TEXTRON INC

FORM 8-K
(Current report filing)

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Symbol TXT
SIC Code 6162 - Mortgage Bankers and Loan Correspondents
Fiscal Year 01/02
ITEM 1.01 Entry into a Material Definitive Agreement

On July 25, 2005, Textron Financial Corporation ("Textron Financial"), a wholly owned subsidiary of Textron Inc., entered into Amendment No. 1 to its Five-Year Credit Agreement in the amount of $1 billion ("Five-Year Agreement") and Amendment No. 2 to its 364-Day Credit Agreement in the amount of $500 million ("One-Year Agreement") (collectively, the "Credit Facilities"), each with JP Morgan Chase Bank N.A. as administrative agent and other banks. The Five-Year Agreement has been extended until 2010 and may be extended for two additional one-year periods. The One-Year Agreement has been extended until July 24, 2006.

Each of the Credit Facilities removed the Restricted Payment provision, which limited the amount of dividends or other distributions that Textron Financial may pay. Barclays Bank PLC, Citibank, N.A. and Deutsche Bank Securities Inc. have been appointed Documentation Agents, and Bank of America, N.A. is now the sole Syndication Agent.

In the event Textron Financial utilizes either Credit Facility, Textron Financial has two options with respect to interest on such borrowings. The first option is for interest to be payable at rates based on the London Interbank Offered Rate ("LIBOR") plus a Euro-Dollar Margin, which margin will be based on loan utilization and will range among different pricing levels, depending on Textron Financial's long-term debt ratings by Standard and Poor's ("S&P"), Moody's Investor Service ("Moody's") and Fitch Ratings Ltd. ("Fitch"). Alternatively, Textron Financial may opt to pay interest at the higher of (i) the administrative agent's floating prime lending rate or (ii) the federal funds rate...
plus 0.50% per annum. The Credit Facilities also permit Textron Financial to request the administrative agent to solicit competitive bids for borrowings from the banks at a margin over LIBOR or at an absolute rate.

Textron Financial will pay quarterly Facility Fees, regardless of borrowing activity under the Credit Facilities. The quarterly fees for the Credit Facilities will range among different pricing levels depending on Textron Financial's ratings by S&P, Moody's and Fitch. In the event Textron Financial causes letters of credit to be issued under the Five Year Agreement, Textron Financial will pay letter of credit fees based on Euro-Dollar margins, which will range depending on Textron Financial's ratings by S&P, Moody's and Fitch.

Based on Textron Financial's current S&P, Moody's and Fitch ratings (A-, A3 and A-, respectively), the interest rates, facility fees, utilization fees and letter of credit fees will be based on a Level III pricing schedule. As a result, Textron Financial would pay (i) facility fee rates in the amount of 8 basis points under the Five Year Agreement and 6 basis points under the One Year Agreement; (ii) interest rates based on the amount utilized under each Credit Facility at the rate of LIBOR plus Euro-Dollar Margins of (a) either 17 basis points (for outstanding amounts $500,000,000 and under) and 27 basis points (for outstanding amounts over $500,000,000) under the Five Year Loan and (b) either 19 basis points (for outstanding amounts $250,000,000 and under) and 29 basis points (for outstanding amounts over $250,000,000) under the One Year Agreement and (iii) letter of credit fees equal to 27 basis points of the outstanding amount of any letter of credit issued under the Five Year Agreement.

The summary of the Amendments set forth in this Item 1.01 is qualified in its entirety by reference to the text of the Amendments, copies of which are incorporated by reference herein as Exhibits 10.1 and 10.2.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

The information described above under "Item 1.01. Entry into a Material Definitive Agreement" is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

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SIGNATURES

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

TEXTRON INC.
(Registrant)

Date: July 27, 2005
EXHIBIT INDEX

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