for each of the three years in the period ended January 3, 2015. Our audits also included the financial statement schedule contained on page 75. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Textron Inc. at January 3, 2015 and December 28, 2013 and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 3, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Textron Inc.'s internal control over financial reporting as of January 3, 2015, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated February 25, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts
February 25, 2015

Consolidated Statements of Operations

For each of the years in the three-year period ended January 3, 2015

(In millions, except per share data)	2014	2013	2012
Revenues			
Manufacturing revenues	$ 13,775	$ 11,972	$ 12,022
Finance revenues	103	132	215
Total revenues	13,878	12,104	12,237
Costs and expenses			
Cost of sales	11,421	10,131	10,019
Selling and administrative expense	1,361	1,126	1,165
Interest expense	191	173	212
Acquisition and restructuring costs	52	—	—
Total costs and expenses	13,025	11,430	11,396
Income from continuing operations before income taxes	853	674	841
Income tax expense	248	176	260
Income from continuing operations	605	498	581
Income (loss) from discontinued operations, net of income taxes	(5)	—	8
Net income	$ 600	$ 498	$ 589
Basic earnings per share			
Continuing operations	$ 2.17	$ 1.78	$ 2.07
Discontinued operations	(0.02)	—	0.03
Basic earnings per share	$ 2.15	$ 1.78	$ 2.10
Diluted earnings per share			
Continuing operations	$ 2.15	$ 1.75	$ 1.97
Discontinued operations	(0.02)	—	0.03
Diluted earnings per share	$ 2.13	$ 1.75	$ 2.00

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

For each of the years in the three-year period ended January 3, 2015

(In millions)	2014	2013	2012
Net income	$ 600	$ 498	$ 589
Other comprehensive income (loss), net of tax:			
Pension and postretirement benefits adjustments, net of reclassifications	(401)	747	(146)
Foreign currency translation adjustments	(75)	12	2
Deferred gains/losses on hedge contracts, net of reclassifications	(3)	(16)	(1)
Other comprehensive income (loss)	(479)	743	(145)
Comprehensive income	$ 121	$ 1,241	$ 444

See Notes to the Consolidated Financial Statements.

Consolidated Balance Sheets

(In millions, except share data)	January 3, 2015	December 28, 2013
Assets		
Manufacturing group		
Cash and equivalents	$ 731	$ 1,163
Accounts receivable, net	1,035	979
Inventories	3,928	2,963
Other current assets	579	467
Total current assets	6,273	5,572
Property, plant and equipment, net	2,497	2,215
Goodwill	2,027	1,735
Other assets	2,279	1,697
Total Manufacturing group assets	13,076	11,219
Finance group		
Cash and equivalents	91	48
Finance receivables, net	1,238	1,493
Other assets	200	184
Total Finance group assets	1,529	1,725
Total assets	$ 14,605	$ 12,944
Liabilities and shareholders' equity		
Liabilities		
Manufacturing group		
Current portion of long-term debt	$ 8	$ 8
Accounts payable	1,014	1,107
Accrued liabilities	2,616	1,888
Total current liabilities	3,638	3,003
Other liabilities	2,587	2,118
Long-term debt	2,803	1,923
Total Manufacturing group liabilities	9,028	7,044
Finance group		
Other liabilities	242	260
Debt	1,063	1,256
Total Finance group liabilities	1,305	1,516
Total liabilities	10,333	8,560
Shareholders' equity		
Common stock (285.5 million and 282.1 million shares issued, respectively, and 276.6 million and 282.1 million shares outstanding, respectively)	36	35
Capital surplus	1,459	1,331
Treasury stock	(340)	—
Retained earnings	4,623	4,045
Accumulated other comprehensive loss	(1,506)	(1,027)
Total shareholders' equity	4,272	4,384
Total liabilities and shareholders' equity	$ 14,605	$ 12,944

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

(In millions, except per share data)	Common Stock	Capital Surplus	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at December 31, 2011	$ 35	$ 1,081	$ (3)	$ 3,257	$ (1,625)	$ 2,745
Net income				589		589
Other comprehensive loss					(145)	(145)
Dividends declared ($0.08 per share)				(22)		(22)
Share-based compensation activity		96				96
Purchases of common stock			(272)			(272)
Balance at December 29, 2012	35	1,177	(275)	3,824	(1,770)	2,991
Net income				498		498
Other comprehensive income					743	743
Dividends declared ($0.08 per share)				(22)		(22)
Share-based compensation activity		99				99
Purchases/conversions of convertible notes	2	39	(41)			—
Settlement of capped call		75				75
Retirement of treasury stock	(2)	(59)	316	(255)		—
Balance at December 28, 2013	35	1,331	—	4,045	(1,027)	4,384
Net income				600		600
Other comprehensive loss					(479)	(479)
Dividends declared ($0.08 per share)				(22)		(22)
Share-based compensation activity	1	134				135
Purchases of common stock			(340)			(340)
Other		(6)				(6)
Balance at January 3, 2015	$ 36	$ 1,459	$ (340)	$ 4,623	$ (1,506)	$ 4,272

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For each of the years in the three-year period ended January 3, 2015

	Consolidated		
(In millions)	**2014**	**2013**	**2012**
Cash flows from operating activities			
Net income	$ 600	$ 498	$ 589
Less: Income (loss) from discontinued operations	(5)	—	8
Income from continuing operations	605	498	581
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Non-cash items:			
Depreciation and amortization	459	389	383
Deferred income taxes	(19)	86	171
Other, net	100	61	86
Changes in assets and liabilities:			
Accounts receivable, net	56	(118)	32
Inventories	(209)	(118)	(316)
Other assets	(33)	(42)	7
Accounts payable	(228)	65	179
Accrued and other liabilities	311	(182)	(96)
Income taxes, net	(22)	(84)	52
Pension, net	46	17	(240)
Captive finance receivables, net	150	237	96
Other operating activities, net	(5)	4	—
Net cash provided by operating activities of continuing operations	1,211	813	935
Net cash used in operating activities of discontinued operations	(3)	(3)	(8)
Net cash provided by operating activities	1,208	810	927
Cash flows from investing activities			
Net cash used in acquisitions	(1,628)	(196)	(11)
Capital expenditures	(429)	(444)	(480)
Finance receivables repaid	91	190	599
Proceeds from sales of receivables and other finance assets	43	178	249
Other investing activities, net	4	8	21
Net cash provided by (used in) investing activities	(1,919)	(264)	378
Cash flows from financing activities			
Proceeds from long-term debt	1,567	448	106
Principal payments on long-term debt and nonrecourse debt	(904)	(1,056)	(615)
Settlement of convertible notes	—	(215)	(2)
Proceeds from settlement of capped call	—	75	—
Purchases of Textron common stock	(340)	—	(272)
Proceeds from exercise of stock options	50	31	19
Dividends paid	(28)	(22)	(17)
Other financing activities, net	(10)	(3)	—
Net cash provided by (used in) financing activities	335	(742)	(781)
Effect of exchange rate changes on cash and equivalents	(13)	(6)	4
Net increase (decrease) in cash and equivalents	(389)	(202)	528
Cash and equivalents at beginning of year	1,211	1,413	885
Cash and equivalents at end of year	$ 822	$ 1,211	$ 1,413

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows continued

For each of the years in the three-year period ended January 3, 2015

	Manufacturing Group			Finance Group		
(In millions)	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**
Cash flows from operating activities						
Net income	$ 585	$ 470	$ 542	$ 15	$ 28	$ 47
Less: Income (loss) from discontinued operations	(5)	—	8	—	—	—
Income from continuing operations	590	470	534	15	28	47
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:						
Non-cash items:						
Depreciation and amortization	446	371	358	13	18	25
Deferred income taxes	(7)	51	102	(12)	35	69
Other, net	86	86	97	14	(25)	(11)
Changes in assets and liabilities:						
Accounts receivable, net	56	(118)	32	—	—	—
Inventories	(168)	(135)	(300)	—	—	—
Other assets	(18)	(41)	21	(15)	—	(11)
Accounts payable	(228)	65	179	—	—	—
Accrued and other liabilities	316	(171)	(77)	(5)	(21)	(19)
Income taxes, net	(17)	(119)	148	(5)	35	(96)
Pension, net	46	21	(241)	—	(4)	1
Dividends received from Finance group	—	175	345	—	—	—
Capital contributions paid to Finance group	—	(1)	(240)	—	—	—
Other operating activities, net	(5)	4	—	—	—	—
Net cash provided by operating activities of continuing operations	1,097	658	958	5	66	5
Net cash used in operating activities of discontinued operations	(3)	(3)	(8)	—	—	—
Net cash provided by operating activities	1,094	655	950	5	66	5
Cash flows from investing activities						
Net cash used in acquisitions	(1,628)	(196)	(11)	—	—	—
Capital expenditures	(429)	(444)	(480)	—	—	—
Finance receivables repaid	—	—	—	456	675	1,004
Finance receivables originated	—	—	—	(215)	(271)	(331)
Proceeds from sales of receivables and other finance assets	—	—	—	43	178	249
Other investing activities, net	(8)	16	15	(29)	42	12
Net cash provided by (used in) investing activities	(2,065)	(624)	(476)	255	624	934
Cash flows from financing activities						
Proceeds from long-term debt	1,439	150	—	128	298	106
Principal payments on long-term and nonrecourse debt	(559)	(313)	(189)	(345)	(743)	(426)
Settlement of convertible notes	—	(215)	(2)	—	—	—
Proceeds from settlement of capped call	—	75	—	—	—	—
Purchases of Textron common stock	(340)	—	(272)	—	—	—
Proceeds from exercise of stock options	50	31	19	—	—	—
Dividends paid	(28)	(22)	(17)	—	(175)	(345)
Intergroup financing	—	57	490	—	(57)	(493)
Capital contributions paid to Finance group	—	—	—	—	1	240
Other financing activities, net	(10)	(3)	—	—	(1)	—
Net cash provided by (used in) financing activities	552	(240)	29	(217)	(677)	(918)
Effect of exchange rate changes on cash and equivalents	(13)	(6)	4	—	—	—
Net increase (decrease) in cash and equivalents	(432)	(215)	507	43	13	21
Cash and equivalents at beginning of year	1,163	1,378	871	48	35	14
Cash and equivalents at end of year	$ 731	$ 1,163	$ 1,378	$ 91	$ 48	$ 35

See Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Principles of Consolidation and Financial Statement Presentation
Our Consolidated Financial Statements include the accounts of Textron Inc. and its majority-owned subsidiaries. On March 14, 2014, we completed the acquisition of all of the outstanding equity interests in Beech Holdings, LLC, which included Beechcraft Corporation and other subsidiaries, (collectively "Beechcraft"). The results of Beechcraft have been included in our consolidated financial statements only for the period subsequent to the completion of the acquisition. As a result, the consolidated financial results for the year ended January 3, 2015 do not reflect a full year of Beechcraft operations.

Our financings are conducted through two separate borrowing groups. The Manufacturing group consists of Textron Inc. consolidated with its majority-owned subsidiaries that operate in the Bell, Textron Systems, Industrial segments and the Textron Aviation segment, which includes the legacy Cessna segment and the acquired Beechcraft business. The Finance group, which also is the Finance segment, consists of Textron Financial Corporation (TFC) and its consolidated subsidiaries. We designed this framework to enhance our borrowing power by separating the Finance group. Our Manufacturing group operations include the development, production and delivery of tangible goods and services, while our Finance group provides financial services. Due to the fundamental differences between each borrowing group's activities, investors, rating agencies and analysts use different measures to evaluate each group's performance. To support those evaluations, we present balance sheet and cash flow information for each borrowing group within the Consolidated Financial Statements.

Our Finance group provides captive financing for retail purchases and leases for new and pre-owned aircraft manufactured by our Manufacturing group. In the Consolidated Statements of Cash Flows, cash received from customers or from the sale of receivables is reflected as operating activities when received from third parties. However, in the cash flow information provided for the separate borrowing groups, cash flows related to captive financing activities are reflected based on the operations of each group. For example, when product is sold by our Manufacturing group to a customer and is financed by the Finance group, the origination of the finance receivable is recorded within investing activities as a cash outflow in the Finance group's statement of cash flows. Meanwhile, in the Manufacturing group's statement of cash flows, the cash received from the Finance group on the customer's behalf is recorded within operating cash flows as a cash inflow. Although cash is transferred between the two borrowing groups, there is no cash transaction reported in the consolidated cash flows at the time of the original financing. These captive financing activities, along with all significant intercompany transactions, are reclassified or eliminated in consolidation.

Collaborative Arrangements
Our Bell segment has a strategic alliance agreement with The Boeing Company (Boeing) to provide engineering, development and test services related to the V-22 aircraft, as well as to produce the V-22 aircraft, under a number of separate contracts with the U.S. Government (V-22 Contracts). The alliance created by this agreement is not a legal entity and has no employees, no assets and no true operations. This agreement creates contractual rights and does not represent an entity in which we have an equity interest. We account for this alliance as a collaborative arrangement with Bell and Boeing reporting costs incurred and revenues generated from transactions with the U.S. Government in each company's respective income statement. Neither Bell nor Boeing is considered to be the principal participant for the transactions recorded under this agreement. Profits on cost-plus contracts are allocated between Bell and Boeing on a 50%-50% basis. Negotiated profits on fixed-price contracts are also allocated 50%-50%; however, Bell and Boeing are each responsible for their own cost overruns and are entitled to retain any cost underruns. Based on the contractual arrangement established under the alliance, Bell accounts for its rights and obligations under the specific requirements of the V-22 Contracts allocated to Bell under the work breakdown structure. We account for all of our rights and obligations, including warranty, product and any contingent liabilities, under the specific requirements of the V-22 Contracts allocated to us under the agreement. Revenues and cost of sales reflect our performance under the V-22 Contracts with revenues recognized using the units-of-delivery method. We include all assets used in performance of the V-22 Contracts that we own, including inventory and unpaid receivables and all liabilities arising from our obligations under the V-22 Contracts in our Consolidated Balance Sheets.

Use of Estimates
We prepare our financial statements in conformity with generally accepted accounting principles, which require us to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates. Our estimates and assumptions are reviewed periodically, and the effects of changes, if any, are reflected in the Consolidated Statements of Operations in the period that they are determined.

During 2014, 2013 and 2012, we changed our estimates of revenues and costs on certain long-term contracts that are accounted for under the percentage-of-completion method of accounting. These changes in estimates increased income from continuing operations before income taxes in 2014, 2013 and 2012 by $95 million, $29 million and $15 million, respectively, ($60 million,

$18 million and $9 million after tax, or $0.21, $0.06 and $0.03 per diluted share, respectively). For 2014, 2013 and 2012, the gross favorable program profit adjustments totaled $132 million, $51 million and $88 million, respectively. For 2014, 2013 and 2012, the gross unfavorable program profit adjustments totaled $37 million, $22 million and $73 million, respectively. The increase in net program profit adjustments in 2014, compared with 2013, is largely driven by the Bell segment related to the impact of cost reduction activities in 2014 as well as unfavorable performance in 2013 related to manufacturing inefficiencies. In addition, gross favorable program profit adjustments in 2014 included $16 million related to the settlement of the System Development and Demonstration phase of the Armed Reconnaissance Helicopter (ARH) program which was terminated in October 2008.

Revenue Recognition

We generally recognize revenue for the sale of products, which are not under long-term contracts, upon delivery. For commercial aircraft, delivery is upon completion of manufacturing, customer acceptance, and the transfer of the risk and rewards of ownership. Taxes collected from customers and remitted to government authorities are recorded on a net basis.

When a sale arrangement involves multiple deliverables, such as sales of products that include customization and other services, we evaluate the arrangement to determine whether there are separate items that are required to be delivered under the arrangement that qualify as separate units of accounting. These arrangements typically involve the customization services we offer to customers who purchase Bell helicopters, and the services generally are provided within the first six months after the customer accepts the aircraft and assumes risk of loss. We consider the aircraft and the customization services to be separate units of accounting and allocate contract price between the two on a relative selling price basis using the best evidence of selling price for each of the arrangement deliverables, typically by reference to the price charged when the same or similar items are sold separately by us, taking into consideration any performance, cancellation, termination or refund-type provisions. We recognize revenue when the recognition criteria for each unit of accounting are met.

Long-Term Contracts — Revenues under long-term contracts are accounted for under the percentage-of-completion method of accounting. Under this method, we estimate profit as the difference between the total estimated revenues and cost of a contract. We then recognize that estimated profit over the contract term based on either the units-of-delivery method or the cost-to-cost method (which typically is used for development effort as costs are incurred), as appropriate under the circumstances. Revenues under fixed-price contracts generally are recorded using the units-of-delivery method. Revenues under cost-reimbursement contracts are recorded using the cost-to-cost method.

Long-term contract profits are based on estimates of total contract cost and revenues utilizing current contract specifications, expected engineering requirements, the achievement of contract milestones and product deliveries. Certain contracts are awarded with fixed-price incentive fees that also are considered when estimating revenues and profit rates. Contract costs typically are incurred over a period of several years, and the estimation of these costs requires substantial judgment. Our cost estimation process is based on the professional knowledge and experience of engineers and program managers along with finance professionals. We update our projections of costs at least semiannually or when circumstances significantly change. When adjustments are required, any changes from prior estimates are recognized using the cumulative catch-up method with the impact of the change from inception-to-date recorded in the current period. Anticipated losses on contracts are recognized in full in the period in which the losses become probable and estimable.

Finance Revenues — Finance revenues primarily include interest on finance receivables, capital lease earnings and portfolio gains/losses. Portfolio gains/losses include impairment charges related to repossessed assets and properties and gains/losses on the sale or early termination of finance assets. We recognize interest using the interest method, which provides a constant rate of return over the terms of the receivables. Accrual of interest income is suspended if credit quality indicators suggest full collection of principal and interest is doubtful. In addition, we automatically suspend the accrual of interest income for accounts that are contractually delinquent by more than three months unless collection is not doubtful. Cash payments on nonaccrual accounts, including finance charges, generally are applied to reduce the net investment balance. We resume the accrual of interest when the loan becomes contractually current through payment according to the original terms of the loan or, if a loan has been modified, following a period of performance under the terms of the modification, provided we conclude that collection of all principal and interest is no longer doubtful. Previously suspended interest income is recognized at that time.

Cash and Equivalents

Cash and equivalents consist of cash and short-term, highly liquid investments with original maturities of three months or less.

Inventories

Inventories are stated at the lower of cost or estimated net realizable value. We value our inventories generally using the first-in, first-out (FIFO) method or the last-in, first-out (LIFO) method for certain qualifying inventories where LIFO provides a better matching of costs and revenues. We determine costs for our commercial helicopters on an average cost basis by model considering the expended and estimated costs for the current production release. Inventoried costs related to long-term contracts are stated at

actual production costs, including allocable operating overhead, advances to suppliers, and, in the case of contracts with the U.S. Government, allocable research and development and general and administrative expenses. Since our inventoried costs include amounts related to contracts with long production cycles, a portion of these costs is not expected to be realized within one year. Pursuant to contract provisions, agencies of the U.S. Government have title to, or security interest in, inventories related to such contracts as a result of advances, performance-based payments and progress payments. Such advances and payments are reflected as an offset against the related inventory balances. Customer deposits are recorded against inventory when the right of offset exists. All other customer deposits are recorded in accrued liabilities.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and are depreciated primarily using the straight-line method. We capitalize expenditures for improvements that increase asset values and extend useful lives. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying value of the asset exceeds the sum of the undiscounted expected future cash flows, the asset generally is written down to fair value.

Goodwill and Intangible Assets

For our business acquisitions, we estimate the fair value of intangible assets primarily using discounted cash flow analysis of anticipated cash flows reflecting incremental revenues and/or cost savings resulting from the acquired intangible asset using market participant assumptions. Goodwill represents the excess of cost over the fair values assigned to intangible and other net assets of the acquired businesses. Goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to annual impairment testing. We evaluate the recoverability of these assets in the fourth quarter of each year or more frequently if events or changes in circumstances, such as declines in sales, earnings or cash flows, or material adverse changes in the business climate, indicate a potential impairment.

For our annual impairment test, we calculate the fair value of each reporting unit and indefinite-lived intangible asset primarily using discounted cash flows. A reporting unit represents the operating segment unless discrete financial information is prepared and reviewed by segment management for businesses one level below that operating segment, in which case such component is the reporting unit. In certain instances, we have aggregated components of an operating segment into a single reporting unit based on similar economic characteristics. For the goodwill impairment test, the discounted cash flows incorporate assumptions for revenue growth, operating margins and discount rates that represent our best estimates of current and forecasted market conditions, cost structure, anticipated net cost reductions, and the implied rate of return that we believe a market participant would require for an investment in a business having similar risks and characteristics to the reporting unit being assessed. If the reporting unit's estimated fair value exceeds its carrying value, there is no impairment. Otherwise, the amount of the impairment is determined by comparing the carrying amount of the reporting unit's goodwill to the implied fair value of that goodwill. The implied fair value of goodwill is determined by assigning a fair value to all of the reporting unit's assets and liabilities as if the reporting unit had been acquired in a business combination. If the carrying amount of the goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess.

Acquired intangible assets with finite lives are subject to amortization. These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Amortization of intangible assets with finite lives is recognized over their estimated useful lives using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise realized. Approximately 76% of our gross intangible assets are amortized based on the cash flow streams used to value the assets, with the remaining assets amortized using the straight-line method.

Finance Receivables

Finance receivables primarily include loans provided to purchasers of new and pre-owned Textron Aviation aircraft and Bell helicopters. Finance receivables are generally recorded at the amount of outstanding principal less allowance for losses.

We maintain an allowance for losses on finance receivables at a level considered adequate to cover inherent losses in the portfolio based on management's evaluation. For larger balance accounts specifically identified as impaired, a reserve is established based on comparing the expected future cash flows, discounted at the finance receivable's effective interest rate, or the fair value of the underlying collateral if the finance receivable is collateral dependent, to its carrying amount. The expected future cash flows consider collateral value; financial performance and liquidity of our borrower; existence and financial strength of guarantors; estimated recovery costs, including legal expenses; and costs associated with the repossession and eventual disposal of collateral. When there is a range of potential outcomes, we perform multiple discounted cash flow analyses and weight the potential outcomes based on their relative likelihood of occurrence. The evaluation of our portfolio is inherently subjective, as it requires estimates, including the amount and timing of future cash flows expected to be received on impaired finance receivables and the estimated fair value of the underlying collateral, which may differ from actual results. While our analysis is specific to each

individual account, critical factors included in this analysis include industry valuation guides, age and physical condition of the collateral, payment history and existence and financial strength of guarantors.

We also establish an allowance for losses to cover probable but specifically unknown losses existing in the portfolio. This allowance is established as a percentage of non-recourse finance receivables, which have not been identified as requiring specific reserves. The percentage is based on a combination of factors, including historical loss experience, current delinquency and default trends, collateral values and both general economic and specific industry trends. Finance receivables are charged off at the earlier of the date the collateral is repossessed or when no payment has been received for six months, unless management deems the receivable collectible. Repossessed assets are recorded at their fair value, less estimated cost to sell.

Pension and Postretirement Benefit Obligations

We maintain various pension and postretirement plans for our employees globally. These plans include significant pension and postretirement benefit obligations, which are calculated based on actuarial valuations. Key assumptions used in determining these obligations and related expenses include expected long-term rates of return on plan assets, discount rates and healthcare cost projections. We evaluate and update these assumptions annually in consultation with third-party actuaries and investment advisors. We also make assumptions regarding employee demographic factors such as retirement patterns, mortality, turnover and rate of compensation increases. We recognize the overfunded or underfunded status of our pension and postretirement plans in the Consolidated Balance Sheets and recognize changes in the funded status of our defined benefit plans in comprehensive income in the year in which they occur. Actuarial gains and losses that are not immediately recognized as net periodic pension cost are recognized as a component of other comprehensive income (loss) (OCI) and are amortized into net periodic pension cost in future periods.

Derivatives and Hedging Activities

We are exposed to market risk primarily from changes in currency exchange rates and interest rates. We do not hold or issue derivative financial instruments for trading or speculative purposes. To manage the volatility relating to our exposures, we net these exposures on a consolidated basis to take advantage of natural offsets. For the residual portion, we enter into various derivative transactions pursuant to our policies in areas such as counterparty exposure and hedging practices. Credit risk related to derivative financial instruments is considered minimal and is managed by requiring high credit standards for counterparties and through periodic settlements of positions.

All derivative instruments are reported at fair value in the Consolidated Balance Sheets. Designation to support hedge accounting is performed on a specific exposure basis. For financial instruments qualifying as fair value hedges, we record changes in fair value in earnings, offset, in part or in whole, by corresponding changes in the fair value of the underlying exposures being hedged. For cash flow hedges, we record changes in the fair value of derivatives (to the extent they are effective as hedges) in OCI, net of deferred taxes. Changes in fair value of derivatives not qualifying as hedges are recorded in earnings.

Foreign currency denominated assets and liabilities are translated into U.S. dollars. Adjustments from currency rate changes are recorded in the cumulative translation adjustment account in shareholders' equity until the related foreign entity is sold or substantially liquidated. We use foreign currency financing transactions to effectively hedge long-term investments in foreign operations with the same corresponding currency. Foreign currency gains and losses on the hedge of the long-term investments are recorded in the cumulative translation adjustment account.

Product Liabilities

We accrue for product liability claims and related defense costs when a loss is probable and reasonably estimable. Our estimates are generally based on the specifics of each claim or incident and our best estimate of the probable loss using historical experience.

Environmental Liabilities and Asset Retirement Obligations

Liabilities for environmental matters are recorded on a site-by-site basis when it is probable that an obligation has been incurred and the cost can be reasonably estimated. We estimate our accrued environmental liabilities using currently available facts, existing technology, and presently enacted laws and regulations, all of which are subject to a number of factors and uncertainties. Our environmental liabilities are not discounted and do not take into consideration possible future insurance proceeds or significant amounts from claims against other third parties.

We have incurred asset retirement obligations primarily related to costs to remove and dispose of underground storage tanks and asbestos materials used in insulation, adhesive fillers and floor tiles. There is no legal requirement to remove these items, and there currently is no plan to remodel the related facilities or otherwise cause the impacted items to require disposal. Since these asset retirement obligations are not estimable, there is no related liability recorded in the Consolidated Balance Sheets.

Warranty and Product Maintenance Liabilities

We provide limited warranty and product maintenance programs, including parts and labor, for certain products for periods ranging from one to five years. We estimate the costs that may be incurred under warranty programs and record a liability in the amount of such costs at the time product revenues are recognized. Factors that affect this liability include the number of products sold, historical costs per claim, contractual recoveries from vendors and historical and anticipated rates of warranty claims, including production and warranty patterns for new models. We assess the adequacy of our recorded warranty and product maintenance liabilities periodically and adjust the amounts as necessary. Additionally, we may establish warranty liabilities related to the issuance of aircraft service bulletins for aircraft no longer covered under the limited warranty programs.

Research and Development Costs

Our customer-funded research and development costs are charged directly to the related contracts, which primarily consist of U.S. Government contracts. In accordance with government regulations, we recover a portion of company-funded research and development costs through overhead rate charges on our U.S. Government contracts. Research and development costs that are not reimbursable under a contract with the U.S. Government or another customer are charged to expense as incurred. Company-funded research and development costs were $694 million, $651 million, and $584 million in 2014, 2013 and 2012, respectively, and are included in cost of sales.

Income Taxes

Deferred income tax balances reflect the effects of temporary differences between the financial reporting carrying amounts of assets and liabilities and their tax bases, as well as from net operating losses and tax credit carryforwards, and are stated at enacted tax rates in effect for the year taxes are expected to be paid or recovered. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. We evaluate the recoverability of these future tax deductions and credits by assessing the adequacy of future expected taxable income from all sources, including the future reversal of existing taxable temporary differences, taxable income in carryback years, available tax planning strategies and estimated future taxable income. We recognize net tax-related interest and penalties for continuing operations in income tax expense.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, “Revenue from Contracts with Customers,” that outlines a comprehensive five-step revenue recognition model based on the principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption . This ASU is effective for our company at the beginning of fiscal 2017; early adoption is not permitted. We are currently evaluating the new guidance to determine the impact it is expected to have on our consolidated financial statements, along with the transition method we expect to utilize.

Note 2. Business Acquisitions, Goodwill and Intangible Assets

2014 Beechcraft Acquisition

On March 14, 2014, we acquired Beechcraft for an aggregate cash payment of $1.5 billion that included a repayment of a portion of Beechcraft's working capital credit facility at closing. The acquisition of Beechcraft and the formation of the Textron Aviation segment provide increased scale and complementary product offerings, allowing us to strengthen our position across the aviation industry and enhance our ability to support our customers. We financed a portion of the purchase price with the issuance of $600 million in senior notes on January 30, 2014 and by drawing $500 million under the five-year term loan agreement entered into on January 24, 2014. The balance was paid from cash on hand.

The consideration paid for this business was allocated on a preliminary basis to the assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. As of January 3, 2015, the valuation process is substantially complete, however, d ue to the size and breadth of this acquisition, additional time is necessary to complete the valuation of certain liabilities and the related income tax impact. We will finalize the purchase accounting within the one-year measurement period allowed under generally accepted accounting principles . Our allocation of the purchase price as of January 3, 2015 is presented below.

(In millions)	
Accounts receivable	$ 129
Inventories	775
Other current assets	175
Property, plant and equipment	261
Intangible assets	581
Goodwill	228
Other assets	172
Accounts payable	(143)
Accrued liabilities	(294)
Other liabilities	(406)
Total net assets acquired	$ 1,478

Goodwill of $228 million was primarily related to expected synergies from combining operations and the value of the existing workforce. Intangible assets of $581 million included unpatented technology related to original equipment manufactured parts and designs and customer relationships valued at $373 million and trade names valued at $208 million. The unpatented technology and customer relationships assets have a life of 15 years, resulting in amortization expense in the range of approximately $17 million to $31 million annually. Substantially all of the trade names have an indefinite life and therefore are not subject to amortization. We acquired tax-deductible goodwill of approximately $260 million in this transaction.

In connection with the integration of Beechcraft, we initiated a restructuring program in our Textron Aviation segment in the first quarter of 2014 to align the Cessna and Beechcraft businesses, reduce operating redundancies and maximize efficiencies. During 2014, we recorded charges of $41 million related to these restructuring activities that were included in the Acquisition and restructuring costs line on the Consolidated Statements of Operations. In addition, we incurred transaction costs of $11 million in 2014 related to the acquisition that were also included in the Acquisition and restructuring costs line. We expect to incur additional restructuring costs in 2015, but do not expect these costs to be material.

Other Acquisitions

During 2014, we made aggregate cash payments of $149 million for seven acquisitions within our Industrial and Systems Segments, including Tug Technologies Corporation, a manufacturer of ground support equipment in the aviation industry.

We made aggregate cash payments of $196 million in 2013 for acquisitions of four businesses within our Textron Systems and Industrial segments and two service centers in our Textron Aviation segment.

Actual and Pro-Forma Impact from 2014 Acquisitions

The operating results for the 2014 acquisitions are included in the Consolidated Statement of Operations since their respective closing dates. From the closing dates through January 3, 2015, revenues related to these acquisitions totaled $1.6 billion. The cost structures of the Beechcraft and Cessna businesses have been significantly integrated since the acquisition of Beechcraft; therefore, it is not possible to separately report earnings for this acquisition. The earnings related to the other 2014 acquisitions were not significant for this period.

The unaudited supplemental pro-forma data included in the table below presents consolidated information as if our 2014 acquisitions had been completed on December 30, 2012. This pro-forma information should not be considered indicative of the results that would have occurred if the acquisitions and related financing had been consummated on December 30, 2012, nor are they necessarily indicative of future results as they do not reflect the potential realization of cost savings and synergies associated with the acquisitions.

(In millions, except per share amounts)	2014	2013
Revenues	$ 14,240	$ 13,956
Income from continuing operations, net of income taxes	689	482
Diluted earnings per share from continuing operations	$ 2.45	$ 1.69

Certain pro-forma adjustments were made to reflect the allocation of the preliminary purchase price to the acquired net assets, which included depreciation and intangible amortization expense resulting from the valuation of tangible and intangible assets, amortization of inventory fair value step-up adjustments and the related tax effects. The pro-forma results for 2013 were also adjusted to include transaction and restructuring costs of $52 million, related to the Beechcraft acquisition; these costs were excluded from the 2014 pro-forma results. In addition, the pro-forma results exclude the financial impact related to Beechcraft's emergence from bankruptcy in 2013.

Goodwill

The changes in the carrying amount of goodwill by segment are as follows:

(In millions)	Textron Aviation	Bell	Textron Systems	Industrial	Total
Balance at December 29, 2012	$ 326	$ 31	$ 974	$ 318	$ 1,649
Acquisitions	—	—	52	30	82
Foreign currency translation	—	—	—	4	4
Balance at December 28, 2013	326	31	1,026	352	1,735
Acquisitions	228	—	35	50	313
Foreign currency translation	—	—	(4)	(17)	(21)
Balance at January 3, 2015	$ 554	$ 31	$ 1,057	$ 385	$ 2,027

Intangible Assets

Our Intangible assets are summarized below:

		January 3, 2015			December 28, 2013		
(Dollars in millions)	Weighted-Average Amortization Period (in years)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Patents and technology	15	$ 513	$ (92)	$ 421	$ 142	$ (63)	$ 79
Customer relationships and contractual agreements	15	364	(192)	172	331	(165)	166
Trade names and trademarks	16	263	(28)	235	49	(24)	25
Other	9	23	(18)	5	23	(17)	6
Total		$ 1,163	$ (330)	$ 833	$ 545	$ (269)	$ 276

Trade names and trademarks in the table above include $204 million of indefinite-lived intangible assets at January 3, 2015. There were no indefinite-lived intangible assets at December 28, 2013.

Amortization expense totaled $62 million, $37 million and $40 million in 2014, 2013 and 2012, respectively. Amortization expense is estimated to be approximately $61 million, $62 million, $62 million, $59 million and $57 million in 2015, 2016, 2017, 2018 and 2019, respectively.

Note 3. Accounts Receivable and Finance Receivables

Accounts Receivable
Accounts receivable is composed of the following:

(In millions)	January 3, 2015	December 28, 2013
Commercial	$ 765	$ 654
U.S. Government contracts	300	347
	1,065	1,001
Allowance for doubtful accounts	(30)	(22)
Total	$ 1,035	$ 979

We have unbillable receivables primarily on U.S. Government contracts that arise when the revenues we have appropriately recognized based on performance cannot be billed yet under terms of the contract. Unbillable receivables within accounts receivable totaled $151 million at January 3, 2015 and $163 million at December 28, 2013.

Finance Receivables
Finance receivables are presented in the following table.

(In millions)	January 3, 2015	December 28, 2013
Finance receivables	$ 1,289	$ 1,548
Allowance for losses	(51)	(55)
Total finance receivables, net	$ 1,238	$ 1,493

Finance receivables primarily includes loans provided to purchasers of new and pre-owned Textron Aviation aircraft and Bell helicopters. These agreements typically have initial terms ranging from five to ten years and amortization terms ranging from eight to fifteen years. The average balance of loans was $1 million at January 3, 2015. Loans generally require the customer to pay a significant down payment, along with periodic scheduled principal payments that reduce the outstanding balance through the term of the loan. Finance receivables also includes held for sale receivables of $35 million and $65 million at January 3, 2015 and December 28, 2013, respectively. These finance receivables held for sale are recorded at fair value and are not included in the portfolio quality tables below.

Our finance receivables are diversified across geographic region and borrower industry. At January 3, 2015, 37% of our finance receivables were distributed throughout the U.S. compared with 41% at the end of 2013. At January 3, 2015 and December 28, 2013, finance receivables included $113 million and $200 million, respectively, of receivables that have been legally sold to a special purpose entity (SPE), which is a consolidated subsidiary of TFC. The assets of the SPE are pledged as collateral for its debt, which is reflected as securitized on-balance sheet debt in Note 7. Third-party investors have no legal recourse to TFC beyond the credit enhancement provided by the assets of the SPE. In addition, at the end of 2014 and 2013, finance receivables of $565 million and $610 million, respectively, have been pledged as collateral for our debt.

Credit Quality Indicators and Nonaccrual Finance Receivables
We internally assess the quality of our finance receivables based on a number of key credit quality indicators and statistics such as delinquency, loan balance to estimated collateral value and the financial strength of individual borrowers and guarantors. Because many of these indicators are difficult to apply across an entire class of receivables, we evaluate individual loans on a quarterly basis and classify these loans into three categories based on the key credit quality indicators for the individual loan. These three categories are performing, watchlist and nonaccrual.

We classify finance receivables as nonaccrual if credit quality indicators suggest full collection of principal and interest is doubtful. In addition, we automatically classify accounts as nonaccrual once they are contractually delinquent by more than three months unless collection of principal and interest is not doubtful. Recognition of interest income is suspended for these accounts and all cash collections are used to reduce the net investment balance. We resume the accrual of interest when the loan becomes contractually current through payment according to the original terms of the loan or, if a loan has been modified, following a period of performance under the terms of the modification, provided we conclude that collection of all principal and interest is no longer doubtful. Previously suspended interest income is recognized at that time. Accounts are classified as watchlist when credit quality indicators have deteriorated as compared with typical underwriting criteria, and we believe collection of full principal and interest is probable but not certain. All other finance receivables that do not meet the watchlist or nonaccrual categories are classified as performing.

Finance receivables categorized based on the credit quality indicators discussed above are summarized as follows:

(In millions)	January 3, 2015	December 28, 2013
Performing	$ 1,062	$ 1,285
Watchlist	111	93
Nonaccrual	81	105
Total	$ 1,254	$ 1,483
Nonaccrual as a percentage of finance receivables	6.46%	7.08%

We measure delinquency based on the contractual payment terms of our finance receivables. In determining the delinquency aging category of an account, any/all principal and interest received is applied to the most past-due principal and/or interest amounts due. If a significant portion of the contractually due payment is delinquent, the entire finance receivable balance is reported in accordance with the most past-due delinquency aging category.

Finance receivables by delinquency aging category are summarized in the table below:

(In millions)	January 3, 2015	December 28, 2013
Less than 31 days past due	$ 1,080	$ 1,295
31-60 days past due	117	108
61-90 days past due	28	37
Over 90 days past due	29	43
Total	$ 1,254	$ 1,483
60+ days contractual delinquency as a percentage of finance receivables	4.55%	5.39%

Impaired Loans

On a quarterly basis, we evaluate individual finance receivables for impairment in non-homogeneous portfolios and larger balance accounts in homogeneous loan portfolios. A finance receivable is considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement based on our review of the credit quality indicators discussed above. Impaired finance receivables include both nonaccrual accounts and accounts for which full collection of principal and interest remains probable, but the account's original terms have been, or are expected to be, significantly modified. If the modification specifies an interest rate equal to or greater than a market rate for a finance receivable with comparable risk, the account is not considered impaired in years subsequent to the modification. Interest income recognized on impaired loans was not significant in 2014 or 2013.

A summary of impaired finance receivables and the average recorded investment is provided below:

(In millions)	January 3, 2015	December 28, 2013
Recorded investment:		
Impaired loans with related allowance for credit losses	$ 68	$ 59
Impaired loans with no related allowance for credit losses	42	78
Total	$ 110	$ 137
Unpaid principal balance	$ 115	$ 141
Allowance for losses on impaired loans	20	14
Average recorded investment	115	155

Allowance for Losses

A rollforward of the allowance for losses on finance receivables and a summary of its composition, based on how the underlying finance receivables are evaluated for impairment, is provided below. The finance receivables reported in this table specifically exclude $121 million and $120 million of leveraged leases at January 3, 2015 and December 28, 2013, respectively, in accordance with generally accepted accounting principles.

(In millions)	January 3, 2015	December 28, 2013
Balance at the beginning of year	$ 55	$ 84
Provision for losses	6	(23)
Charge-offs	(17)	(17)
Recoveries	7	12
Transfers	—	(1)
Balance at the end of year	$ 51	$ 55
Allowance based on collective evaluation	31	41
Allowance based on individual evaluation	20	14
Finance receivables evaluated collectively	1,023	1,226
Finance receivables evaluated individually	110	137

Note 4. Inventories

Inventories are composed of the following:

(In millions)	January 3, 2015	December 28, 2013
Finished goods	$ 1,582	$ 1,276
Work in process	2,683	2,477
Raw materials and components	546	407
	4,811	4,160
Progress/milestone payments	(883)	(1,197)
Total	$ 3,928	$ 2,963

Inventories valued by the LIFO method totaled $1.4 billion and $1.3 billion at January 3, 2015 and December 28, 2013, respectively, and the carrying values of these inventories would have been higher by approximately $468 million and $461 million, respectively, had our LIFO inventories been valued at current costs. Inventories related to long-term contracts, net of progress/milestone payments, were $447 million and $359 million at January 3, 2015 and December 28, 2013, respectively.

Note 5. Property, Plant and Equipment, Net

Our Manufacturing group's property, plant and equipment, net are composed of the following:

(Dollars in millions)	Useful Lives (in years)	January 3, 2015	December 28, 2013
Land and buildings	3 - 40	$ 1,818	$ 1,636
Machinery and equipment	1 - 20	4,364	4,042
		6,182	5,678
Accumulated depreciation and amortization		(3,685)	(3,463)
Total		$ 2,497	$ 2,215

At January 3, 2015 and December 28, 2013, assets under capital leases totaled $279 million and $247 million and had accumulated amortization of $68 million and $56 million, respectively. The Manufacturing group's depreciation expense, which included amortization expense on capital leases, totaled $379 million, $335 million and $315 million in 2014, 2013 and 2012, respectively.

Note 6. Accrued Liabilities

The accrued liabilities of our Manufacturing group are summarized below:

(In millions)	January 3, 2015	December 28, 2013
Customer deposits	$ 1,412	$ 888
Salaries, wages and employer taxes	332	246
Current portion of warranty and product maintenance contracts	169	142
Retirement plans	73	74
Other	630	538
Total	$ 2,616	$ 1,888

Changes in our warranty and product maintenance contract liability are as follows:

(In millions)	2014	2013	2012
Accrual at the beginning of period	$ 223	$ 222	$ 224
Provision	334	299	255
Settlements	(323)	(293)	(250)
Acquisitions	67	—	—
Adjustments*	(20)	(5)	(7)
Accrual at the end of period	$ 281	$ 223	$ 222

** Adjustments include changes to prior year estimates, new issues on prior year sales and currency translation adjustments.*

Note 7. Debt and Credit Facilities

Our debt is summarized in the table below:

(In millions)	January 3, 2015	December 28, 2013
Manufacturing group		
Long-term senior debt:		
6.20% due 2015	$ —	$ 350
4.625% due 2016	250	250
Variable-rate note due 2016 (average rate of 1.48% and 1.54%, respectively)	150	150
5.60% due 2017	350	350
7.25% due 2019	250	250
Variable-rate note due 2018-2019 (average rate of 1.67%)	300	—
6.625% due 2020	234	246
5.95% due 2021	250	250
3.65% due 2021	250	—
4.30% due 2024	350	—
3.875% due 2025	350	—
Other (weighted-average rate of 1.32% and 1.57%, respectively)	77	85
Total Manufacturing group debt	$ 2,811	$ 1,931
Less: current portion of long-term debt	(8)	(8)
Total long-term debt	$ 2,803	$ 1,923
Finance group		
Fixed-rate note due 2014 (5.13%)	$ —	$ 100
Fixed-rate notes due 2014-2017* (weighted-average rate of 4.59%)	32	42
Variable-rate notes due 2016 (weighted-average rate of 1.73% and 1.78%, respectively)	200	200
Fixed-rate notes due 2017-2024* (weighted-average rate of 2.76% and 2.67%, respectively)	381	378
Variable-rate notes due 2015-2024* (weighted-average rate of 1.18% and 1.19%, respectively)	52	63
Securitized debt (weighted-average rate of 1.50%)	98	172
6% Fixed-to-Floating Rate Junior Subordinated Notes	299	299
Fair value adjustments and unamortized discount	1	2
Total Finance group debt	$ 1,063	$ 1,256

** Notes amortize on a quarterly or semi-annual basis.*

The following table shows required payments during the next five years on debt outstanding at January 3, 2015:

(In millions)	2015	2016	2017	2018	2019
Manufacturing group	$ 8	$ 408	$ 358	$ 82	$ 480
Finance group	128	302	96	70	54
Total	$ 136	$ 710	$ 454	$ 152	$ 534

Textron has a senior unsecured revolving credit facility that expires in October 2018 for an aggregate principal amount of $1.0 billion, of which up to $100 million is available for the issuance of letters of credit. At January 3, 2015, there were no amounts borrowed against the facility, and there were $35 million of letters of credit issued against it.

6% Fixed-to-Floating Rate Junior Subordinated Notes

The Finance group's $299 million of 6% Fixed-to-Floating Rate Junior Subordinated Notes are unsecured and rank junior to all of its existing and future senior debt. The notes mature on February 15, 2067; however, we have the right to redeem the notes at par on or after February 15, 2017 and are obligated to redeem the notes beginning on February 15, 2042. Interest on the notes is fixed at 6% until February 15, 2017 and floats at the three-month London Interbank Offered Rate + 1.735% thereafter.

Support Agreement

Under a Support Agreement, Textron Inc. is required to ensure that TFC maintains fixed charge coverage of no less than 125% and consolidated shareholder's equity of no less than $200 million. Cash payments of $240 million were made to TFC in 2012 to maintain compliance with the fixed charge coverage ratio.

Note 8. Derivative Instruments and Fair Value Measurements

We measure fair value at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We prioritize the assumptions that market participants would use in pricing the asset or liability into a three-tier fair value hierarchy. This fair value hierarchy gives the highest priority (Level 1) to quoted prices in active markets for identical assets or liabilities and the lowest priority (Level 3) to unobservable inputs in which little or no market data exist, requiring companies to develop their own assumptions. Observable inputs that do not meet the criteria of Level 1, which include quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets and liabilities in markets that are not active, are categorized as Level 2. Level 3 inputs are those that reflect our estimates about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. Valuation techniques for assets and liabilities measured using Level 3 inputs may include methodologies such as the market approach, the income approach or the cost approach and may use unobservable inputs such as projections, estimates and management's interpretation of current market data. These unobservable inputs are utilized only to the extent that observable inputs are not available or cost effective to obtain.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

We manufacture and sell our products in a number of countries throughout the world, and, therefore, we are exposed to movements in foreign currency exchange rates. We utilize foreign currency exchange contracts to manage this volatility. Our foreign currency exchange contracts are measured at fair value using the market method valuation technique. The inputs to this technique utilize current foreign currency exchange forward market rates published by third-party leading financial news and data providers. These are observable data that represent the rates that the financial institution uses for contracts entered into at that date; however, they are not based on actual transactions so they are classified as Level 2. At January 3, 2015 and December 28, 2013, we had foreign currency exchange contracts with notional amounts upon which the contracts were based of $696 million and $636 million, respectively. At January 3, 2015, the fair value amounts of our foreign currency exchange contracts were a $16 million asset and a $26 million liability. At December 28, 2013, the fair value amounts of our foreign currency exchange contracts were a $2 million asset and a $15 million liability.

We primarily utilize forward exchange contracts which have maturities of no more than three years. These contracts qualify as cash flow hedges and are intended to offset the effect of exchange rate fluctuations on forecasted sales, inventory purchases and overhead expenses. At January 3, 2015, we had a net deferred loss of $13 million in Accumulated other comprehensive loss related to these cash flow hedges. Net gains and losses recognized in earnings and Accumulated other comprehensive loss on cash flow hedges, including gains and losses related to hedge ineffectiveness, were not significant in the periods presented.

We hedge our net investment position in major currencies and generate foreign currency interest payments that offset other transactional exposures in these currencies. To accomplish this, we borrow directly in foreign currency and designate a portion of foreign currency debt as a hedge of a net investment. We record changes in the fair value of these contracts in other comprehensive

income to the extent they are effective as cash flow hedges. Currency effects on the effective portion of these hedges, which are reflected in the foreign currency translation adjustments within Accumulated other comprehensive loss, were not significant in the periods presented.

Assets Recorded at Fair Value on a Nonrecurring Basis

During the years ended January 3, 2015 and December 28, 2013, the Finance group's impaired nonaccrual finance receivable of $49 million and $45 million, respectively, were measured at fair value on a nonrecurring basis using significant unobservable inputs (Level 3). Impaired nonaccrual finance receivables represent assets recorded at fair value on a nonrecurring basis since the measurement of required reserves on our impaired finance receivables is significantly dependent on the fair value of the underlying collateral. For impaired nonaccrual finance receivables secured by aviation assets, the fair values of collateral are determined primarily based on the use of industry pricing guides. Fair value measurements recorded on impaired finance receivables resulted in charges to provision for loan losses totaling $18 million and $7 million for 2014 and 2013, respectively.

Assets and Liabilities Not Recorded at Fair Value

The carrying value and estimated fair values of our financial instruments that are not reflected in the financial statements at fair value are as follows:

	January 3, 2015		December 28, 2013	
(In millions)	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Manufacturing group				
Long-term debt, excluding leases	$ (2,742)	$ (2,944)	$ (1,854)	$ (2,027)
Finance group				
Finance receivables, excluding leases	1,004	1,021	1,231	1,290
Debt	(1,063)	(1,051)	(1,256)	(1,244)

Fair value for the Manufacturing group debt is determined using market observable data for similar transactions (Level 2). At January 3, 2015 and December 28, 2013, approximately 75% and 70%, respectively, of the fair value of term debt for the Finance group was determined based on discounted cash flow analyses using observable market inputs from debt with similar duration, subordination and credit default expectations (Level 2). The remaining Finance group debt was determined based on observable market transactions (Level 1). Fair value estimates for finance receivables held for investment were determined based on internally developed discounted cash flow models primarily utilizing significant unobservable inputs (Level 3), which include estimates of the rate of return, financing cost, capital structure and/or discount rate expectations of current market participants combined with estimated loan cash flows based on credit losses, payment rates and expectations of borrowers' ability to make payments on a timely basis.

Note 9. Shareholders' Equity

Capital Stock

We have authorization for 15 million shares of preferred stock with a par value of $0.01 and 500 million shares of common stock with a par value of $0.125. Outstanding common stock activity for the three years ended January 3, 2015 is presented below:

(In thousands)	2014	2013	2012
Beginning balance	282,059	271,263	278,873
Exercise of stock options	1,910	1,333	1,159
Issued to Textron Savings Plan	1,490	1,921	2,159
Stock repurchases	(8,921)	—	(11,103)
Exercise of warrants	—	7,435	—
Issued upon vesting of restricted stock units	44	107	175
Ending balance	276,582	282,059	271,263

Earnings per Share

In February 2014, we entered into an Accelerated Share Repurchase agreement (ASR) with a counterparty and repurchased 4.3 million shares of our outstanding common stock. The initial delivery of shares under the ASR resulted in an immediate reduction of the outstanding shares used to calculate the weighted average common shares for basic and diluted earnings per share. We settled the ASR in December 2014 for a final purchase price of $167 million.

We calculate basic and diluted earnings per share (EPS) based on net income, which approximates income available to common shareholders for each period. Basic EPS is calculated using the two-class method, which includes the weighted-average number of common shares outstanding during the period and restricted stock units to be paid in stock that are deemed participating securities as they provide nonforfeitable rights to dividends. Diluted EPS considers the dilutive effect of all potential future common stock, including stock options and, prior to the maturity of our convertible notes on May 1, 2013, the shares that could have been issued upon the conversion of the notes and upon the exercise of the related warrants.

The weighted-average shares outstanding for basic and diluted EPS are as follows:

(In thousands)	**2014**	**2013**	**2012**
Basic weighted-average shares outstanding	279,409	279,299	280,182
Dilutive effect of:			
Stock options	2,049	328	428
ASR	332	—	—
Convertible notes and warrants	—	4,801	14,053
Diluted weighted-average shares outstanding	281,790	284,428	294,663

In 2014, 2013 and 2012, stock options to purchase 2 million, 5 million and 7 million shares, respectively, of common stock outstanding are excluded from our calculation of diluted weighted-average shares outstanding as their effect would have been anti-dilutive.

Accumulated Other Comprehensive Loss

The components of Accumulated Other Comprehensive Loss are presented below:

(In millions)	**Pension and Postretirement Benefits Adjustments**	**Deferred Gains/Losses on Hedge Contracts**	**Foreign Currency Translation Adjustments**	**Accumulated Other Comprehensive Loss**
Balance at December 29, 2012	$ (1,857)	$ 6	$ 81	$ (1,770)
Other comprehensive income before reclassifications	626	(15)	12	623
Amounts reclassified from Accumulated other comprehensive loss	121	(1)	—	120
Other comprehensive income (loss)	747	(16)	12	743
Balance at December 28, 2013	(1,110)	(10)	93	(1,027)
Other comprehensive loss before reclassifications	(471)	(12)	(75)	(558)
Amounts reclassified from Accumulated other comprehensive loss	70	9	—	79
Other comprehensive loss	(401)	(3)	(75)	(479)
Balance at January 3, 2015	$ (1,511)	$ (13)	$ 18	$ (1,506)

Other Comprehensive Income (Loss)

The before and after-tax components of other comprehensive income (loss) are presented below:

(In millions)	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
2014			
Pension and postretirement benefits adjustments:			
Unrealized losses	$ (734)	$ 252	$ (482)
Amortization of net actuarial loss*	114	(40)	74
Amortization of prior service credit*	(8)	4	(4)
Recognition of prior service cost	18	(7)	11
Pension and postretirement benefits adjustments, net	(610)	209	(401)
Deferred gains/losses on hedge contracts:			
Current deferrals	(16)	4	(12)
Reclassification adjustments	12	(3)	9
Deferred gains/losses on hedge contracts, net	(4)	1	(3)
Foreign currency translation adjustments	(71)	(4)	(75)
Total	$ (685)	$ 206	$ (479)
2013			
Pension and postretirement benefits adjustments:			
Unrealized gains	$ 1,019	$ (410)	$ 609
Amortization of net actuarial loss*	189	(67)	122
Amortization of prior service credit*	(2)	1	(1)
Recognition of prior service cost	29	(12)	17
Pension and postretirement benefits adjustments, net	1,235	(488)	747
Deferred gains/losses on hedge contracts:			
Current deferrals	(20)	5	(15)
Reclassification adjustments	(1)	—	(1)
Deferred gains/losses on hedge contracts, net	(21)	5	(16)
Foreign currency translation adjustments	13	(1)	12
Total	$ 1,227	$ (484)	$ 743
2012			
Pension and postretirement benefits adjustments:			
Unrealized losses	$ (417)	$ 186	$ (231)
Amortization of net actuarial loss*	124	(43)	81
Amortization of prior service cost*	5	(2)	3
Recognition of prior service cost	2	(1)	1
Pension and postretirement benefits adjustments, net	(286)	140	(146)
Deferred gains/losses on hedge contracts:			
Current deferrals	14	(3)	11
Reclassification adjustments	(15)	3	(12)
Deferred gains/losses on hedge contracts, net	(1)	—	(1)
Foreign currency translation adjustments	(6)	8	2
Total	$ (293)	$ 148	$ (145)

**These components of other comprehensive income are included in the computation of net periodic pension cost. See Note 11 for additional information.*

Note 10. Share-Based Compensation

Our 2007 Long-Term Incentive Plan (Plan) authorizes awards to our key employees in the form of options to purchase our shares, restricted stock, restricted stock units, stock appreciation rights, performance stock awards and other awards. A maximum of 12 million shares is authorized for issuance for all purposes under the Plan plus any shares that become available upon cancellation, forfeiture or expiration of awards granted under the 1999 Long-Term Incentive Plan. No more than 12 million shares may be awarded pursuant to incentive stock options, and no more than 3 million shares may be awarded pursuant to restricted stock units or other awards intended to be paid in shares. The Plan also authorizes performance share units to be paid in cash based upon the value of our common stock.

Through our Deferred Income Plan for Textron Executives, we provide certain executives the opportunity to voluntarily defer up to 80% of their base salary, along with incentive and other compensation. Elective deferrals may be put into either a stock unit account or an interest-bearing account. Participants cannot move amounts between the two accounts while actively employed by us and cannot receive distributions until termination of employment. The intrinsic value of amounts paid under this deferred income plan totaled $3 million, $1 million and $1 million in 2014, 2013 and 2012, respectively.

Share-based compensation costs are reflected primarily in selling and administrative expenses. Compensation expense included in net income for our share-based compensation plans is as follows:

(In millions)	2014	2013	2012
Compensation expense	$ 85	$ 86	$ 71
Income tax benefit	(32)	(32)	(26)
Total net compensation cost included in net income	$ 53	$ 54	$ 45

Compensation expense included approximately $21 million, $26 million and $23 million in 2014, 2013 and 2012, respectively, for a portion of the fair value of options issued and the portion of previously granted options for which the requisite service has been rendered.

Compensation cost for awards subject only to service conditions that vest ratably are recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award. As of January 3, 2015, we had not recognized $54 million of total compensation costs associated with unvested awards subject only to service conditions. We expect to recognize compensation expense for these awards over a weighted-average period of approximately two years.

Stock Options

Options to purchase our shares have a maximum term of ten years and generally vest ratably over a three-year period. The stock option compensation cost calculated under the fair value approach is recognized over the vesting period of the stock options. We estimate the fair value of options granted on the date of grant using the Black-Scholes option-pricing model. Expected volatilities are based on implied volatilities from traded options on our common stock, historical volatilities and other factors. The expected term is based on historical option exercise data, which is adjusted to reflect any anticipated changes in expected behavior.

The weighted-average fair value of options granted during the past three years and the assumptions used in our option-pricing model for such grants are as follows:

	2014	2013	2012
Fair value of options at grant date	$ 12.72	$ 9.69	$ 10.19
Dividend yield	0.2%	0.3%	0.3%
Expected volatility	34.5%	37.0%	40.0%
Risk-free interest rate	1.5%	0.9%	0.9%
Expected term (in years)	5.0	5.5	5.5

The stock option activity during 2014 is provided below:

(Options in thousands)	Number of Options	Weighted-Average Exercise Price
Outstanding at beginning of year	9,018	$ 27.57
Granted	1,838	39.65
Exercised	(1,842)	(26.07)
Forfeited or expired	(377)	(38.35)
Outstanding at end of year	8,637	$ 29.99
Exercisable at end of year	4,739	$ 27.22

At January 3, 2015, our outstanding options had an aggregate intrinsic value of $108 million and a weighted-average remaining contractual life of six years. Our exercisable options had an aggregate intrinsic value of $73 million and a weighted-average remaining contractual life of five years at January 3, 2015. The total intrinsic value of options exercised during 2014, 2013 and 2012 was $25 million, $10 million and $11 million, respectively.

Restricted Stock Units

We issue restricted stock units settled in both cash and stock (vesting one-third each in the third, fourth and fifth year following the year of the grant), which include the right to receive dividend equivalents. The fair value of these units is based on the trading price of our common stock and is recognized ratably over the vesting period. For units settled in stock, we use the trading price on the grant date, while units settled in cash are remeasured using the price at each reporting period date. Prior to 2012, we issued restricted stock units that vested in equal installments over five years. The 2014 activity for restricted stock units is provided below:

	Units Payable in Stock		Units Payable in Cash	
(Shares/Units in thousands)	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Units	Weighted-Average Grant Date Fair Value
Outstanding at beginning of year, nonvested	780	$ 27.56	2,025	$ 23.73
Granted	217	39.44	433	39.65
Vested	(70)	(25.69)	(593)	(16.54)
Forfeited	(21)	(27.93)	(199)	(28.65)
Outstanding at end of year, nonvested	906	$ 30.59	1,666	$ 29.84

The fair value of the restricted stock awards that vested and/or amounts paid under these awards is as follows:

(In millions)	2014	2013	2012
Fair value of awards vested	$ 25	$ 26	$ 35
Cash paid	23	23	25

Performance Share Units

The fair value of share-based compensation awards accounted for as liabilities includes performance share units, which are paid in cash in the first quarter of the year following vesting. Payouts under performance share units vary based on certain performance criteria generally set for each year of a three-year performance period. The performance share units vest at the end of three years. The fair value of these awards is based on the trading price of our common stock and is remeasured at each reporting period date.

The 2014 activity for our performance share units is as follows:

(Units in thousands)	Number of Units	Weighted-Average Grant Date Fair Value
Outstanding at beginning of year, nonvested	895	$ 28.08
Granted	296	39.70
Vested	(468)	(27.76)
Forfeited	(46)	(28.19)
Outstanding at end of year, nonvested	677	$ 33.38

The fair value of the performance share units that vested and/or amounts paid under these awards is as follows:

(In millions)	2014	2013	2012
Fair value of awards vested	$ 20	$ 13	$ 10
Cash paid	12	11	52

Note 11. Retirement Plans

Our defined benefit and defined contribution plans cover substantially all of our employees. A significant number of our U.S.-based employees participate in the Textron Retirement Plan, which is designed to be a "floor-offset" arrangement with both a defined benefit component and a defined contribution component. The defined benefit component of the arrangement includes the Textron Master Retirement Plan (TMRP) and the Bell Helicopter Textron Master Retirement Plan (BHTMRP), and the defined contribution component is the Retirement Account Plan (RAP). The defined benefit component provides a minimum guaranteed benefit (or "floor" benefit). Under the RAP, participants are eligible to receive contributions from Textron of 2% of their eligible compensation but may not make contributions to the plan. Upon retirement, participants receive the greater of the floor benefit or the value of the RAP. Both the TMRP and the BHTMRP are subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Effective on January 1, 2010, the Textron Retirement Plan was closed to new participants, and employees hired after that date receive an additional 4% annual cash contribution to their Textron Savings Plan account based on their eligible compensation.

We also have other funded and unfunded defined benefit pension plans that cover certain of our U.S. and foreign employees. In addition, several defined contribution plans are sponsored by our various businesses, of which the largest plan is the Textron Savings Plan, which is a qualified 401(k) plan subject to ERISA. Our defined contribution plans cost approximately $99 million, $93 million and $88 million in 2014, 2013 and 2012, respectively; these amounts include $16 million, $19 million and $21 million, respectively, in contributions to the RAP. We also provide postretirement benefits other than pensions for certain retired employees in the U.S., which include healthcare, dental care, Medicare Part B reimbursement and life insurance benefits.

Periodic Benefit Cost

The components of net periodic benefit cost and other amounts recognized in OCI are as follows:

	Pension Benefits			Postretirement Benefits Other than Pensions		
(In millions)	2014	2013	2012	2014	2013	2012
Net periodic benefit cost						
Service cost	$ 109	$ 133	$ 119	$ 4	$ 6	$ 6
Interest cost	334	290	305	19	19	25
Expected return on plan assets	(462)	(418)	(407)	—	—	—
Amortization of prior service cost (credit)	15	15	16	(23)	(17)	(11)
Amortization of net actuarial loss	112	183	118	2	6	7
Net periodic benefit cost	$ 108	$ 203	$ 151	$ 2	$ 14	$ 27
Other changes in plan assets and benefit obligations recognized in OCI						
Current year actuarial loss (gain)	$ 729	$ (964)	$ 402	$ 5	$ (55)	$ 15
Current year prior service cost (credit)	12	16	—	(30)	(45)	(2)
Amortization of net actuarial loss	(112)	(183)	(118)	(2)	(6)	(7)
Amortization of prior service credit (cost)	(15)	(15)	(16)	23	17	11
Total recognized in OCI, before taxes	$ 614	$ (1,146)	$ 268	$ (4)	$ (89)	$ 17
Total recognized in net periodic benefit cost and OCI	$ 722	$ (943)	$ 419	$ (2)	$ (75)	$ 44

The estimated amount that will be amortized from Accumulated other comprehensive loss into net periodic pension costs in 2015 is as follows:

(In millions)	Pension Benefits	Postretirement Benefits Other than Pensions
Net actuarial loss	$ 156	$ 2
Prior service cost (credit)	16	(25)
Total	$ 172	$ (23)

Obligations and Funded Status

All of our plans are measured as of our fiscal year-end. The changes in the projected benefit obligation and in the fair value of plan assets, along with our funded status, are as follows:

	Pension Benefits		Postretirement Benefits Other than Pensions	
(In millions)	**2014**	**2013**	**2014**	**2013**
Change in benefit obligation				
Benefit obligation at beginning of year	$ 6,544	$ 7,053	$ 445	$ 564
Service cost	109	133	4	6
Interest cost	334	290	19	19
Acquisitions	570	—	13	—
Amendments	12	16	(30)	(45)
Plan participants' contributions	—	—	5	4
Actuarial losses (gains)	886	(566)	4	(55)
Benefits paid	(400)	(373)	(47)	(48)
Foreign exchange rate changes and other	(49)	(9)	—	—
Benefit obligation at end of year	$ 8,006	$ 6,544	$ 413	$ 445
Change in fair value of plan assets				
Fair value of plan assets at beginning of year	$ 6,345	$ 5,715		
Actual return on plan assets	623	819		
Acquisitions	390	—		
Employer contributions	60	185		
Benefits paid	(400)	(373)		
Foreign exchange rate changes and other	(39)	(1)		
Fair value of plan assets at end of year	$ 6,979	$ 6,345		
Funded status at end of year	$ (1,027)	$ (199)	$ (413)	$ (445)

Amounts recognized in our balance sheets are as follows:

	Pension Benefits		Postretirement Benefits Other than Pensions	
(In millions)	**2014**	**2013**	**2014**	**2013**
Non-current assets	$ 60	$ 413	$ —	$ —
Current liabilities	(26)	(26)	(45)	(48)
Non-current liabilities	(1,061)	(586)	(368)	(397)
Recognized in Accumulated other comprehensive loss, pre-tax:				
Net loss	2,193	1,596	40	38
Prior service cost (credit)	110	114	(75)	(69)

The accumulated benefit obligation for all defined benefit pension plans was $7.6 billion and $6.1 billion at January 3, 2015 and December 28, 2013, respectively, which included $392 million and $359 million, respectively, in accumulated benefit obligations for unfunded plans where funding is not permitted or in foreign environments where funding is not feasible.

Pension plans with accumulated benefit obligations exceeding the fair value of plan assets are as follows:

(In millions)	**2014**	**2013**
Projected benefit obligation	$ 3,096	$ 2,828
Accumulated benefit obligation	2,900	2,629
Fair value of plan assets	2,215	2,215

Assumptions
The weighted-average assumptions we use for our pension and postretirement plans are as follows:

	Pension Benefits			Postretirement Benefits Other than Pensions		
	2014	2013	2012	2014	2013	2012
Net periodic benefit cost						
Discount rate	4.92%	4.23%	4.94%	4.50%	3.75%	4.75%
Expected long-term rate of return on assets	7.60%	7.56%	7.58%			
Rate of compensation increase	3.50%	3.47%	3.49%			
Benefit obligations at year-end						
Discount rate	4.18%	4.94%	4.23%	4.00%	4.50%	3.75%
Rate of compensation increases	3.49%	3.51%	3.48%			

During 2014, the Society of Actuaries released new mortality tables that reflect increased life expectancy over the previous tables. We incorporated these new tables in the 2014 fair value measurement of our U.S. pension plans which resulted in an increase in the projected benefit obligation as of January 3, 2015.

Our assumed healthcare cost trend rate for both the medical and prescription drug cost was 6.6% in 2014 and 7.2% in 2013. We expect this rate to gradually decline to 5.0% by 2021 where we assume it will remain. These assumed healthcare cost trend rates have a significant effect on the amounts reported for the postretirement benefits other than pensions. A one-percentage-point change in these assumed healthcare cost trend rates would have the following effects:

(In millions)	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost components	$ 1	$ (1)
Effect on postretirement benefit obligations other than pensions	18	(16)

Pension Assets
The expected long-term rate of return on plan assets is determined based on a variety of considerations, including the established asset allocation targets and expectations for those asset classes, historical returns of the plans' assets and other market considerations. We invest our pension assets with the objective of achieving a total rate of return, over the long term, sufficient to fund future pension obligations and to minimize future pension contributions. We are willing to tolerate a commensurate level of risk to achieve this objective based on the funded status of the plans and the long-term nature of our pension liability. Risk is controlled by maintaining a portfolio of assets that is diversified across a variety of asset classes, investment styles and investment managers. Where possible, investment managers are prohibited from owning our stock in the portfolios that they manage on our behalf.

For U.S. plan assets, which represent the majority of our plan assets, asset allocation target ranges are established consistent with our investment objectives, and the assets are rebalanced periodically. For foreign plan assets, allocations are based on expected cash flow needs and assessments of the local practices and markets. Our target allocation ranges are as follows:

U.S. Plan Assets	
Domestic equity securities	23% to 38%
International equity securities	11% to 22%
Debt securities	27% to 38%
Private investment partnerships	5% to 11%
Real estate	7% to 13%
Hedge funds	0% to 5%
Foreign Plan Assets	
Equity securities	49% to 67%
Debt securities	28% to 41%
Real estate	3% to 12%

The fair value of total pension plan assets by major category and level in the fair value hierarchy as defined in Note 8 is as follows:

	January 3, 2015			December 28, 2013		
(In millions)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash and equivalents	$ 27	$ 194	$ —	$ 17	$ 144	$ —
Equity securities:						
Domestic	1,417	595	—	1,179	866	—
International	1,185	253	—	1,140	258	—
Debt securities:						
National, state and local governments	526	419	—	506	411	—
Corporate debt	—	950	—	—	638	—
Asset-backed securities	—	110	—	—	153	—
Private investment partnerships	—	—	380	—	—	305
Real estate	—	—	744	—	—	553
Hedge funds	—	—	179	—	—	175
Total	$ 3,155	$ 2,521	$ 1,303	$ 2,842	$ 2,470	$ 1,033

Cash equivalents and equity and debt securities include comingled funds, which represent investments in funds offered to institutional investors that are similar to mutual funds in that they provide diversification by holding various equity and debt securities. Since these comingled funds are not quoted on any active market, they are priced based on the relative value of the underlying equity and debt investments and their individual prices at any given time; accordingly, they are classified as Level 2. Debt securities are valued based on same day actual trading prices, if available. If such prices are not available, we use a matrix pricing model with historical prices, trends and other factors.

Private investment partnerships represent investments in funds, which, in turn, invest in stocks and debt securities of companies that, in most cases, are not publicly traded. These partnerships are valued using income and market methods that include cash flow projections and market multiples for various comparable companies. Real estate includes owned properties and investments in partnerships. Owned properties are valued using certified appraisals at least every three years, which then are updated at least annually by the real estate investment manager based on current market trends and other available information. These appraisals generally use the standard methods for valuing real estate, including forecasting income and identifying current transactions for comparable real estate to arrive at a fair value. Real estate partnerships are valued similar to private investment partnerships, with the general partner using standard real estate valuation methods to value the real estate properties and securities held within their fund portfolios. We believe these assumptions are consistent with assumptions that market participants would use in valuing these investments.

Hedge funds represent an investment in a diversified fund of hedge funds of which we are the sole investor. The fund invests in portfolio funds that are not publicly traded and are managed by various portfolio managers. Investments in portfolio funds are typically valued on the basis of the most recent price or valuation provided by the relevant fund's administrator. The administrator for the fund aggregates these valuations with the other assets and liabilities to calculate the net asset value of the fund.

The table below presents a reconciliation of the beginning and ending balances for fair value measurements that use significant unobservable inputs (Level 3) by major category:

(In millions)	Private Investment Partnerships	Real Estate	Hedge Funds
Balance at beginning of year	$ 305	$ 553	$ 175
Actual return on plan assets:			
Related to assets still held at reporting date	(7)	6	4
Related to assets sold during the period	41	28	—
Purchases, sales and settlements, net	41	157	—
Balance at end of year	$ 380	$ 744	$ 179

Estimated Future Cash Flow Impact

Defined benefits under salaried plans are based on salary and years of service. Hourly plans generally provide benefits based on stated amounts for each year of service. Our funding policy is consistent with applicable laws and regulations. In 2015, we expect to contribute approximately $80 million to fund our pension plans and the RAP. Benefit payments provided below reflect expected future employee service, as appropriate, and are expected to be paid, net of estimated participant contributions. These payments are based on the same assumptions used to measure our benefit obligation at the end of fiscal 2014. While pension

benefit payments primarily will be paid out of qualified pension trusts, we will pay postretirement benefits other than pensions out of our general corporate assets. Benefit payments that we expect to pay are as follows:

(In millions)	2015	2016	2017	2018	2019	2020-2024
Pension benefits	$ 401	$ 398	$ 405	$ 411	$ 420	$ 2,254
Post-retirement benefits other than pensions	46	44	42	39	37	150

Note 12. Income Taxes

We conduct business globally and, as a result, file numerous consolidated and separate income tax returns within and outside the U.S. For all of our U.S. subsidiaries, we file a consolidated federal income tax return. Income from continuing operations before income taxes is as follows:

(In millions)	2014	2013	2012
U.S.	$ 553	$ 454	$ 644
Non-U.S.	300	220	197
Income from continuing operations before income taxes	$ 853	$ 674	$ 841

Income tax expense for continuing operations is summarized as follows:

(In millions)	2014	2013	2012
Current:			
Federal	$ 195	$ 23	$ 40
State	18	10	9
Non-U.S.	54	56	29
	267	89	78
Deferred:			
Federal	(12)	91	169
State	(4)	13	23
Non-U.S.	(3)	(17)	(10)
	(19)	87	182
Income tax expense	$ 248	$ 176	$ 260

The current federal and state provisions for 2012 included $25 million of tax related to the sale of certain leveraged leases in the Finance segment for which we had previously recorded significant deferred tax liabilities.

The following table reconciles the federal statutory income tax rate to our effective income tax rate for continuing operations:

	2014	2013	2012
U.S. Federal statutory income tax rate	35.0%	35.0%	35.0%
Increase (decrease) in taxes resulting from:			
State income taxes	1.0	2.4	2.2
Non-U.S. tax rate differential and foreign tax credits	(5.8)	(7.2)	(5.4)
Research credit	(1.5)	(3.8)	—
Other, net	0.4	(0.3)	(0.9)
Effective income tax rate	29.1%	26.1%	30.9%

The amount of income taxes we pay is subject to ongoing audits by U.S. federal, state and non-U.S. tax authorities, which may result in proposed assessments. Our estimate for the potential outcome for any uncertain tax issue is highly judgmental. We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting date. For those tax positions for which it is more likely than not that a tax benefit will be sustained, we record the largest amount of tax benefit with a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. Interest and penalties are accrued, where applicable. If we do not believe that it is not more likely than not that a tax benefit will be sustained, no tax benefit is recognized.

Our future results may include favorable or unfavorable adjustments to our estimated tax liabilities due to settlement of income tax examinations, new regulatory or judicial pronouncements, expiration of statutes of limitations or other relevant events. As a result, our effective tax rate may fluctuate significantly on a quarterly and annual basis.

Our unrecognized tax benefits represent tax positions for which reserves have been established. Unrecognized state tax benefits and interest related to unrecognized tax benefits are reflected net of applicable tax benefits. A reconciliation of our unrecognized tax benefits, excluding accrued interest, is as follows:

(In millions)	**January 3, 2015**	**December 28, 2013**	**December 29, 2012**
Balance at beginning of year	$ 284	$ 290	$ 294
Additions for tax positions related to current year	10	15	5
Additions for current year acquisitions	100	—	—
Additions for tax positions of prior years	—	1	2
Reductions for tax positions of prior years	(6)	(17)	(3)
Reductions for expiration of statute of limitations and settlements	(3)	(5)	(8)
Balance at end of year	$ 385	$ 284	$ 290

At January 3, 2015 and December 28, 2013, approximately $305 million and $204 million, respectively, of these unrecognized tax benefits, if recognized, would favorably affect our effective tax rate in a future period. At January 3, 2015 and December 28, 2013, the remaining $80 million in unrecognized tax benefits were related to discontinued operations.

It is reasonably possible that within the next 12 months our unrecognized tax benefits, exclusive of interest, may decrease in the range of approximately $0 to $215 million, as a result of the conclusion of audits and any related appeals or review processes, the expiration of statutes of limitations and additional worldwide uncertain tax positions. This potential decrease primarily relates to uncertainties with respect to prior dispositions and research tax credits. However, based on the process of finalizing audits and any required review process by relevant authorities, it is difficult to estimate the timing and amount of potential changes to our unrecognized tax benefits. Although the outcome of these matters cannot be determined, we believe adequate provision has been made for any potential unfavorable financial statement impact.

In the normal course of business, we are subject to examination by taxing authorities throughout the world, including major jurisdictions such as Canada, China, Germany, Japan, Mexico and the U.S. With few exceptions, we no longer are subject to U.S. federal, state and local income tax examinations for years before 1997. We are no longer subject to non-U.S. income tax examinations in our major jurisdictions for years before 2009.

During 2014, 2013 and 2012, we recognized net tax-related interest expense totaling approximately $6 million, $6 million and $9 million, respectively, in the Consolidated Statements of Operations. At January 3, 2015 and December 28, 2013, we had a total of $132 million and $126 million, respectively, of net accrued interest expense included in our Consolidated Balance Sheets.

The tax effects of temporary differences that give rise to significant portions of our net deferred tax assets and liabilities are as follows:

(In millions)	January 3, 2015	December 28, 2013
Deferred tax assets		
Obligation for pension and postretirement benefits	$ 541	$ 358
Accrued expenses*	287	182
Deferred compensation	190	161
Loss carryforwards	137	84
Inventory	79	18
Allowance for credit losses	36	29
Deferred income	22	14
Other, net	91	130
Total deferred tax assets	1,383	976
Valuation allowance for deferred tax assets	(167)	(166)
	$ 1,216	$ 810
Deferred tax liabilities		
Property, plant and equipment, principally depreciation	$ (167)	$ (174)
Leasing transactions	(165)	(184)
Amortization of goodwill and other intangibles	(118)	(109)
Prepaid pension and postretirement benefits	(14)	(143)
Total deferred tax liabilities	(464)	(610)
Net deferred tax asset	$ 752	$ 200

* *Accrued expenses includes warranty and product maintenance reserves, self-insured liabilities and interest.*

We believe that our earnings during the periods when the temporary differences become deductible will be sufficient to realize the related future income tax benefits. For those jurisdictions where the expiration date of tax carryforwards or the projected operating results indicate that realization is not more than likely, a valuation allowance is provided.

The following table presents the breakdown between current and long-term net deferred tax assets:

(In millions)	January 3, 2015	December 28, 2013
Manufacturing group:		
Other current assets	$ 259	$ 206
Other assets	630	270
Other liabilities	(19)	(147)
Finance group - Other liabilities	(118)	(129)
Net deferred tax asset	$ 752	$ 200

Our net operating loss and credit carryforwards at January 3, 2015 are as follows:

(In millions)	
Non-U.S. net operating loss with no expiration	$ 84
Non-U.S. net operating loss expiring through 2034	56
U.S. federal net operating losses expiring through 2034, related to 2014 acquisitions	290
U.S. foreign tax credits expiring through 2022, related to 2014 acquisitions	8
State net operating loss and tax credits, net of tax benefits, expiring through 2034	109

The undistributed earnings of our non-U.S. subsidiaries approximated $995 million at January 3, 2015. We consider the undistributed earnings to be indefinitely reinvested; therefore, we have not provided a deferred tax liability for any residual U.S. tax that may be due upon repatriation of these earnings. Because of the effect of U.S. foreign tax credits, it is not practicable to estimate the amount of tax that might be payable on these earnings in the event they no longer are indefinitely reinvested.

Note 13. Contingencies and Commitments

We are subject to legal proceedings and other claims arising out of the conduct of our business, including proceedings and claims relating to commercial and financial transactions; government contracts; alleged lack of compliance with applicable laws and regulations; production partners; product liability; patent and trademark infringement; employment disputes; and environmental, safety and health matters. Some of these legal proceedings and claims seek damages, fines or penalties in substantial amounts or remediation of environmental contamination. As a government contractor, we are subject to audits, reviews and investigations to determine whether our operations are being conducted in accordance with applicable regulatory requirements. Under federal government procurement regulations, certain claims brought by the U.S. Government could result in our suspension or debarment from U.S. Government contracting for a period of time. On the basis of information presently available, we do not believe that existing proceedings and claims will have a material effect on our financial position or results of operations.

In the ordinary course of business, we enter into standby letter of credit agreements and surety bonds with financial institutions to meet various performance and other obligations. These outstanding letter of credit arrangements and surety bonds aggregated to approximately $790 million and $298 million at January 3, 2015 and December 28, 2013, respectively.

Environmental Remediation

As with other industrial enterprises engaged in similar businesses, we are involved in a number of remedial actions under various federal and state laws and regulations relating to the environment that impose liability on companies to clean up, or contribute to the cost of cleaning up, sites on which hazardous wastes or materials were disposed or released. Our accrued environmental liabilities relate to installation of remediation systems, disposal costs, U.S. Environmental Protection Agency oversight costs, legal fees, and operating and maintenance costs for both currently and formerly owned or operated facilities. Circumstances that can affect the reliability and precision of the accruals include the identification of additional sites, environmental regulations, level of cleanup required, technologies available, number and financial condition of other contributors to remediation and the time period over which remediation may occur. We believe that any changes to the accruals that may result from these factors and uncertainties will not have a material effect on our financial position or results of operations.

Based upon information currently available, we estimate that our potential environmental liabilities are within the range of $40 million to $160 million. At January 3, 2015, environmental reserves of approximately $80 million have been established to address these specific estimated liabilities. We estimate that we will likely pay our accrued environmental remediation liabilities over the next ten years and have classified $24 million as current liabilities. Expenditures to evaluate and remediate contaminated sites approximated $13 million, $12 million and $15 million in 2014, 2013 and 2012, respectively.

Leases

Rental expense approximated $121 million, $95 million and $97 million in 2014, 2013 and 2012, respectively. Future minimum rental commitments for noncancelable operating leases in effect at January 3, 2015 approximated $73 million for 2015, $57 million for 2016, $47 million for 2017, $37 million for 2018, $31 million for 2019 and $193 million thereafter. The total future minimum rental receipts under noncancelable subleases at January 3, 2015 approximated $23 million.

Note 14. Supplemental Cash Flow Information

We have made the following cash payments:

(In millions)	2014	2013	2012
Interest paid:			
Manufacturing group	$ 134	$ 124	$ 135
Finance group	41	46	64
Net taxes paid /(received):			
Manufacturing group	266	223	(7)
Finance group	23	(49)	43

Cash paid for interest by the Finance group included amounts paid to the Manufacturing group of $11 million in 2012. Cash paid for interest by the Finance group to the Manufacturing group was not significant in 2014 and 2013.

Note 15. Segment and Geographic Data

We operate in, and report financial information for, the following five business segments: Textron Aviation, which includes the legacy Cessna segment and the acquired Beechcraft business, Bell, Textron Systems, Industrial and Finance. The accounting policies of the segments are the same as those described in Note 1.

Textron Aviation products include Citation jets, King Air turboprops, Caravan utility turboprops, single-engine piston aircraft, T-6 and AT-6 military aircraft, and aftermarket sales and services sold to a diverse base of corporate and individual buyers.

Bell products include military and commercial helicopters, tiltrotor aircraft and related spare parts and services. Bell supplies military helicopters and, in association with The Boeing Company, military tiltrotor aircraft, and aftermarket services to the U.S. and non-U.S. governments. Bell also supplies commercial helicopters and aftermarket services to corporate, offshore petroleum exploration and development, utility, charter, police, fire, rescue, emergency medical helicopter operators and foreign governments.

Textron Systems products include unmanned aircraft systems, marine and land systems, weapons and sensors, simulation, training and other defense and aviation mission support products and services primarily for U.S. and non-U.S. governments.

Industrial products and markets include the following:

- Kautex products include blow-molded plastic fuel systems, windshield and headlamp washer systems, selective catalytic reduction systems and engine camshafts that are marketed primarily to automobile OEMs, as well as plastic bottles and containers for various uses;
- Tools and Test Equipment products include powered equipment, electrical test and measurement instruments, mechanical and hydraulic tools, cable connectors, fiber optic assemblies, underground and aerial transmission and distribution products, and power utility products, principally used in the construction, maintenance, telecommunications, data communications, electrical, utility and plumbing industries; and
- Specialized Vehicles and Equipment products include golf cars, off-road utility and light transportation vehicles, aviation ground support equipment, professional turf-maintenance equipment and turf-care vehicles that are marketed primarily to golf courses, resort communities, municipalities, sporting venues, consumers, and commercial and industrial users.

The Finance segment provides financing primarily to purchasers of new and pre-owned Textron Aviation aircraft and Bell helicopters.

Segment profit is an important measure used for evaluating performance and for decision-making purposes. Segment profit for the manufacturing segments excludes interest expense, certain corporate expenses and acquisition and restructuring costs related to the Beechcraft acquisition. The measurement for the Finance segment includes interest income and expense along with intercompany interest income and expense.

Our revenues by segment, along with a reconciliation of segment profit to income from continuing operations before income taxes, are as follows:

	Revenues			Segment Profit (Loss)		
(In millions)	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**
Textron Aviation	$ 4,568	$ 2,784	$ 3,111	$ 234	$ (48)	$ 82
Bell	4,245	4,511	4,274	529	573	639
Textron Systems	1,624	1,665	1,737	150	147	132
Industrial	3,338	3,012	2,900	280	242	215
Finance	103	132	215	21	49	64
Total	$ 13,878	$ 12,104	$ 12,237	$ 1,214	$ 963	$ 1,132
Corporate expenses and other, net				(161)	(166)	(148)
Interest expense, net for Manufacturing group				(148)	(123)	(143)
Acquisition and restructuring costs				(52)	—	—
Income from continuing operations before income taxes				$ 853	$ 674	$ 841

Revenues by major product type are summarized below:

(In millions)	2014	2013	2012
Fixed-wing aircraft	$ 4,568	$ 2,784	$ 3,111
Rotor aircraft	4,245	4,511	4,274
Unmanned aircraft systems, armored vehicles, precision weapons and other	1,624	1,665	1,737
Fuel systems and functional components	1,975	1,853	1,842
Specialized vehicles and equipment	868	713	660
Tools and test equipment	495	446	398
Finance	103	132	215
Total revenues	$ 13,878	$ 12,104	$ 12,237

Our revenues included sales to the U.S. Government of approximately $3.8 billion, $3.7 billion and $3.6 billion in 2014, 2013 and 2012, respectively, primarily in the Bell and Textron Systems segments.

Other information by segment is provided below:

	Assets		Capital Expenditures			Depreciation and Amortization		
(In millions)	January 3, 2015	December 28, 2013	2014	2013	2012	2014	2013	2012
Textron Aviation	$ 4,085	$ 2,260	$ 96	$ 72	$ 93	$ 137	$ 87	$ 102
Bell	2,858	2,899	152	197	172	132	116	102
Textron Systems	2,283	2,106	65	66	108	84	89	75
Industrial	2,171	1,956	97	89	97	76	72	70
Finance	1,529	1,725	—	—	—	13	18	25
Corporate	1,679	1,998	19	20	10	17	7	9
Total	$ 14,605	$ 12,944	$ 429	$ 444	$ 480	$ 459	$ 389	$ 383

Geographic Data

Presented below is selected financial information of our continuing operations by geographic area:

	Revenues*			Property, Plant and Equipment, net**	
(In millions)	2014	2013	2012	January 3, 2015	December 28, 2013
United States	$ 8,677	$ 7,512	$ 7,586	$ 2,015	$ 1,701
Europe	1,761	1,535	1,655	272	288
Latin America and Mexico	1,261	878	893	44	45
Asia and Australia	1,155	1,111	1,264	74	80
Middle East and Africa	641	693	392	—	—
Canada	383	375	447	92	101
Total	$ 13,878	$ 12,104	$ 12,237	$ 2,497	$ 2,215

** Revenues are attributed to countries based on the location of the customer.*

*** Property, plant and equipment, net are based on the location of the asset.*

Quarterly Data

(Unaudited)	2014				2013			
(Dollars in millions, except per share amounts)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenues								
Textron Aviation	$ 785	$ 1,183	$ 1,080	$ 1,520	$ 708	$ 560	$ 593	$ 923
Bell	873	1,119	1,182	1,071	949	1,025	1,162	1,375
Textron Systems	363	282	358	621	429	422	405	409
Industrial	797	894	785	862	727	801	711	773
Finance	29	27	25	22	42	31	33	26
Total revenues	$ 2,847	$ 3,505	$ 3,430	$ 4,096	$ 2,855	$ 2,839	$ 2,904	$ 3,506
Segment profit								
Textron Aviation (a)	$ 14	$ 28	$ 62	$ 130	$ (8)	$ (50)	$ (23)	$ 33
Bell	96	141	146	146	129	135	131	178
Textron Systems	39	34	27	50	38	34	35	40
Industrial	66	94	53	67	57	79	52	54
Finance	4	7	5	5	19	15	13	2
Total segment profit	219	304	293	398	235	213	208	307
Corporate expenses and other, net	(43)	(38)	(22)	(58)	(55)	(20)	(34)	(57)
Interest expense, net for Manufacturing group	(35)	(36)	(37)	(40)	(37)	(30)	(29)	(27)
Acquisition and restructuring costs (b)	(16)	(20)	(3)	(13)	—	—	—	—
Income tax expense	(38)	(65)	(71)	(74)	(28)	(49)	(47)	(52)
Income from continuing operations	87	145	160	213	115	114	98	171
Income (loss) from discontinued operations, net of income taxes	(2)	(1)	(1)	(1)	4	(1)	1	(4)
Net income	$ 85	$ 144	$ 159	$ 212	$ 119	$ 113	$ 99	$ 167
Basic earnings per share								
Continuing operations	$ 0.31	$ 0.52	$ 0.57	$ 0.77	$ 0.42	$ 0.41	$ 0.35	$ 0.60
Discontinued operations	(0.01)	—	—	(0.01)	0.02	(0.01)	—	(0.01)
Basic earnings per share	$ 0.30	$ 0.52	$ 0.57	$ 0.76	$ 0.44	$ 0.40	$ 0.35	$ 0.59
Basic average shares outstanding *(In thousands)*	281,094	280,280	278,860	277,347	273,200	280,163	281,525	282,308
Diluted earnings per share								
Continuing operations	$ 0.31	$ 0.51	$ 0.57	$ 0.76	$ 0.40	$ 0.40	$ 0.35	$ 0.60
Discontinued operations	(0.01)	—	—	—	0.01	—	—	(0.01)
Diluted earnings per share	$ 0.30	$ 0.51	$ 0.57	$ 0.76	$ 0.41	$ 0.40	$ 0.35	$ 0.59
Diluted average shares outstanding *(In thousands)*	283,327	282,764	281,030	279,771	288,978	283,824	281,710	282,707
Segment profit margins								
Textron Aviation	1.8%	2.4%	5.7%	8.6%	(1.1)%	(8.9)%	(3.9)%	3.6%
Bell	11.0	12.6	12.4	13.6	13.6	13.2	11.3	12.9
Textron Systems	10.7	12.1	7.5	8.1	8.9	8.1	8.6	9.8
Industrial	8.3	10.5	6.8	7.8	7.8	9.9	7.3	7.0
Finance	13.8	25.9	20.0	22.7	45.2	48.4	39.4	7.7
Segment profit margin	7.7%	8.7%	8.5%	9.7%	8.2%	7.5%	7.2%	8.8%
Common stock information								
Price range: High	$ 40.18	$ 40.93	$ 39.03	$ 44.23	$ 31.30	$ 30.22	$ 29.81	$ 37.43
Low	$ 34.28	$ 36.96	$ 35.54	$ 32.28	$ 23.94	$ 24.87	$ 25.36	$ 26.17
Dividends declared per share	$ 0.02	$ 0.02	$ 0.02	$ 0.02	$ 0.02	$ 0.02	$ 0.02	$ 0.02

(a) *Includes amortization of $12 million, $33 million, $10 million and $8 million for the first, second, third and fourth quarters of 2014, respectively, related to fair value step-up adjustments of Beechcraft acquired inventories sold during the periods. The second quarter of 2013 includes $28 million in severance costs.*

(b) Acquisition and restructuring costs include restructuring costs of $5 million, $20 million, $3 million and $13 million for the first, second, third and fourth quarters of 2014, respectively, related to the acquisition of Beech Holdings, LLC, the parent of Beechcraft Corporation, which was completed on March 14, 2014. Transaction costs of $11 million related to the Beechcraft acquisition are also included in the first quarter of 2014.

Schedule II — Valuation and Qualifying Accounts

(In millions)	2014	2013	2012
Allowance for doubtful accounts			
Balance at beginning of year	$ 22	$ 19	$ 18
Charged to costs and expenses	11	7	4
Deductions from reserves*	(3)	(4)	(3)
Balance at end of year	$ 30	$ 22	$ 19
Inventory FIFO reserves			
Balance at beginning of year	$ 150	$ 136	$ 134
Charged to costs and expenses	51	54	42
Deductions from reserves*	(32)	(40)	(40)
Balance at end of year	$ 169	$ 150	$ 136

* *Deductions primarily include amounts written off on uncollectable accounts (less recoveries), inventory disposals and currency translation adjustments.*

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures — We have carried out an evaluation, under the supervision and with the participation of our management, including our Chairman, President and Chief Executive Officer (CEO) and our Executive Vice President and Chief Financial Officer (CFO), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Act")) as of the end of the fiscal year covered by this report. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures are effective in providing reasonable assurance that (a) the information required to be disclosed by us in the reports that we file or submit under the Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (b) such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Report of Management — See page 38.

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting — See page 39.

Changes in Internal Controls — There have been no changes in our internal control over financial reporting during the fourth quarter of the fiscal year covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Effective February 25, 2015, the Board of Directors amended the Company's Amended and Restated By-Laws by adding a forum selection provision as a new Article XV of the By-Laws. The Amendment provides that, unless the Company consents in writing to the selection of an alternative forum, the Delaware Court of Chancery will be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director or officer or other employee of the Company to the Company or its stockholders, (iii) any action asserting a claim against the Company or any director or officer or other employee of the Company arising pursuant to any provision of the Delaware General Corporation Law or the Company's Certificate of Incorporation or By-Laws, or (iv) any action asserting a claim governed by the internal affairs doctrine.

The Amendment is designed to save the Company and its stockholders from the increased expense of defending against duplicative litigation brought in multiple courts, and also to provide that claims involving Delaware law are decided by Delaware courts.

The foregoing description of the Amendment does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Amendment, which is set forth as Article XV to the Company's Amended and Restated By-Laws which are filed as Exhibit 3.2 to this Annual Report on Form 10-K.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information appearing under "ELECTION OF DIRECTORS— Nominees for Director," "—The Board of Directors— *Corporate Governance* ," "—The Board of Directors— *Code of Ethics* ," "–Board Committees— *Audit Committee* ," and "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE" in the Proxy Statement for our Annual Meeting of Shareholders to be held on April 22, 2015 is incorporated by reference into this Annual Report on Form 10-K.

Information regarding our executive officers is contained in Part I of this Annual Report on Form 10-K.

Item 11. Executive Compensation

The information appearing under "ELECTION OF DIRECTORS — The Board of Directors-- *Compensation of Directors* ," "ELECTION OF DIRECTORS — Board Committees-- *Compensation Committee Interlocks and Insider Participation* ,"

"COMPENSATION COMMITTEE REPORT," "COMPENSATION DISCUSSION AND ANALYSIS" and "EXECUTIVE COMPENSATION" in the Proxy Statement for our Annual Meeting of Shareholders to be held on April 22, 2015 is incorporated by reference into this Annual Report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information appearing under "SECURITY OWNERSHIP" and "EXECUTIVE COMPENSATION – Equity Compensation Plan Information" in the Proxy Statement for our Annual Meeting of Shareholders to be held on April 22, 2015 is incorporated by reference into this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information appearing under "ELECTION OF DIRECTORS — The Board of Directors-- *Director Independence* " and "EXECUTIVE COMPENSATION — Transactions with Related Persons" in the Proxy Statement for our Annual Meeting of Shareholders to be held on April 22, 2015 is incorporated by reference into this Annual Report on Form 10-K.

Item 14. Principal Accountant Fees and Services

The information appearing under "RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM — Fees to Independent Auditors" in the Proxy Statement for our Annual Meeting of Shareholders to be held on April 22, 2015 is incorporated by reference into this Annual Report on Form 10-K.

PART IV

Item 15. Exhibits and Financial Statement Schedules

Financial Statements and Schedules — See Index on Page 37.

Exhibits

3.1A	Restated Certificate of Incorporation of Textron as filed with the Secretary of State of Delaware on April 29, 2010. Incorporated by reference to Exhibit 3.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended April 3, 2010.
3.1B	Certificate of Amendment of Restated Certificate of Incorporation of Textron Inc., filed with the Secretary of State of Delaware on April 27, 2011. Incorporated by reference to Exhibit 3.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended April 2, 2011.
3.2	Amended and Restated By-Laws of Textron Inc., effective April 28, 2010 and further amended April 27, 2011, July 23, 2013 and February 25, 2015.
4.1	Support Agreement dated as of May 25, 1994, between Textron Inc. and Textron Financial Corporation. Incorporated by reference to Exhibit 4.1 to Textron's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.
NOTE:	Instruments defining the rights of holders of certain issues of long-term debt of Textron have not been filed as exhibits because the authorized principal amount of any one of such issues does not exceed 10% of the total assets of Textron and its subsidiaries on a consolidated basis. Textron agrees to furnish a copy of each such instrument to the Commission upon request.
NOTE:	Exhibits 10.1 through 10.16 below are management contracts or compensatory plans, contracts or agreements.
10.1A	Textron Inc. 2007 Long-Term Incentive Plan (Amended and Restated as of April 28, 2010). Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2012.

10.1B	Form of Non-Qualified Stock Option Agreement. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007. (SEC File No. 001-05480)
10.1C	Form of Incentive Stock Option Agreement. Incorporated by reference to Exhibit 10.3 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007. (SEC File No. 001-05480)
10.1D	Form of Restricted Stock Unit Grant Agreement. Incorporated by reference to Exhibit 10.4 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007. (SEC File No. 001-05480)
10.1E	Form of Restricted Stock Unit Grant Agreement with Dividend Equivalents. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2008. (SEC File No. 001-05480)
10.1F	Form of Cash-Settled Restricted Stock Unit Grant Agreement with Dividend Equivalents. Incorporated by reference to Exhibit 10.1G to Textron's Annual Report on Form 10-K for the fiscal year ended January 3, 2009. (SEC File No. 001-05480)
10.1G	Form of Performance Share Unit Grant Agreement. Incorporated by reference to Exhibit 10.1H to Textron's Annual Report on Form 10-K for the fiscal year ended January 3, 2009. (SEC File No. 001-05480)
10.1H	Form of Non-Qualified Stock Option Agreement. Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2014.
10.1I	Form of Stock-Settled Restricted Stock Unit Grant Agreement with Dividend Equivalents. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2014.
10.1J	Form of Performance Share Unit Grant Agreement. Incorporated by reference to Exhibit 10.3 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2014.
10.2	Textron Inc. Short-Term Incentive Plan (As amended and restated effective January 3, 2010). Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended April 3, 2010.
10.3A	Textron Inc. 1999 Long-Term Incentive Plan for Textron Employees (Amended and Restated Effective April 28, 2010). Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 2010.
10.3B	Form of Non-Qualified Stock Option Agreement. Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 2004. (SEC File No. 001-05480)
10.3C	Form of Incentive Stock Option Agreement. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 2004. (SEC File No. 001-05480)
10.4A	Textron Spillover Savings Plan, effective January 3, 2010, including Appendix A, Defined Contribution Provisions of the Supplemental Benefits Plan for Textron Key Executives (As in effect before January 1, 2008). Incorporated by reference to Exhibit 10.3 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended April 3, 2010.
10.4B	Second Amendment to the Textron Spillover Savings Plan, dated December 21, 2012. Incorporated by reference to Exhibit 10.4B to Textron's Annual Report on Form 10-K for the fiscal year ended December 29, 2012.
10.4C	Third Amendment to the Textron Spillover Savings Plan, dated October 7, 2013. Incorporated by reference to Exhibit 10.4C to Textron's Annual Report on Form 10-K for the fiscal year ended December 28, 2013.
10.5A	Textron Spillover Pension Plan, As Amended and Restated Effective January 3, 2010, including Appendix A (as amended and restated effective January 3, 2010), Defined Benefit Provisions of the Supplemental

	Benefits Plan for Textron Key Executives (As in effect before January 1, 2007). Incorporated by reference to Exhibit 10.4 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended April 3, 2010.
10.5B	Amendments to the Textron Spillover Pension Plan, dated October 12, 2011. Incorporated by reference to Exhibit 10.5B to Textron's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.
10.5C	Second Amendment to the Textron Spillover Pension Plan, dated October 7, 2013. Incorporated by reference to Exhibit 10.5C to Textron's Annual Report on Form 10-K for the fiscal year ended December 28, 2013.
10.6A	Deferred Income Plan for Textron Executives, Effective January 3, 2010, including Appendix A, Provisions of the Deferred Income Plan for Textron Key Executives (As in effect before January 1, 2008). Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended April 3, 2010.
10.6B	First Amendment to the Deferred Income Plan for Textron Executives, dated November 7, 2013. Incorporated by reference to Exhibit 10.6B to Textron's Annual Report on Form 10-K for the fiscal year ended December 28, 2013.
10.6C	Second Amendment to the Deferred Income Plan for Textron Executives, dated March 24, 2014. Incorporated by reference to Exhibit 10.4 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2014.
10.6D	Third Amendment to the Deferred Income Plan for Textron Executives, dated December 12, 2014.
10.7A	Deferred Income Plan for Non-Employee Directors, As Amended and Restated Effective January 1, 2009, including Appendix A, Prior Plan Provisions (As in effect before January 1, 2008). Incorporated by reference to Exhibit 10.9 to Textron's Annual Report on Form 10-K for the fiscal year ended January 3, 2009. (SEC File No. 001-05480)
10.7B	Amendment No. 1 to Deferred Income Plan for Non-Employee Directors, as Amended and Restated Effective January 1, 2009, dated as of November 6, 2012. Incorporated by reference to Exhibit 10.8B to Textron's Annual Report on Form 10-K for the fiscal year ended December 29, 2012.
10.8A	Severance Plan for Textron Key Executives, As Amended and Restated Effective January 1, 2010. Incorporated by reference to Exhibit 10.10 to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 2010. (SEC File No. 001-05480)
10.8B	First Amendment to the Severance Plan for Textron Key Executives, dated October 26, 2010. Incorporated by reference to Exhibit 10.10B to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2011.
10.8C	Second Amendment to the Severance Plan for Textron Key Executives, dated March 24, 2014. Incorporated by reference to Exhibit 10.5 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2014.
10.9	Form of Indemnity Agreement between Textron and its executive officers. Incorporated by reference to Exhibit A to Textron's Proxy Statement for its Annual Meeting of Shareholders on April 29, 1987. (SEC File No. 001-05480)
10.10	Form of Indemnity Agreement between Textron and its non-employee directors (approved by the Nominating and Corporate Governance Committee of the Board of Directors on July 21, 2009 and entered into with all non-employee directors, effective as of August 1, 2009). Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 2009. (SEC File No. 001-05480)
10.11A	Letter Agreement between Textron and Scott C. Donnelly, dated June 26, 2008. Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended June 28, 2008. (SEC File No. 001-05480)

10.11B	Amendment to Letter Agreement between Textron and Scott C. Donnelly, dated December 16, 2008, together with Addendum No.1 thereto, dated December 23, 2008. Incorporated by reference to Exhibit 10.15B to Textron's Annual Report on Form 10-K for the fiscal year ended January 3, 2009. (SEC File No. 001-05480)
10.11C	Agreement between Textron and Scott C. Donnelly, dated May 1, 2009, related to Mr. Donnelly's personal use of a portion of hangar space at T.F. Green Airport which is leased by Textron. Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 4, 2009. (SEC File No. 001-05480)
10.11D	Hangar License and Services Agreement made and entered into on April 25, 2011 to be effective as of December 5, 2010, between Textron Inc. and Mr. Donnelly's limited liability company. Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended April 2, 2011.
10.12A	Letter Agreement between Textron and Frank Connor, dated July 27, 2009. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 2009. (SEC File No. 001-05480)
10.12B	Hangar License and Services Agreement made and entered into on April 25, 2011 to be effective as of December 5, 2010, between Textron Inc. and Mr. Connor's limited liability company. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended April 2, 2011.
10.13	Letter Agreement between Textron and Cheryl H. Johnson, dated June 12, 2012. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2012.
10.14A	Letter Agreement between Textron and E. Robert Lupone, dated December 22, 2011. Incorporated by reference to Exhibit 10.17 to Textron's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.
10.14B	Amendment to letter agreement between Textron and E. Robert Lupone, dated July 27, 2012. Incorporated by reference to Exhibit 10.5 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended September 29, 2012.
10.15	Director Compensation. Incorporated by reference to Exhibit 10.21 to Textron's Annual Report on Form 10-K for the fiscal year ended December 29, 2007. (SEC File No. 001-05480)
10.16	Form of Aircraft Time Sharing Agreement between Textron and its executive officers. Incorporated by reference to Exhibit 10.3 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended September 27, 2008. (SEC File No. 001-05480)
10.17	Credit Agreement, dated as of October 4, 2013, among Textron, the Lenders listed therein, JPMorgan Chase Bank, N.A., as Administrative Agent, Citibank, N.A. and Bank of America, N.A., as Syndication Agents, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Documentation Agent. Incorporated by reference to Exhibit 10.1 to Textron's Current Report on Form 8-K filed on October 4, 2013.
10.18A	Master Services Agreement between Textron Inc. and Computer Sciences Corporation dated October 27, 2004. Incorporated by reference to Exhibit 10.26 to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2005. * (SEC File No. 001-05480)
10.18B	Amendment No. 4 to Master Services Agreement between Textron Inc. and Computer Sciences Corporation, dated July 1, 2007. Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended September 29, 2007. (SEC File No. 001-05480)
10.18C	Amendment No. 5 to Master Services Agreement between Textron Inc. and Computer Sciences Corporation, dated as of March 13, 2008. * Incorporated by reference to Exhibit 10.22C to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2011.

10.18D	Amendment No. 6 to Master Services Agreement between Textron Inc. and Computer Sciences Corporation, dated as of June 17, 2009. Incorporated by reference to Exhibit 10.22D to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2011.
10.18E	Amendment No. 7 to Master Services Agreement between Textron Inc. and Computer Sciences Corporation, dated as of September 30, 2010. * Incorporated by reference to Exhibit 10.22E to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2011.
10.19	Agreement and Plan of Merger among Beech Holdings, LLC, Sky Intermediate Merger Sub, LLC, Textron Inc. and Textron Acquisition LLC, dated as of December 26, 2013. Incorporated by reference to Exhibit 10.19 to Textron's Annual Report on Form 10-K for the fiscal year ended December 28, 2013.
10.20	Term Credit Agreement, dated as of January 24, 2014 Among Textron, JPMorgan Chase Bank, N.A., as administrative agent, Citibank, N.A. and Bank of America, N.A., as syndication agents, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as documentation agent, and other lenders named therein. Incorporated by reference to Exhibit 10.20 to Textron's Annual Report on Form 10-K for the fiscal year ended December 28, 2013.
12.1	Computation of ratio of income to fixed charges of Textron Inc.'s Manufacturing group.
12.2	Computation of ratio of income to fixed charges of Textron Inc., including all majority-owned subsidiaries.
21	Certain subsidiaries of Textron. Other subsidiaries, which considered in the aggregate do not constitute a significant subsidiary, are omitted from such list.
23	Consent of Independent Registered Public Accounting Firm.
24	Power of attorney.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from Textron Inc.'s Annual Report on Form 10-K for the year ended January 3, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Shareholders' Equity, (v) the Consolidated Statements of Cash Flows, (vi) the Notes to the Consolidated Financial Statements, and (vii) Schedule II – Valuation and Qualifying Accounts.

* Confidential Treatment has been requested for portions of this document.

Signatures

Pursuant to the requirement of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on this 25th day of February 2015.

TEXTRON INC.
Registrant

By: /s/ Frank T. Connor
Frank T. Connor
Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below on this 25th day of February 2015 by the following persons on behalf of the registrant and in the capacities indicated:

Name	Title
/s/ Scott C. Donnelly Scott C. Donnelly	Chairman, President and Chief Executive Officer (principal executive officer)
* Kathleen M. Bader	Director
* R. Kerry Clark	Director
* James T. Conway	Director
* Ivor J. Evans	Director
* Lawrence K. Fish	Director
* Paul E. Gagné	Director
* Dain M. Hancock	Director
* Lord Powell of Bayswater KCMG	Director
* Lloyd G. Trotter	Director
* James L. Ziemer	Director
/s/ Frank T. Connor Frank T. Connor	Executive Vice President and Chief Financial Officer (principal financial officer)
/s/ Mark S. Bamford Mark S. Bamford	Vice President and Corporate Controller (principal accounting officer)

*By: /s/ Jayne M. Donegan
Jayne M. Donegan, Attorney-in-fact

Exhibit 3.2

TEXTRON INC.
(a Delaware corporation)

AMENDED AND RESTATED BY-LAWS

Effective April 28, 2010 and

Further Amended April 27, 2011, July 23, 2013 and February 25, 2015

ARTICLE I.

Offices.

Section 1.01. *Registered Office.* The registered office of the Corporation in the State of Delaware shall be at No. 1209 Orange Street, City of Wilmington, County of New Castle. The name of the resident agent in charge thereof shall be The Corporation Trust Company.

Section 1.02. *Other Offices.* The Corporation may also have an office or offices in the City of Providence, State of Rhode Island, and at such other place or places either within or without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation require.

ARTICLE II.

Meetings of Stockholders.

Section 2.01. *Place of Meetings.* All meetings of the stockholders of the Corporation shall be held at such place either within or without the State of Delaware as shall be fixed by the Board of Directors and specified in the respective notices or waivers of notice of said meetings.

Section 2.02. *Annual Meetings.* (a) The annual meeting of the stockholders for the election of directors and for the transaction of such other business as properly may come before the meeting shall be held on such day, at such time and in such place (either within or without the State of Delaware) as shall be fixed by the Board of Directors.

(b) If the election of directors shall not be held on the day fixed by the Board of Directors for any annual meeting, or on the day of any adjourned session thereof, the Board of Directors shall cause the election to be held at a special meeting as soon thereafter as conveniently may be. At such special meeting the stockholders may elect the directors and transact other business with the same force and effect as at an annual meeting duly called and held.

Section 2.03. *Special Meetings.* (a) A special meeting of the stockholders for any purpose or purposes proper under applicable law may be called at any time by (i) the Chief Executive Officer, (ii) the Board of Directors or (iii) the Secretary of the Corporation at the written request of one or more holders of record of the Corporation that have owned continuously for a period of at least one year at least twenty-five percent (25%) (the “Requisite Percent”) of the outstanding shares of common stock of the Corporation, provided a special meeting called at the request of one or more stockholders (a “Stockholder Requested Special Meeting”) shall be called by the Secretary of the Corporation only if such request complies with Sections 2.03(b) hereof. The business which may be transacted at a special meeting is limited to that set forth in the notice of special meeting and, if the notice so provides, such other matters as the Chief Executive Officer or the Board of Directors may bring before the meeting.

(b) (1) In order for a Stockholder Requested Special Meeting to be called by the Secretary, one or more written requests for a special meeting (individually or collectively, a “Special Meeting Request”) signed and dated by the stockholders of record that own the Requisite Percent of common stock of the Corporation (or their duly authorized agents), must be delivered to the Secretary at the principal executive offices of the Corporation and must set forth:

(i) as to each stockholder of the Corporation signing such request (or on whose behalf such request is signed) and the beneficial owner (s), if any, on whose behalf such request is made, the information required under Section 2.04(c)(iii), (iv) and (v) of these By-Laws, and an affidavit by each such person stating the number of shares of common stock of the Corporation that it has owned for at least one year as of such date;

(ii) in the case of any director nominations proposed to be presented at such Stockholder Requested Special Meeting, the information required by Section 2.04(c)(i);

(iii) in the case of any matter (other than a director nomination) proposed to be conducted at such Stockholder Requested Special Meeting, the information required by Section 2.04(c)(ii); and

(iv) an acknowledgement by the requesting stockholders and the beneficial owners, if any, on whose behalf the Special Meeting Request is being made that such Special Meeting Request shall be deemed to be revoked (and any meeting scheduled in response may be cancelled) if such requesting stockholders do not own at least the Requisite Percent at all times between the date on which such Special Meeting Request is delivered and the date of the applicable Stockholder Requested Special Meeting and an agreement by such stockholder(s) to notify the Corporation immediately in the case of any disposition of shares of common stock of the Corporation resulting in such revocation.

One or more written requests for a special meeting delivered to the Secretary shall constitute a valid Special Meeting Request only if each such written request satisfies the requirements set forth above and has been dated and delivered to the Secretary within sixty days of the earliest dated of such requests. If the record holder is not the signatory to the Special Meeting Request, such Special Meeting Request will not be valid unless documentary evidence is supplied to the Secretary at the time of delivery of such Special Meeting Request (or within ten business days thereafter) of such signatory's authority to execute the Special Meeting Request on behalf of the record holder. Any requesting stockholder may revoke his, her or its Special Meeting Request at any time by written revocation delivered to the Secretary at the principal executive offices of the Corporation; provided, however, that if following such revocation (or any deemed revocation pursuant to clause (iv) above), the unrevoked valid Special Meeting Requests represent in the aggregate less than the Requisite Percent, there shall be no requirement to hold a special meeting. The determination of the validity of a Special Meeting Request shall be made in good faith by the Board of Directors, which determination shall be conclusive and binding on the Corporation and the stockholders and the date of such determination is referred to herein as the "Request Receipt Date".

(2) A Special Meeting Request shall not be valid if:

(i) the Special Meeting Request relates to an item of business that is not a proper subject for stockholder action under, or involves a violation of, applicable law;

(ii) the Request Receipt Date occurs during the period commencing ninety days prior to the first anniversary of the date of the most recent annual meeting of stockholders and ending on the date of the next annual meeting of stockholders;

(iii) the purpose specified in the Special Meeting Request relates to an item of business (other than the election of directors) that is identical or substantially similar (as determined in good faith by the Board of Directors, a "Similar Item") to an item of business that was presented at any meeting of stockholders held within the twelve months prior to the Request Receipt Date; or

(iv) a Similar Item is included in the Corporation's notice as an item of business to be brought before a stockholder meeting that has been called or that is called for a date within ninety days of the Request Receipt Date.

(3) Any special meeting of stockholders shall be held at such date and time as may be fixed by the Board of Directors in accordance with these By-Laws and in compliance with the Delaware General Corporation Law; provided, however, that a Stockholder Requested Special Meeting shall be called for a date not more than ninety days after the Request Receipt Date unless a later date is required in order to allow the Corporation to file the information required under Schedule 14A under the Securities Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder (the "Exchange Act"), if applicable.

(4) Business transacted at any Stockholder Requested Special Meeting shall be limited to (i) the purpose(s) stated in the valid Special Meeting Request(s) received from the Requisite Percent of record holders and (ii) any

additional matters that the Board of Directors determines to include in the Corporation's notice of the meeting. If none of the stockholders who submitted the Special Meeting Request appears or sends a qualified representative to present the matters to be presented for consideration that were specified in the Stockholder Meeting Request, the Corporation need not present such matters for a vote at such meeting, notwithstanding that proxies in respect of such matter may have been received by the Corporation.

Section 2.04. *Notice of Stockholder Nominations and Other Business.* (a) In order to assure that stockholders and the Corporation have a reasonable opportunity to consider nominations and other business proposed to be brought before a meeting of stockholders and to allow for full information to be distributed to stockholders, at any annual meeting or special meeting of the stockholders only such nominations may be made and only such business shall be conducted as shall have been brought before the meeting pursuant to this Section 2.04 of these Amended and Restated By-Laws ("By-Laws"). Nominations of persons for election to the Board of Directors may be made at an annual meeting of stockholders, a special meeting held in lieu of an annual meeting pursuant to Section 2.02(b), or a special meeting of stockholders at which directors are to be elected that is called by the Chief Executive Officer or by order of the Board of Directors pursuant to Section 2.03, (i) by or at the direction of the Board of Directors or any nominating committee appointed by the Board of Directors or (ii) by any stockholder of the Corporation who shall have been a stockholder of record of the Corporation at the time the notice provided for in this Section 2.04 is delivered to the Corporation, who is entitled to vote at the meeting and who timely complies with the notice procedures set forth in this Section 2.04. Except as otherwise provided by statute, the Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation") or these By-Laws, the only business (other than the nominations of persons for election to the Board of Directors in accordance with the foregoing sentence) which shall be conducted at any annual meeting of the stockholders or special meeting in lieu thereof called pursuant to Section 2.02(b) of these By-Laws shall be that business brought before the meeting (i) by or at the direction of the Board of Directors or the chairman of the meeting or (ii) by any stockholder of the Corporation who shall have been a stockholder of record of the Corporation at the time the notice provided for in this Section 2.04 is delivered to the Corporation, who is entitled to vote at the meeting and who timely complies with the notice procedures set forth in this Section 2.04, and such other business must be a proper subject for stockholder action under the Delaware General Corporation Law.

(b) To be timely in the case of an annual meeting, the stockholder's notice provided for in this Section 2.04 must be received at the principal executive offices of the Corporation not later than the close of business on the 90th day nor earlier than the close of business on the 150th day prior to the anniversary date of the immediately preceding annual meeting of stockholders, provided, however, that in the event the annual meeting is called for a date that is more than 30 days before or more than 60 days after such anniversary date, such notice must be so received not later than the close of business on the 90th day before the date of such annual meeting or the 10th day following the day on which public disclosure of the date of the annual meeting was first made, whichever occurs later. To be timely in the case of a special meeting (including a special meeting held in lieu of an annual meeting) that is called for a date that is more than 30 days before or more than 60 days after the anniversary date of the immediately preceding annual meeting of stockholders, such notice must be received at the principal executive offices of the Corporation not later than the close of business on the 90th day before the date of such special meeting or the 10th day following the day on which public disclosure of the date of the special meeting was first made, whichever occurs later, and otherwise must be received at the principal executive offices of the Corporation not later than the close of business on the date by which a notice must be received with respect to the annual meeting. In no event shall the public announcement of a postponement or adjournment of an annual meeting or a special meeting commence a new period for the giving of a stockholder's notice as described above.

(c) The stockholder's notice provided for in this Section 2.04 shall be addressed and delivered to the Secretary and shall set forth:

(i) as to each person whom the stockholder proposes to nominate for election or reelection as a director (A) the name, age, business address and residence address of the person; (B) the principal occupation or employment of the person; (C) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person; and (D) any other information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Regulation 14A under the Securities Exchange Act of 1934 (the "Exchange Act");

(ii) as to any business (other than the nominations of persons for election to the Board of Directors) that the stockholder proposes to bring before the meeting (A) a description of each item of business proposed to be brought before the meeting; (B) the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these By-Laws, the language of the proposed amendment); (C) the reasons for conducting such business at the meeting; and (D) any material interest in such business of such stockholder and the beneficial owner (within the meaning of Section 13(d) of the Exchange Act), if any, on whose behalf the business is being proposed, including any benefit that such person would derive therefrom;

(iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or other business is being proposed (A) the name and address of the stockholder as they appear on the Corporation's books and the name and address of the beneficial owner; (B) the class or series and number of shares of stock of the Corporation held of record by such stockholder and such beneficial owner as of the date of such notice by the stockholder, and a representation that the stockholder will notify the Corporation in writing within five business days after the record date for the meeting of the class or series and number of shares of stock of the Corporation owned of record by the stockholder and such beneficial owner as of the record date for the meeting; and (C) a representation that such stockholder intends to appear in person or by proxy at the meeting to propose such nomination or other business; and

(iv) as to the stockholder giving the notice or, if the notice is given on behalf of a beneficial owner on whose behalf the nomination or other business is being proposed, as to such beneficial owner (A) the class or series and number of shares of stock of the Corporation which are beneficially owned by such stockholder or beneficial owner as of the date of the notice, and a representation that the stockholder will notify the Corporation in writing within five business days after the record date for the meeting of the class or series and number of shares of stock of the Corporation beneficially owned by such stockholder or beneficial owner as of the record date for the meeting; (B) a description of any agreement, arrangement or understanding with respect to such nomination or other business between or among such stockholder or beneficial owner and any other person or persons (naming such persons), including without limitation any agreements that would be required to be disclosed pursuant to Item 5 or Item 6 of Exchange Act Schedule 13D (regardless of whether the requirement to file a Schedule 13D is applicable to the stockholder or beneficial owner) and a representation that the stockholder will notify the Corporation in writing within five business days after the record date for the meeting of any such agreement, arrangement or understanding in effect as of the record date for the meeting; (C) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, swaps, hedging transactions, and borrowed or loaned shares) that has been entered into and is in existence as of the date of the stockholder's notice by, or on behalf of, such stockholder or beneficial owner, the effect or intent of which is to mitigate loss, manage risk or benefit from changes in the share price of any class of the Corporation's capital stock, or increase or decrease the voting power of the stockholder or beneficial owner with respect to shares of stock of the Corporation or pursuant to which such stockholder or beneficial owner has a right to vote any stock of the Corporation, and a representation that the stockholder will notify the Corporation in writing within five business days after the record date for the meeting of any such agreement, arrangement or understanding in effect as of the record date for the meeting; (D) a representation as to whether the stockholder or the beneficial owner will engage in a solicitation with respect to such nomination or proposal and, if so, the name of each participant (as defined in Item 4 of Schedule 14A under the Exchange Act) in such solicitation and whether such person intends or is part of a group that intends to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the business to be proposed (in person or by proxy) by the stockholder; and (E) all other information which would be required to be included in a proxy statement filed with the Securities and Exchange Commission if, with respect to any such item of business, such stockholder or beneficial owner were a participant in a solicitation subject to Section 14 of the Securities Exchange Act; and

(v) as to the stockholder giving the notice and the beneficial owners, if any, on whose behalf the nomination or other business is being proposed, such stockholder's and beneficial owner's written consent to the public disclosure of information provided pursuant to paragraph (c) of this Section 2.04.

In the case of nominations, such notice must be accompanied by the written consent of each proposed nominee to being named as a nominee and to serve as a director of the Corporation if so elected. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation including information relevant to a determination whether such proposed nominee can be considered an independent director.

(d) The foregoing notice requirements of this Section 2.04 shall not apply to a stockholder if the stockholder has notified the Corporation of his or her intention to present a stockholder proposal at an annual meeting only pursuant to and in compliance with Rule 14a-8 under the Exchange Act and such stockholder proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such meeting.

(e) The Chairman of the Board of Directors may, if the facts warrant, determine that a notice received by the Corporation relating to a nomination proposed to be made or an item of business proposed to be introduced at a meeting of stockholders does not satisfy the requirements of this Section 2.04 (including if the stockholder does not provide the information and representations required under Section 2.04(c)(iii)(B) and 2.04(c)(iv)(A)-(C) to the Corporation within five business days following the record date for the meeting), and if it be so determined, shall so declare and any such nomination or other business shall not be introduced at such meeting of stockholders, notwithstanding that proxies in respect of such matters may have been received. The chairman of a meeting of stockholders may, if the facts warrant, determine that a nomination proposed to be made or an item of business proposed to be introduced at such meeting was not properly brought before the meeting in accordance with the foregoing procedures (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's nominee or proposal in compliance with such stockholder's representation as required by Section 2.04(c)(iv), and if it be so determined, the chairman of the meeting shall so declare to the meeting and that nomination or other business shall be disregarded. Notwithstanding the foregoing provisions of this Section 2.04, unless otherwise required by law, if the stockholder does not appear in person or by proxy at the meeting to present the nomination or proposed business, such nomination or other business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

(f) Notwithstanding the foregoing provisions of this Section 2.04, a stockholder in addition shall comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 2.04.

Section 2.05. *Notice of Meetings*. (a) Except as otherwise required by statute, notice of each annual or special meeting of the stockholders shall be given to each stockholder of record entitled to vote at such meeting not less than ten days nor more than sixty days before the day on which the meeting is to be held by delivering written notice thereof to such stockholder personally or by mailing such notice, postage prepaid, addressed to such stockholder at the stockholder's post-office address last shown in the records of the Corporation or by transmitting notice thereof to such stockholder by any other available method. Every such notice shall state the time and place of the meeting and, in case of a special meeting, shall state briefly the purposes thereof.

(b) Except as otherwise required by statute, notice of any meeting of stockholders shall not be required to be given to any stockholders who shall attend such meeting in person or by proxy or who shall waive such notice in writing or by electronic transmission either before or after such meeting. Notice of any adjourned meeting of the stockholders shall not be required to be given except when expressly required by statute.

Section 2.06. *Quorum*. (a) At each meeting of the stockholders, except as otherwise provided by statute, the Certificate of Incorporation or these By-Laws, the holders of record of a majority of the issued and outstanding shares of stock of the Corporation entitled to vote at such meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business.

(b) In the absence of a quorum a majority in interest of the stockholders of the Corporation entitled to vote, present in person or represented by proxy or, in the absence of all such stockholders, any officer entitled to preside at, or act as secretary of, such meeting, shall have the power to adjourn the meeting from time to time, until stockholders holding the requisite amount of stock shall be present or represented. At any such adjourned meeting at which a quorum shall be present any business may be transacted which might have been transacted at the meeting as originally called.

Section 2.07. *Organization.* At each meeting of the stockholders the Chairman of the Board or, in his or her absence, the Chief Executive Officer or, in the absence of the Chairman of the Board and the Chief Executive Officer, the Lead Director or, in the absence of the Chairman of the Board, the Chief Executive Officer and the Lead Director, the Vice Chairman of the Board or, in the absence of the Chairman of the Board, the Chief Executive

Officer, the Lead Director and the Vice Chairman of the Board, the President or any Vice President or, in the absence of all such officers, a chairman chosen by a majority vote of the stockholders entitled to vote thereat, present in person or by proxy, shall act as chairman, and the Secretary or an Assistant Secretary of the Corporation or, in the absence of the Secretary and all Assistant Secretaries, a person whom the chairman of such meeting shall appoint shall act as secretary of the meeting and keep the minutes thereof.

Section 2.08. *Voting.* (a) Except as otherwise provided by statute, the Certificate of Incorporation or these By-Laws, at every meeting of the stockholders each stockholder shall be entitled to one vote, in person or by proxy, for each share of capital stock of the Corporation registered in such stockholder's name on the books of the Corporation:

(i) on the date fixed pursuant to Section 8.03 of these By-Laws as the record date for the determination of stockholders entitled to vote at such meeting; or

(ii) if no such record date shall have been fixed, then the record date shall be at the close of business on the day next preceding the day on which notice of such meeting is given.

(b) Persons holding stock in a fiduciary capacity shall be entitled to vote the shares so held. In the case of stock held jointly by two or more executors, administrators, guardians, conservators, trustees or other fiduciaries, such fiduciaries may designate in writing one or more of their number to represent such stock and vote the shares so held, unless there is a provision to the contrary in the instrument, if any, defining their powers and duties. (c) Persons whose stock is pledged shall be entitled to vote thereon until such stock is transferred on the books of the Corporation to the pledgee, and thereafter only the pledgee shall be entitled to vote. (d) Any stockholder entitled to vote may do so in person or by such stockholder's proxy appointed by an instrument in writing subscribed by such stockholder or by such stockholder's attorney thereunto authorized, or by a telegram, cable or any other available method delivered to the secretary of the meeting; provided, however, that no proxy shall be voted after three years from its date, unless said proxy provides for a longer period. (e) At all meetings of the stockholders, all matters (except as otherwise provided by statute, the Certificate of Incorporation or these By-Laws) shall be decided by the vote of a majority in interest of the stockholders entitled to vote thereon, present in person or by proxy, at such meeting, a quorum being present.

Section 2.09. *Voting Procedures and Inspectors of Elections.* (a) The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. (b) The inspectors shall (i) ascertain the number of shares outstanding and the voting power of each, (ii) determine the shares represented at a meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors. (c) The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting. No ballot, proxies or votes, nor any revocations thereof or changes thereto, shall be accepted by the inspectors after the closing of the polls unless the Delaware Court of Chancery upon application by a stockholder shall determine otherwise.

Section 2.10. *List of Stockholders.* (a) It shall be the duty of the Secretary or other officer of the Corporation who shall have charge of its stock ledger to prepare and make, or cause to be prepared and made, at least ten days before every meeting of the stockholders, a complete list of the stockholders entitled to vote thereat, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open during ordinary business hours to the examination of any stockholder for any purpose germane to the meeting for a period of at least ten days prior to the meeting, either on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or during ordinary business hours at the principal place of business of the Corporation. (b) Such list shall be produced and kept at the time and place of the meeting during the whole time thereof and may be

inspected by any stockholder who is present. (c) Upon the willful neglect or refusal of the directors to produce such list at any meeting for the election of directors they shall be ineligible for election to any office at such meeting. (d) The stock ledger shall be conclusive evidence as to who are the stockholders entitled to examine the stock ledger and the list of stockholders required by this Section 2.10 on the books of the Corporation or to vote in person or by proxy at any meeting of stockholders.

ARTICLE III.

Board of Directors.

Section 3.01. *General Powers.* The business, property and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

Section 3.02. *Number, Qualifications and Term of Office.* (a) The number of directors of the Corporation which shall constitute the whole Board of Directors shall be such number as from time to time shall be fixed by the Board of Directors in accordance with the Certificate of Incorporation. (b) No person shall be elected a director who has attained the age of 75. (c) Each director shall hold office as set forth in the Certificate of Incorporation.

Section 3.03. *Election.* At each meeting of the stockholders for the election of directors at which a quorum is present, each director shall be elected by the vote of the majority of the votes cast; provided, that if the number of nominees exceeds the number of directors to be elected, based on nominations expected as of the record date for such meeting to be made by or at the direction of the Board of Directors or to be brought before the meeting by a stockholder who has given notice thereof or otherwise, the directors, not exceeding the authorized number of directors as fixed by the Board of Directors in accordance with the Certificate of Incorporation, receiving the greatest number of votes of the stockholders entitled to vote thereon, present in person or by proxy, shall be the directors for the term as set forth in the Certificate of Incorporation. For purposes of this Section 3.03, a majority of the votes cast means that the number of shares voted “for” a director must exceed the number of shares voted “against” that director. The Nominating and Corporate Governance Committee (or comparable committee of the Board) shall establish procedures under which any director who is not elected shall offer to tender his or her resignation to the Board and under which such committee and the Board shall consider and determine whether to accept or reject the resignation. If, for any cause, the Board of Directors shall not have been elected at an annual meeting, they may be elected thereafter at a special meeting of the stockholders called for that purpose in the manner provided in these By-Laws.

Section 3.04. *Quorum and Manner of Acting.* (a) Except as otherwise provided by statute, the Certificate of Incorporation or these By-Laws, a majority of the directors at the time in office shall constitute a quorum for the transaction of business at any meeting and the affirmative action of a majority of the directors present at any meeting at which a quorum is present shall be required for the taking of any action by the Board of Directors. (b) If one or more of the directors shall be disqualified to vote at such meeting, then the required quorum shall be reduced by one for each such director so disqualified; provided, however, that in no event shall the quorum as adjusted be less than one third of the total number of directors. (c) In the absence of a quorum at any meeting of the Board such meeting need not be held, or a majority of the directors present thereat or, if no director be present, the Secretary may adjourn such meeting from time to time until a quorum shall be present. Notice of any adjourned meeting need not be given. (d) From time to time, the independent directors may elect, from among their number, a Lead Director who shall perform such duties as shall be assigned to him or her by the Board of Directors.

Section 3.05. *Offices, Place of Meeting and Records.* The Board of Directors may hold meetings, have an office or offices and keep the books and records of the Corporation at such place or places within or without the State of Delaware as the Board may from time to time determine. The place of meeting shall be specified or fixed in the respective notices or waivers of notice thereof, except as otherwise provided by statute, the Certificate of Incorporation or these By-Laws.

Section 3.06. *Annual Meeting.* The Board of Directors shall meet for the purpose of organization, the election of officers and the transaction of other business, as soon as practicable following each annual election of directors.

Such meeting shall be called and held at the place and time specified in the notice or waiver of notice thereof as in the case of a special meeting of the Board of Directors.

Section 3.07. *Regular Meetings.* Regular meetings of the Board of Directors shall be held at such places and at such times as the Board shall from time to time by resolution determine. If any day fixed for a regular meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting which would otherwise be held on that day shall be held at said place at the same hour on the next succeeding business day. Notice of regular meetings need not be given.

Section 3.08. *Special Meetings; Notice.* Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board, the Lead Director or the Chief Executive Officer or by any two of the directors. Notice of each such meeting shall be mailed to each director, addressed to him or her at his or her residence or usual place of business, at least three days before the day on which the meeting is to be held, or shall be sent to him or her at his or her residence or at such place of business by other available means, or shall be delivered personally, by telephone or by electronic transmission, not later than two days (or such shorter period as the person or persons calling such meeting may deem necessary or appropriate in the circumstances) before the day on which the meeting is to be held. Each such notice shall state the time and place of the meeting but need not state the purposes thereof except as otherwise herein expressly provided. Notice of any such meeting need not be given to any director, however, if waived by him or her in writing or otherwise, whether before or after such meeting shall be held, or if he or she shall be present at such meeting.

Section 3.09. *Organization.* At each meeting of the Board of Directors, the Chairman of the Board or, in his or her absence, the Lead Director or, in the absence of each of them, the Chief Executive Officer, if the Chief Executive Officer is then serving on the Board, or, in the absence of each of them, the Vice Chairman of the Board or, in the absence of all such officers, a director chosen by a majority of the directors present shall act as chairman. The Secretary or, in his or her absence an Assistant Secretary or, in the absence of the Secretary and all Assistant Secretaries, a person whom the chairman of such meeting shall appoint shall act as secretary of such meeting and keep the minutes thereof.

Section 3.10. *Order of Business.* At all meetings of the Board of Directors business shall be transacted in the order determined by the Board.

Section 3.11. *Chairman of the Board.* The Chairman of the Board shall, when present, preside at all meetings of the Board of Directors and at all meetings of the stockholders and shall have such additional powers and shall perform such further duties as may from time to time be assigned to him or her by the Board of Directors or the Executive Committee.

Section 3.12. *Vice Chairman of the Board.* The Vice Chairman of the Board shall, in the absence of the Chairman of the Board, the Lead Director and the President, if the President is then serving on the Board, preside at all meetings of the Board of Directors, and, in the absence of the Chairman of the Board, the President and the Lead Director, at all meetings of the stockholders and shall have such powers and shall perform such further duties as may from time to time be assigned to him or her by the Board of Directors or the Executive Committee.

Section 3.13. *Removal of Directors.* Any director may be removed, with or without cause, at any time, by the affirmative vote of the holders of record of a majority of the issued and outstanding stock entitled to vote for the election of directors of the Corporation given at a special meeting of the stockholders called and held for the purpose; and the vacancy in the Board caused by any such removal may be filled by the Board in the manner provided in the Certificate of Incorporation.

Section 3.14. *Resignation.* Any director of the Corporation may resign at any time by giving written notice of his or her resignation to the Board of Directors or to the Chairman of the Board, the Vice Chairman of the Board, the President or the Secretary of the Corporation. Such resignation shall take effect at the date of receipt of such notice unless a later time is specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.15. *Vacancies.* Any vacancy in the Board of Directors caused by death, resignation, removal, disqualification, an increase in the number of directors, or any other cause may be filled by the remaining directors then in office as set forth in the Certificate of Incorporation. Each director so elected shall hold office as set forth in the Certificate of Incorporation.

Section 3.16. *Compensation.* Each director, in consideration of his or her serving as such, shall be entitled to receive from the Corporation such amount per annum or such fees for attendance at directors' meetings, or both, as the Board of Directors shall from time to time determine, together with reimbursement for the reasonable expenses incurred by him or her in connection with the performance of his or her duties; provided that nothing herein contained shall be construed to preclude any director from serving the Corporation or its subsidiaries in any other capacity and receiving proper compensation therefore.

ARTICLE IV.

Committees.

Section 4.01. *Executive Committee.* (a) The Board of Directors shall, by resolution or resolutions passed by a majority of the whole Board, appoint an Executive Committee to consist of not less than three nor more than eight members of the Board of Directors, including the Chairman of the Board, and shall designate one of the members as its chairman. Notwithstanding any limitation on the size of the Executive Committee, the Committee may invite members of the Board to attend its meetings. In such case such invitees shall be entitled to vote on matters considered at such meetings and shall receive such fee, if any, as shall be fixed by the Board of Directors for such attendance.

(b) Each member of the Executive Committee shall hold office, so long as he or she shall remain a director, until the first meeting of the Board of Directors held after the next annual election of directors and until his or her successor is duly appointed and qualified. The chairman of the Executive Committee or, in his or her absence, the Chairman of the Board or a member of the Committee chosen by a majority of the members present shall preside at meetings of the Executive Committee and the Secretary or an Assistant Secretary of the Corporation, or such other person as the Executive Committee shall from time to time determine, shall act as secretary of the Executive Committee.

(c) The Board of Directors, by action of the majority of the whole Board, shall fill vacancies in the Executive Committee.

Section 4.02. *Powers.* During the intervals between the meetings of the Board of Directors, the Executive Committee shall have and may exercise all the powers of the Board of Directors in all cases in which specific directions shall not have been given by the Board of Directors; but neither the Executive Committee nor any other committee created under these By-Laws shall have the power or authority to amend the Certificate of Incorporation, adopt an agreement of merger or consolidation, recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommend to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amend the By-Laws of the Corporation; and, unless the resolution, By-Laws, or Certificate of Incorporation expressly so provides, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of Delaware.

Section 4.03. *Procedure; Meetings; Quorum.* The Executive Committee shall fix its own rules of procedure subject to the approval of the Board of Directors, and shall meet at such times and at such place or places as may be provided by such rules. At every meeting of the Executive Committee the presence of a majority of all the members shall be necessary to constitute a quorum and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any resolution. In the absence of a quorum at any meeting of the Executive Committee such meeting need not be held, or a majority of the members present thereat or, if no members be present, the secretary of the meeting may adjourn such meeting from time to time until a quorum be present.

Section 4.04. *Compensation.* Each member of the Executive Committee shall be entitled to receive from the Corporation such fee, if any, as shall be fixed by the Board of Directors, together with reimbursement for the reasonable expenses incurred by him or her in connection with the performance of his or her duties.

Section 4.05. *Other Board Committees.* The Board of Directors may from time to time, by resolution passed by a majority of the whole Board, designate one or more committees in addition to the Executive Committee, each committee to consist of two or more of the directors of the Corporation. Any such committee, to the extent provided in the resolution or in the By-Laws of the Corporation, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation.

A majority of all the members of any such committee may determine its action and fix the time and place of its meetings, unless the Board of Directors shall otherwise provide. The Board of Directors shall have power to change the members of any committee at any time, to fill vacancies and to discharge any such committee, either with or without cause, at any time.

Section 4.06. *Alternates.* The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more directors as alternate members of any committee who may replace any absent or disqualified member at any meeting of the committee; provided, however, that in the absence of any such designation of alternates the member or members of any committee present at any meeting and not disqualified from acting, whether or not he, she or they constitute a quorum, may unanimously appoint another member to the Board to act at the meeting in the place of any absent or disqualified member.

Section 4.07. *Additional Committees.* The Board of Directors may from time to time create such additional committees of directors, officers, employees or other persons designated by it (or any combination of such persons) for the purpose of advising the Board, the Executive Committee and the officers and employees of the Corporation in all such matters as the Board shall deem advisable and with such functions and duties as the Board shall by resolutions prescribe.

A majority of all the members of any such committee may determine its action and fix the time and place of its meetings, unless the Board of Directors shall otherwise provide. The Board of Directors shall have power to change the members of any committee at any time, to fill vacancies and to discharge any such committee, either with or without cause, at any time.

ARTICLE V.

Action by Consent or Telephone.

Section 5.01. *Consent of Directors.* Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if prior to such action a written consent thereto is signed by all members of the Board or of such committee, as the case may be, and such written consent is filed with the minutes of the proceedings of the Board or such committee.

Section 5.02. *Telephone Meetings.* Members of the Board of Directors or any committee designated by the Board of Directors may participate in a meeting of such Board or Committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other.

ARTICLE VI.

Officers.

Section 6.01. *Number.* The principal officers of the Corporation shall be a Chief Executive Officer, a President, one or more Vice Presidents (the number thereof and variations in title to be determined by the Board of Directors), a Treasurer and a Secretary. In addition, there may be such other or subordinate officers, agents and employees as may be appointed in accordance with the provisions of Section 6.03. Any two or more offices, except those of President and Secretary, may be held by the same person.

Section 6.02. *Election, Qualifications and Term of Office.* Each officer of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 6.03, shall be elected annually by the Board of Directors and shall hold office until his or her successor shall have been duly elected and qualified, or until his or her death, or until he or she shall have resigned or shall have been removed in the manner herein provided.

Section 6.03. *Other Officers.* The Corporation may have such other officers, agents, and employees as the Board of Directors may deem necessary including a Controller, one or more Assistant Controllers, one or more Assistant Treasurers and one or more Assistant Secretaries, each of whom shall hold office for such period, have such authority, and perform such duties as the Board of Directors, the Chief Executive Officer or the President may from time to time determine. The Board of Directors may delegate to any principal officer the power to appoint or remove any such subordinate officers, agents or employees.

Section 6.04. *Removal.* Any officer may be removed, either with or without cause, by the vote of a majority of the whole Board of Directors or, except in case of any officer elected by the Board of Directors, by any committee or officer upon whom the power of removal may be conferred by the Board of Directors.

Section 6.05. *Resignation.* Any officer may resign at any time by giving written notice to the Board of Directors, the Chief Executive Officer or the President. Any such resignation shall take effect at the date of receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6.06. *Vacancies.* A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled for the unexpired portion of the term in the manner prescribed in these By-Laws for regular election or appointment to such office.

Section 6.07. *Chief Executive Officer.* The Chief Executive Officer of the Corporation shall, subject to the provisions of these By-Laws and the control of the Board of Directors, have direct charge of the business and affairs of the Corporation. He or she shall, in the absence of the Chairman of the Board and the Lead Director, preside at all meetings of the Board of Directors, if the Chief Executive Officer is then serving on the Board, and, in the absence of the Chairman of the Board, at all meetings of the stockholders, and shall perform all duties incident to the office of chief executive and such other duties as from time to time may be assigned to him or her by the Board of Directors. The Chief Executive Officer shall report directly to the Board of Directors and shall have the right to delegate any of his or her powers to any other officer or employee.

Section 6.08. *President.* The President shall have general direction of the operations of the Corporation, subject to the control of the Board of Directors, the Executive Committee and/or the Chief Executive Officer of the Corporation. He or she shall have such additional powers and shall perform such further duties as may from time to time be assigned to him or her by the Board of Directors, the Executive Committee or the Chief Executive Officer of the Corporation.

Section 6.09. *Vice Presidents.* Each Vice President shall have such powers and perform such duties as the Board of Directors or the Executive Committee may from time to time prescribe or as shall be assigned to him or her by the Chief Executive Officer or the President.

Section 6.10. *Treasurer.* The Treasurer shall have charge and custody of, and be responsible for, all funds and securities of the Corporation, and shall deposit all such funds to the credit of the Corporation in such banks, trust

companies or other depositaries as shall be selected in accordance with the provisions of these By-Laws; he or she shall disburse the funds of the Corporation as may be ordered by the Board of Directors or the Executive Committee, making proper vouchers for such disbursements, and shall render to the Board of Directors or the stockholders, whenever the Board may require him or her so to do, a statement of all his or her transactions as Treasurer or the financial condition of the Corporation; and, in general, he or she shall perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the Board of Directors, any Committee of the Board designated by it so to act or the Chief Executive Officer or the President.

Section 6.11. *Secretary.* The Secretary shall record or cause to be recorded in books provided for the purpose the minutes of the meetings of the stockholders, the Board of Directors, and all committees of which a secretary shall not have been appointed; shall see that all notices are duly given in accordance with the provisions of these By-Laws and as required by law; shall be custodian of all corporate records (other than financial) and of the seal of the Corporation and see that the seal is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these By-Laws; shall keep, or cause to be kept, the list of stockholders as required by Section 2.10, which includes the post-office addresses of the stockholders and the number of shares held by them, respectively, and shall make or cause to be made, all proper changes therein, shall see that the books, reports, statements, certificates and all other documents and records required by law are properly kept and filed; and, in general, shall perform all duties incident to the office of Secretary and such other duties as may from time to time be assigned to him or her by the Board of Directors, the Executive Committee or the Chief Executive Officer or the President.

Section 6.12. *Controller.* The Controller shall be in charge of the books and records of account of the Corporation and of its statistical records. He or she shall keep or cause to be kept, at such office or offices as the Board of Directors may from time to time designate, complete and accurate accounts of all assets, liabilities, receipts, disbursements and other transactions of the Corporation; shall cause regular audits of such books and records to be made; shall be responsible for the preparation and filing of all reports and actions related to or based upon the books and records of the Corporation; shall render financial statements at the annual meeting of stockholders, if called upon so to do, or at the request of any director or the Board of Directors; shall render to the Board of Directors such statistical reports and analyses as the Board from time to time may require; and, in general, shall perform all the duties incident to the office of Controller and such other duties as from time to time may be assigned to him or her by the Board of Directors, the Executive Committee or the Chief Executive Officer or the President.

Section 6.13. *Salaries.* The salaries of the principal officers of the Corporation shall be fixed from time to time by the Board of Directors or an appropriate Committee of the Board, and none of such officers shall be prevented from receiving a salary by reason of the fact that he or she is also a director of the Corporation.

ARTICLE VII.

Contracts, Checks, Drafts, Bank Accounts, Etc.

Section 7.01. *Execution of Contracts.* Unless the Board of Directors or the Executive Committee shall otherwise determine, the Chief Executive Officer, the President, any Vice President or the Treasurer and the Secretary or any Assistant Secretary may enter into any contract or execute any contract or other instrument, the execution of which is not otherwise specifically provided for, in the name and on behalf of the Corporation. The Board of Directors, or any committee designated thereby with power so to act, except as otherwise provided in these By-Laws, may authorize any other or additional officer or officers or agent or agents of the Corporation to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation, and such authority may be general or confined to specific instances. Unless authorized so to do by these By-Laws or by the Board of Directors or by any such committee, no officer, employee or agent shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

Section 7.02. *Loans.* No loan shall be contracted on behalf of the Corporation, and no evidence of indebtedness shall be issued, endorsed or accepted in its name, unless authorized by the Board of Directors or Executive Committee or other committee designated by the Board so to act. Such authority may be general or confined to

specific instances. When so authorized, the officer or officers thereunto authorized may effect loans and advances at any time for the Corporation from any bank, trust company or other institution, or from any firm, corporation or individual, and for such loans and advances may make, execute and deliver promissory notes or other evidences of indebtedness of the Corporation, and, when authorized as aforesaid, as security for the payment of any and all loans, advances, indebtedness and liabilities of the Corporation, may mortgage, pledge hypothecate or transfer any real or personal property at any time owned or held by the Corporation, and to that end execute instruments of mortgage or pledge or otherwise transfer such property.

Section 7.03. *Checks, Drafts, etc.* All checks, drafts, bills of exchange or other orders for the payment of money, obligations, notes, or other evidence of indebtedness, bills of lading, warehouse receipts and insurance certificates of the Corporation shall be signed or endorsed by such officer or officers, agent or agents, attorney or attorneys, employee or employees, of the Corporation as shall from time to time be determined by resolution of the Board of Directors or Executive Committee or other committee designated by the Board so to act.

Section 7.04. *Deposits.* All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositaries as the Board of Directors or Executive Committee or other committee designated by the Board so to act may from time to time designate, or as may be designated by any officer or officers or agent or agents of the Corporation to whom such power may be delegated by the Board of Directors or Executive Committee or other committee designated by the Board so to act and, for the purpose of such deposit and for the purposes of collection for the account of the Corporation, all checks, drafts, and other orders for the payment of money which are payable to the order of the Corporation may be endorsed, assigned and delivered by any officer, agent or employee of the Corporation or in such other manner as may from time to time be designated or determined by resolution of the Board of Directors or Executive Committee or other committee designated by the Board so to act.

Section 7.05. *Proxies in Respect of Securities of Other Corporations.* Unless otherwise provided by resolution adopted by the Board of Directors or the Executive Committee or other committee so designated to act by the Board, the Chief Executive Officer or the President or any Vice President may from time to time appoint an attorney or attorneys or agent or agents of the Corporation, in the name and on behalf of the Corporation, to cast the votes which the Corporation may be entitled to cast as the holder of stock or other securities in any other corporation, association or trust any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporation, association or trust, or to consent in writing, in the name of the Corporation as such holder, to any action by such other corporation, association or trust, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, all such written proxies or other instruments as he or she may deem necessary or proper in the premises.

ARTICLE VIII.

Books and Records.

Section 8.01. *Place.* The books and records of the Corporation may be kept at such places within or without the State of Delaware as the Board of Directors may from time to time determine. The stock record books and the blank stock certificate books shall be kept by the Secretary or by any other officer or agent designated by the Board of Directors.

Section 8.02. *Addresses of Stockholders.* Each stockholder shall furnish to the Secretary of the Corporation or to the transfer agent of the Corporation an address at which notices of meetings and all other corporate notices may be served upon or mailed to such stockholder, and if any stockholder shall fail to designate such address, corporate notices may be served upon such stockholder by mail, postage prepaid, to such stockholder at the post-office address last known to the Secretary or to the transfer agent of the Corporation or by transmitting a notice thereof to such stockholder at such address by other available method.

Section 8.03. *Record Dates.* The Board of Directors may fix in advance a date, not exceeding sixty days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the

allotment of any rights, or the date when any change or conversion or exchange of capital stock of the Corporation shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting or any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any change, conversion or exchange of capital stock of the Corporation, or to give such consent, and in each such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to notice of, or to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

Section 8.04. *Audit of Books and Accounts.* The books and accounts of the Corporation shall be audited at least once in each fiscal year by independent public accountants of good standing, appointed by the Audit Committee (or comparable committee) of the Board.

ARTICLE IX.

Shares and Their Transfer.

Section 9.01. *Certificates of Stock.* Every owner of stock of the Corporation shall be entitled to have a certificate certifying the number of shares owned by such stockholder in the Corporation and designating the class of stock to which such shares belong. Such certificate shall otherwise be in such form as the Board of Directors shall prescribe from time to time, provided that the Board of Directors may provide by resolution that some or all of any or all classes or series of stock of the Corporation shall be uncertificated shares. Notwithstanding the foregoing, each holder of uncertificated shares shall be entitled, upon request, to a certificate representing such shares. Except as otherwise provided by law, the rights and obligations of the holders of uncertificated shares and the rights and obligations of the holders of certificated shares of the same class and series shall be identical. Each certificate representing shares shall be signed by the Chairman of the Board or the Vice Chairman of the Board or the President or a Vice President and the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary of the Corporation; provided, however, that where such certificate is signed or countersigned by a transfer agent or registrar the signatures of such officers of the Corporation and the seal of the Corporation may be in facsimile form. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers of the Corporation, whether because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates may nevertheless be issued and delivered by the Corporation as though the person or persons who signed such certificate or whose facsimile signature or signatures shall have been used thereon had not ceased to be such officer or officers of the Corporation.

Section 9.02. *Record.* A record shall be kept of the name of the person, firm or corporation owning the stock represented by each certificate for stock of the Corporation issued, the number of shares represented by each such certificate, and the date thereof, and, in the case of cancellation, the date of cancellation. The person, firm or corporation in whose name shares of stock stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation.

Section 9.03. *Transfer of Stock.* Transfers of shares of the stock of the Corporation shall be made only on the books of the Corporation by the registered holder thereof, or by such holder's attorney thereunto authorized. If such shares of stock are represented by a certificate, upon the surrender of the certificate for such shares to the Corporation or its transfer agent, with an assignment or power of transfer endorsed thereon or delivered therewith, duly executed, and with such proof of the authenticity of the signature and of authority to transfer, and of payment of transfer taxes, as the Corporation or its agents may require, the Corporation may issue a new certificate, or, upon request, evidence of the equivalent uncertificated shares, to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Upon receipt of proper transfer instructions from the holder of uncertificated shares, the Corporation shall cancel such uncertificated shares and issue new equivalent uncertificated shares, or, upon such holder's request, certificated shares, to the person entitled thereto, and record the transaction upon its books.

Section 9.04. *Transfer Agent and Registrar; Regulations.* The Corporation shall, if and whenever the Board of Directors shall so determine, maintain one or more transfer offices or agencies, each in charge of a transfer agent designated by the Board of Directors, where the shares of the capital stock of the Corporation shall be directly transferable, and also if and whenever the Board of Directors shall so determine, maintain one or more registry offices, each in charge of a registrar designated by the Board of Directors, where such shares of stock shall be registered. The Board of Directors may make such rules and regulations as it may deem expedient, not inconsistent with these By-Laws, concerning the issue, transfer and registration of certificates for shares of the capital stock of the Corporation.

Section 9.05. *Lost, Destroyed or Mutilated Certificates.* In case of the alleged loss or destruction or the mutilation of a certificate representing capital stock of the Corporation, a new certificate or uncertificated shares may be issued in place thereof, in the manner and upon such terms as the Board of Directors may prescribe.

ARTICLE X.

Seal.

The Board of Directors shall provide a corporate seal, which shall be in the form of a circle and shall bear the name of the Corporation and the words and figures: Incorporated 1967, Delaware.

ARTICLE XI.

Fiscal Year.

The fiscal year of the Corporation shall begin at the opening of business on the Sunday nearest to the first day of January and end at the close of business on the Saturday nearest to the thirty-first day of December in each year, whether such Sunday or Saturday, as the case may be, falls in December or in January.

ARTICLE XII.

Indemnification.

(a) The Corporation shall indemnify, to the full extent permitted by law, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that the person is or was a director, officer or employee of the Corporation or while a director, officer or employee of the Corporation is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (each such person being referred to hereafter as an “Indemnitee”), against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person’s conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person’s conduct was unlawful.

(b) The Corporation shall indemnify, to the full extent permitted by law, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that the person is or was an Indemnitee against expenses (including attorneys’ fees) actually and reasonably incurred by the person in connection with the

defense or settlement of such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Corporation and except that no such indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action, suit or proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such Court of Chancery or such other court shall deem proper.

(c) Notwithstanding the foregoing, except with respect to a proceeding to enforce rights to indemnification or advancement of expenses under this Article XII, the Corporation shall be required to indemnify an Indemnitee under this Article XII in connection with an action, suit or proceeding (or part thereof) initiated by such person only if such action, suit or proceeding (or part thereof) was authorized by the Board of Directors.

(d) To the extent that an Indemnitee shall be successful on the merits or otherwise (including dismissal of an action without prejudice or the settlement of an action without admission of liability) in defense of any action, suit or proceeding referred to in paragraphs (a) and (b), or in defense of any claim, issue or matter therein, or in any action, suit or proceeding brought by an Indemnitee to enforce rights to indemnification or advancement of expenses granted pursuant to this Article XII, such person shall be indemnified, to the full extent permitted by law, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

(e) Any indemnification under paragraphs (a) and (b) (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the Indemnitee is proper in the circumstances because such person has met the applicable standard of conduct set forth in paragraph (a) or (b), as applicable. Such determination shall be made (1) by the Board of Directors by a majority vote of directors who were not parties to such action, suit or proceeding, even though less than a quorum, (2) by a committee of such disinterested directors designated by a majority vote of such directors, even though less than a quorum, (3) if there are no disinterested directors, or the disinterested directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders.

(f) Expenses (including attorneys' fees) incurred by an Indemnitee in defending a civil, criminal, administrative or investigative action, suit or proceeding referred to in paragraphs (a) and (b) shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such Indemnitee to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article XII. Notwithstanding the foregoing, no advance shall be made by the Corporation if a determination is reasonably and promptly made (1) as to any person who is or was a director or officer of the Corporation (i) by the Board of Directors by a majority vote of disinterested directors, even though less than a quorum, (ii) by a committee of such disinterested directors designated by a majority vote of such directors, even though less than a quorum, or (iii) if there are no disinterested directors, or the disinterested directors so direct, by independent legal counsel in a written opinion, that, based upon the facts known to the Board of Directors, the committee or counsel at the time such determination is made such director or officer acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal proceeding, that such director or officer believed or had reasonable cause to believe such person's conduct was unlawful, and (2) as to any Indemnitee who is not or was not a director or officer of the Corporation, by the Chief Executive Officer, the President or any Vice President so authorized by the Chief Executive Officer or the President, that, based upon the facts known to the Chief Executive Officer, the President or such Vice President at the time such determination is made such Indemnitee acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal proceeding, that such person believed or had reasonable cause to believe such person's conduct was unlawful, provided that such Indemnitee shall have the right to present a written appeal of any determination made by the Chief Executive Officer, the President or such Vice President to the persons specified under clause (1) of this paragraph (f), as determined by the Board of Directors. In no event shall any advance be made in instances where the persons specified under clause (1) or (2) of this paragraph (f) reasonably determine that an Indemnitee deliberately breached such person's duty to the Corporation or its stockholders.

(g) The rights granted pursuant to this Article XII shall not be deemed exclusive of any other rights to which those seeking indemnification and advancement of expenses may be entitled under any by-law, agreement, vote of

stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. All rights granted pursuant to this Article XII shall vest at the time a person becomes an Indemnitee of the Corporation and shall be deemed to be provided by a contract between the Corporation and each Indemnitee who serves in such capacity at any time while this Article XII is in effect. Any repeal or modification of the provisions of this Article XII shall be prospective only and shall not adversely affect the rights of any Indemnitee in effect under this Article XII at the time of any act or omission occurring prior to such repeal or modification.

(h) The Corporation may purchase and maintain insurance on behalf of any person who is or was an Indemnitee against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article XII.

(i) For purposes of this Article XII, references to "the Corporation" shall include, in addition to the resulting or surviving corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger, which, if its separate existence had continued would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer or employee of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article XII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

(j) For purposes of this Article XII, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer or employee of the Corporation which imposes duties on, or involves services by, such director, officer or employee with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article XII.

(k) The rights granted pursuant to, this Article XII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be an Indemnitee and shall inure to the benefit of the heirs, executors and administrators of such a person.

(l) If any provision or provisions of this Article XII shall be held to be invalid, illegal or unenforceable for any reason whatsoever (1) the validity, legality and enforceability of the remaining provisions of this Article XII (including, without limitation, all portions of any paragraphs of this Article XII containing any such provisions held to be invalid, illegal or unenforceable, that are not by themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby, and (2) to the fullest extent possible, the provisions of this Article XII (including, without limitation, all portions of any paragraph of this Article XII containing any such provision held to be invalid, illegal or unenforceable, that are not by themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

ARTICLE XIII.

Waiver of Notice.

Whenever any notice whatever is required to be given by statute, the Certificate of Incorporation or these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE XIV.

Amendments.

These By-Laws may be altered, amended or repealed, in whole or in part, and new By-Laws may be adopted, in whole or in part, by the affirmative vote of the holders of record of a majority of the outstanding stock of the Corporation present in person or represented by proxy and entitled to vote in respect thereof, given at an annual meeting or at any special meeting at which a quorum shall be present, or by the affirmative vote of a majority of the whole Board of Directors given at any meeting. Any By-Law made, altered, amended or repealed by the Board of Directors shall be subject to alteration, amendment or repeal by vote of stockholders as provided above.

ARTICLE XV.

Forum for Adjudication of Disputes

Unless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director or officer or other employee of the Corporation to the Corporation or its stockholders, (iii) any action asserting a claim against the Corporation or any director or officer or other employee of the Corporation arising pursuant to any provision of the Delaware General Corporation Law or the Corporation's Certificate of Incorporation or these By-Laws (in each case as they may be amended from time to time), or (iv) any action asserting a claim against the Corporation or any director or officer or other employee of the Corporation governed by the internal affairs doctrine shall be the Delaware Court of Chancery (or, if the Delaware Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware).

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Exhibit 10.6D

THIRD AMENDMENT TO THE
DEFERRED INCOME PLAN FOR TEXTRON EXECUTIVES

(RESTATEMENT EFFECTIVE JANUARY 3, 2010)

The Deferred Income Plan for Textron Executives (the "Plan") is hereby amended, effective January 1, 2015, by adding a new Appendix C, to read in its entirety as attached hereto.

IN WITNESS WHEREOF, Textron Inc. has caused this amendment to be executed by its duly authorized officer.

TEXTRON INC.

Dated: December 12, 2014

By /s/ Cheryl H. Johnson
Cheryl H. Johnson
Executive Vice President, Human Resources

DEFERRED INCOME PLAN FOR TEXTRON EXECUTIVES
APPENDIX C - - BEECHCRAFT SUB-ACCOUNTS

Effective January 1, 2015, the 2013 Beechcraft Excess Savings and Deferred Compensation Plan (the "Beechcraft Plan") is frozen to new deferrals and merged into the Plan. As a result of such merger, Beechcraft Plan balances (valued after market close on December 31, 2014) shall be balances under the Plan and shall be subject to the terms of the Plan, except as otherwise provided in this Appendix C.

1. **Participation and Beechcraft Sub-account.** Each individual who had an account under the Beechcraft Plan immediately before the merger shall become a Participant immediately after the merger. The balance of each affected Participant's Account immediately after the merger shall equal his account under the Beechcraft Plan immediately before the merger (valued after market close on December 31, 2014) ("Beechcraft Sub-account"). Each Participant's Beechcraft Sub-account balance shall be accounted for separately from any other balance.

2. **Vesting.** Effective immediately after the merger, each Beechcraft Sub-account shall be fully vested.

3. **Investment Measures.**

   a. Initial Allocation. After the merger, each Beechcraft Sub-account balance shall be adjusted for investment gains and losses, based on the Moody's Account or the Stock Unit Account, at the same time and in the same manner as other Plan Accounts. Each Beechcraft Sub-account balance shall be allocated to the Moody's Account or the Stock Unit Account in accordance with elections made by the affected Participants before the merger. If an affected Participant did not file an election before the deadline established by the Plan's administrator, his Beechcraft Sub-account shall be allocated to the Moody's Account.

   b. Changing Investment Allocation. After the merger, the rules in Section 3.05 of the Plan for transferring Account balances shall apply to transferred Beechcraft Sub-account balances. Accordingly, a Participant shall not be permitted to change the investment allocation for his Beechcraft Sub-account balances until after he has Separated From Service; and after a Separation From Service, a Participant may transfer amounts from the Stock Unit Account to the Moody's Account, but not from the Moody's Account to the Stock Unit Account.

4. **Time and Form of Payment.** Beechcraft Sub-account balances shall be paid at the time and in the form prescribed by the Beechcraft Plan and the affected Participant's payment elections in effect on December 31, 2014. The Plan's administrator may modify the timing of benefit payments to the extent that it determines is appropriate to simplify plan administration; provided that the timing of benefit payments shall not be changed in a way that would violate a requirement of IRC Section 409A.

5. **Beneficiary Designations.** Effective January 1, 2015, the Beneficiary for a Participant's Beechcraft Sub-account shall be determined in accordance with Article VI of the Plan (based on the Participant's designation for benefits under the Plan or the default prescribed by Section 6.02 of the Plan). Beneficiary designations made under the Beechcraft Plan shall not apply after December 31, 2014.

EXHIBIT 12.1

TEXTRON INC.
MANUFACTURING GROUP
COMPUTATION OF RATIO OF INCOME TO FIXED CHARGES
(unaudited)
(In millions, except ratio)

	Twelve Months Ended January 3, 2015
Fixed charges:	
Interest expense*	$ 148
Estimated interest portion of rents	40
Total fixed charges	$ 188
Income:	
Income from continuing operations before income taxes	$ 853
Fixed charges	188
Eliminate pretax income of Finance group	(21)
Adjusted income	$ 1,020
Ratio of income to fixed charges	5.43

* Includes interest expense on all third-party indebtedness, except for interest related to unrecognized tax benefits, which is included in income tax expense.

EXHIBIT 12.2

TEXTRON INC.
INCLUDING ALL MAJORITY-OWNED SUBSIDIARIES
COMPUTATION OF RATIO OF INCOME TO FIXED CHARGES
(unaudited)
(In millions, except ratio)

	Twelve Months Ended January 3, 2015
Fixed charges:	
Interest expense*	$ 191
Estimated interest portion of rents	40
Total fixed charges	$ 231
Income:	
Income from continuing operations before income taxes	$ 853
Fixed charges	231
Adjusted income	$ 1,084
Ratio of income to fixed charges	4.69

* Includes interest expense on all third-party indebtedness, except for interest related to unrecognized tax benefits, which is included in income tax expense.

Certain Subsidiaries of Textron Inc.*

(Unless indicated otherwise, all entities listed are wholly-owned.)

* Other subsidiaries, which considered in the aggregate do not constitute a significant subsidiary, are omitted from this list.

Name	Jurisdiction
TEXTRON INC.	Delaware
Avco Corporation	Delaware
Avco Rhode Island (2002) Inc.	Delaware
Overwatch Systems, Ltd.	Delaware
Medical Numerics, Inc.	Virginia
Textron Systems Corporation	Delaware
Textron Systems Rhode Island (2001) Inc.	Delaware
United Industrial Corporation	Delaware
AAI Corporation	Maryland
AAI Aerosonde Pty Ltd.	Australia
Aerosonde Pty Ltd.	Australia
AAI Services Corporation	Maryland
ESL Defence (Holdings) Ltd.	England
ESL Defence Limited	England
Bell Helicopter KK	Japan
Bell Helicopter Textron Inc.	Delaware
Bell Helicopter Rhode Island Inc.	Delaware
Bell Helicopter Services Inc.	Delaware
Bell Helicopter Asia (Pte) Ltd.	Singapore
Bell Helicopter Korea Inc.	Delaware
Bell Technical Services Inc.	Delaware
B/K Navigational Equipment sro	Czech Republic
Bell Helicopter Prague , a.s. *(67%; 33% - Bell Helicopter Services Inc.)*	Czech Republic
Aviation Service servis letal, doo, Ljubljana	Slovenia
Klauke Polska Sp. z o.o.	Poland
Edwards Rotorcraft Solutions Inc	Delaware
McTurbine Inc.	Texas
SkyBOOKS Inc.	Delaware
Cadillac Gage Textron Inc.	Michigan
Greenlee Textron Inc.	Delaware
HD Electric Company	Illinois
Sherman & Reilly Holdings, Inc.	Delaware
Sherman & Reilly , Inc.	Tennessee
Jacobsen Professional Lawn Care Inc.	Delaware
Kautex Inc.	Delaware
McCord Corporation	Michigan
Kautex of Georgia Inc.	Massachusetts
MillenWorks	California
Textron Airland, LLC	Delaware
Textron Atlantic LLC	Delaware
E-Z-GO Canada Limited	Canada
Kautex Poland Sp. z.o.o	Poland
Klauke Handelsgesellschaft m.b.H.	Austria
Textron Acquisition Limited	England
Doncaster Citation Service Centre Limited	England
Ransomes Investment LLC	Delaware
Ransomes America Corporation	Delaware
Cushman Inc.	Delaware
Ransomes Inc.	Wisconsin
STE Holding Inc.	Wisconsin
Ransomes Limited	England
Ransomes Jacobsen Limited	England
Rotor Blades Limited	England
Textron Ground Support Equipment UK Limited	England
Textron Limited	England
Greenlee Communications Limited	England
Klauke UK Limited	England
Kautex Textron (UK) Limited	England
Textron International Holding, S.L.	Spain
Bell Helicopter Supply Center B.V.	Netherlands

Name	Jurisdiction
Textron International Holding, S.L. *(continued from prior page)*	Spain
Bell Helicopter Supply Center B.V. *(continued from prior page)*	Netherlands
Bell Helicopter Textron Canada Limited/Limitée	Canada
Bell Helicopter Canada International Inc.	Canada
Cessna Zurich Citation Service Center GmbH	Switzerland
Kautex Textron CVS Limited	England
Kautex Textron Ibérica, S.L.	Spain
Cessna Spanish Citation Service Center SL *(99.96875%; 0.03125% - Textron International Holding, SL)*	Spain
Kautex Craiova srl *(99.9835%; 0.0165% - Textron International Holding, SL)*	Romania
Kautex Textron do Brasil Ltda. *(99.9%; 1 share - Textron International Holding, S.L.)*	Brazil
Kautex Textron Portugal – Produtos Plasticos, Ldas.	Portugal
Textron Capital B.V.	Netherlands
Kautex Textron GmbH & Co. K.G. *(94.82%; 5.18% - Textron International Holding, S.L.)*	Germany
Cessna Düsseldorf Citation Service Center GmbH	Germany
Gustav Klauke GmbH *(94.9%; 5.1% - Textron International Holding, S.L.)*	Germany
Textron Iberia, SL	Spain
Kautex (Changchun) Plastics Technology Co., Ltd.	PRC
Textron Germany Holding GmbH	Germany
Kautex Corporation	Nova Scotia
Kautex Textron Benelux B.V.B.A. *(99.9%; 1 share – Kautex Textron Ibérica, S.L.)*	Belgium
Kautex Textron Bohemia spol. s.r.o.	Czech Republic
Kautex Japan KK	Japan
Kautex Shanghai GmbH	Germany
Kautex (Chongqing) Plastic Technology Co., Ltd.	PRC
Kautex (Guangzhou) Plastic Technology Co., Ltd.	PRC
Kautex (Shanghai) Plastic Technology Co., Ltd.	PRC
Kautex Textron de Mexico, S. de R.L. de C.V. *(99.98%; 0.02% - Textron International Holding, S.L.)*	Mexico
Kautex Textron Management Services Company de Puebla, S. de R.L. de C.V. *(98%; 2% - Textron International Holding, S.L.)*	Mexico
LLC Klauke RUS *(99.99%; 0.01% - Textron International Holding, SL)*	Russian Federation
Klauke Slovakia sro *(99.98%; 0.02% - Textron International Holding, SL)*	Slovakia
Textron China Holdings S.R.L. *(99.9576%; 0.04244% - Textron International Holding, S.L.)*	Barbados
Cessna Consulting (Shenyang) Co., Ltd.	PRC
Textron Trading (Shanghai) Co., Ltd.	PRC
Textron Motors GmbH	Germany
Textron France Holding S.A.R.L. *(99.9%; 1 share – Textron France E.U.R.L.)*	France
Cessna Citation European Service Center S.A.S. *(99.9%; 1 share – Textron France E.U.R.L.)*	France
Klauke France SARL	France
Textron France E.U.R.L.	France
Ransomes Jacobsen France S.A.S.	France
Textron Aviation Inc.	Kansas
Beech Holdings, LLC	Delaware
Beech Enterprises Holding, LLC	Delaware
Beech Enterprises, LLC	Delaware
Beechcraft Holdings, LLC	Delaware
Beechcraft Corporation	Kansas
Arkansas Aerospace, Inc.	Arkansas
Beechcraft Defense Company, LLC	Delaware
HBC, LLC	Kansas
Hawker Beechcraft (Bermuda) Ltd.	Bermuda
Hawker Beech de Mexico S de RL de CV *(>99%; <1% - HBC, LLC)*	Mexico
Hawker Beechcraft Global Customer Support, LLC	Kansas
Hawker Beechcraft Global Customer Support Holding, LLC	Delaware
Beechcraft New Zealand	New Zealand
King Atmosphere General & Industrial Services and Project Management, LLC	Iraq
Hawker Beechcraft Quality Support Company	Kansas
Beechcraft Domestic Service Company	Kansas
Beechcraft Aviation Company	Kansas
Beechcraft International Delivery Corporation	Kansas
Beechcraft International Service Company	Kansas
Beechcraft Australia Pty Limited	Australia
Beechcraft Austria GmbH	Austria
Beechcraft (Beijing) Consulting Company, Ltd.	PRC
Beechcraft Germany GmbH	Germany
Beechcraft India Private Limited *(99%; 1% - Beechcraft International Holding LLC)*	India

Name	Jurisdiction
Beechcraft International Service Company *(continued from prior page)*	Kansas
Beechcraft International Holding LLC *(continued from prior page)*	Delaware
Beechcraft Service Company UK Limited	England
Beechcraft Singapore Pte. Ltd.	Singapore
Hawker Beech International Services de Mexico S de RL de CV *(>99%; <1% - HBC, LLC)*	Mexico
Hawker Beechcraft Argentina SA *(95%; 5% - Arkansas Aerospace, Inc.)*	Argentina
Hawker Beechcraft do Brasil Assessoria e Intermediacao de Negocios Ltda. *(99%; 1% - Beechcraft International Holding LLC)*	Brazil
Hawker Beechcraft International Service Company Spain SL	Spain
LLC Hawker Beechcraft International RSA *(99%; 1% - Beechcraft International Holding LLC)*	Russian Federation
Hawker Beechcraft Finance Corporation	Delaware
Hawker Beechcraft Holding, Inc.	Kansas
Hawker Beechcraft Notes Company	Delaware
Travel Air Insurance Company, Ltd.	Kansas
Travel Air Insurance Company (Kansas)	Kansas
Cessna Aircraft Company	Kansas
Cessna Aircraft Rhode Island Inc.	Delaware
Cessna Mexico S de RL de CV *(99.97%; 0.03% - Citation Parts Distribution International, Inc.)*	Mexico
Cessna Service Direct L.L.C.	Kansas
Citation Parts Distribution International, Inc .	Kansas
CitationShares Sales, Inc.	Delaware
CitationShares Management, L.L.C.	Delaware
Textron China Inc.	Delaware
Textron Far East Pte. Ltd.	Singapore
Klauke Textron (Jiangsu) Electrical Connection Technology Co., Ltd.	PRC
Textron India Private Limited *(99.9%; 1 share – Textron Inc.)*	India
Textron Fastening Systems Inc.	Delaware
Textron Financial Corporation	Delaware
Cessna Finance Corporation	Kansas
Textron Finance Holding Company	Delaware
Cessna Finance Export Corporation	Delaware
Textron Aviation Finance Corporation	Delaware
Textron Fluid and Power Inc.	Delaware
Textron Global Services Inc.	Delaware
Textron International Inc.	Delaware
Textron International Mexico, S de RL de CV *(99%; 1% - Textron Atlantic LLC)*	Mexico
Textron IPMP Inc.	Delaware
Textron Innovations Inc.	Delaware
Textron Management Services Inc.	Delaware
Textron Realty Corporation	Delaware
Textron Rhode Island Inc.	Delaware
Textron Specialized Vehicles Inc.	Delaware
MillenWorks Themed Technologies	California
Textron Motors North America Inc.	Delaware
TUG Technologies Corporation	Delaware
Textron Systems Canada Inc.	Ontario
Opto-Electronics Inc.	Ontario
TRAK International, Inc.	Delaware
TRU Simulation & Training Inc.	Delaware
OPINICUS Simulation and Training Services, LLC	Delaware
ProFlight, LLC	California
TRU Simulation & Training Canada Inc.	Ontario
Westminster Insurance Company	Vermont

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements: Form S-8 No. 333-197690 pertaining to the Textron Savings Plan and the Textron Canada Savings Plan, Form S-8 No. 333-124723 pertaining to the 1999 Long-Term Incentive Plan, Form S-8 No. 333-144977 pertaining to the 2007 Long-Term Incentive Plan, and Form S-3 No. 333-197664 pertaining to the automatic shelf registration of common stock, preferred stock, senior debt securities and subordinated debt securities of Textron Inc. of our reports dated February 25, 2015, with respect to the Consolidated Financial Statements and schedule of Textron Inc. and the effectiveness of internal control over financial reporting of Textron Inc. included in this Annual Report (Form 10-K) for the year ended January 3, 2015.

/s/ Ernst & Young LLP

Boston, Massachusetts
February 25, 2015

Exhibit 24

POWER OF ATTORNEY

The undersigned, Textron Inc. ("Textron") a Delaware corporation, and the undersigned directors and officers of Textron, do hereby constitute and appoint E. Robert Lupone, Elizabeth C. Perkins, Jayne M. Donegan and Ann T. Willaman, and each of them, with full powers of substitution, their true and lawful attorneys and agents to do or cause to be done any and all acts and things and to execute and deliver any and all instruments and documents which said attorneys and agents, or any of them, may deem necessary or advisable in order to enable Textron to comply with the Securities and Exchange Act of 1934, as amended, and any requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing of Textron's Annual Report on Form 10-K for the fiscal year ended January 3, 2015, including specifically, but without limitation, power and authority to sign the names of the undersigned directors and officers in the capacities indicated below and to sign the names of such officers on behalf of Textron to such Annual Report filed with the Securities and Exchange Commission, to any and all amendments to such Annual Report, to any instruments or documents or other writings in which the original or copies thereof are to be filed as a part of or in connection with such Annual Report or amendments thereto, and to file or cause to be filed the same with the Securities and Exchange Commission; and each of the undersigned hereby ratifies and confirms all that such attorneys and agents, and each of them, shall do or cause to be done hereunder and such attorneys and agents, and each of them, shall have, and may exercise, all of the powers hereby conferred.

IN WITNESS WHEREOF, Textron has caused this Power of Attorney to be executed and delivered in its name and on its behalf by the undersigned duly authorized officer and its corporate seal affixed, and each of the undersigned has signed his or her name thereto, as of the 25th day of February, 2015.

TEXTRON INC.

SEAL

By: /s/ Scott C. Donnelly
Scott C. Donnelly
Chairman, President and
Chief Executive Officer

ATTEST:

/s/ E. Robert Lupone
E. Robert Lupone
Executive Vice President, General Counsel,
Secretary and Chief Compliance Officer

/s/ Scott C. Donnelly
Scott C. Donnelly
Chairman, President, Chief
Executive Officer and Director
(principal executive officer)

/s/ Kathleen M. Bader
Kathleen M. Bader
Director

/s/ R. Kerry Clark
R. Kerry Clark
Director

/s/ James T. Conway
James T. Conway
Director

/s/ Ivor J. Evans
Ivor J. Evans
Director

/s/ Lawrence K. Fish
Lawrence K. Fish
Director

/s/ Paul E. Gagné
Paul E. Gagné
Director

/s/ Dain M. Hancock
Dain M. Hancock
Director

/s/ Lord Powell of Bayswater KCMG
Lord Powell of Bayswater KCMG
Director

/s/ Lloyd G. Trotter
Lloyd G. Trotter
Director

/s/ James L. Ziemer
James L. Ziemer
Director

/s/ Frank T. Connor
Frank T. Connor
Executive Vice President and Chief
Financial Officer
(principal financial officer)

/s/ Mark S. Bamford
Mark S. Bamford
Vice President and Corporate Controller
(principal accounting officer)

Exhibit 31.1

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Scott C. Donnelly, Chairman, President and Chief Executive Officer of Textron Inc. certify that:

1. I have reviewed this annual report on Form 10-K of Textron Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2015

/s/ Scott C. Donnelly
Scott C. Donnelly
Chairman, President and Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Frank T. Connor, Executive Vice President and Chief Financial Officer of Textron Inc. certify that:

1. I have reviewed this annual report on Form 10-K of Textron Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2015

/s/ Frank T. Connor
Frank T. Connor
Executive Vice President and Chief Financial Officer

Exhibit 32.1

TEXTRON INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Textron Inc. (the "Company") on Form 10-K for the period ended January 3, 2015 as filed with the Securities and Exchange Commission on the Date hereof (the "Report"), I, Scott C. Donnelly, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2015

/s/ Scott C. Donnelly
Scott C. Donnelly
Chairman, President and Chief Executive Officer

Exhibit 32.2

TEXTRON INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Textron Inc. (the "Company") on Form 10-K for the period ended January 3, 2015 as filed with the Securities and Exchange Commission on the Date hereof (the "Report"), I, Frank T. Connor, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2015

/s/ Frank T. Connor
Frank T. Connor
Executive Vice President and Chief Financial Officer