

# TEXTRON INC

## FORM 11-K (Annual Report of Employee Stock Plans)

Filed 06/29/99 for the Period Ending 12/31/98

Address	40 WESTMINSTER ST PROVIDENCE, RI 02903
Telephone	4014212800
CIK	0000217346
Symbol	TXT
SIC Code	6162 - Mortgage Bankers and Loan Correspondents
Fiscal Year	01/02

# TEXTRON INC

## FORM 11-K

(Annual Report of Employee Stock Plans)

Filed 6/29/1999 For Period Ending 12/31/1998

Address	40 WESTMINSTER ST PROVIDENCE, Rhode Island 02903
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CIK	0000217346
Industry	Conglomerates
Sector	Conglomerates
Fiscal Year	12/31

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# SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

## FORM 11-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1998

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

*Commission file number 001-5480*

A. Full title of the plan and the address of the plan, if different for that the issuer named below:

**EMPLOYEES' RETIREMENT SAVINGS PLAN  
FOR PRECISION STAMPING DIVISION OF  
ELCO TEXTRON INC.**

1111 Samuelson Road  
P.O. Box 7009  
Rockford, Illinois 61125

B. Name of issuer of securities held pursuant to the plan and address of its principal executive office:

**TEXTRON INC.**  
40 Westminster Street  
Providence, Rhode Island 02903

### SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

**EMPLOYEES' RETIREMENT SAVINGS PLAN  
FOR PRECISION STAMPING DIVISION OF  
ELCO TEXTRON INC.**

**ELCO TEXTRON INC., Plan Administrator**

DATE: June 28, 1999

By: /s/Mark S. Arnold  
Mark S. Arnold  
Director of Finance

Financial Statements and Supplemental Schedules

Employees' Retirement Savings Plan for the Precision Stamping Division of Elco Textron Inc.

Years ended December 31, 1998 and 1997

Employees' Retirement Savings Plan  
for the Precision Stamping Division of  
Elco Textron Inc.

Financial Statements  
and Supplemental Schedules

Years ended December 31, 1998 and 1997

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Employees' Retirement Savings Plan for the Precision	
Stamping Division of Elco Textron Inc.	

We have audited the accompanying statements of net assets available for benefits of the Employees' Retirement Savings Plan for the Precision Stamping Division of Elco Textron Inc. as of December 31, 1998 and 1997, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 net assets available for benefits of the Plan at December 31, 1998 and 1997, and the changes in its net assets available for benefits for the years then ended, in conformity with generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of assets held for investment purposes as of December 31, 1998, and reportable transactions for the year then ended, are presented for purpose of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The Fund Information in the statements of net assets available for benefits and the statements of changes in net assets available for benefits is presented for purpose of additional analysis rather than to present the net assets available for benefits and changes in net assets available for benefits of each fund. The supplemental schedules and Fund Information have been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP  
ERNST & YOUNG LLP

May 5, 1999

Employees' Retirement Savings Plan  
for the Precision Stamping Division of  
Elco Textron Inc.

Statement of Net Assets Available for Benefits with Fund Information

December 31, 1998

	Money Market Fund	Bond Fund	High Income Equity Fund	Fund Information Small Capitalization Fund	Balanced Fund	Textron Stock Fund	Loan Fund	Total
Investments, at fair value:								
Pegasus Money Market Fund	\$636,885	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 636,885
Pegasus Bond Fund	-	5,691	-	-	-	-	-	5,691
Putnam Voyager Fund	-	-	-	1,971,150	-	-	-	1,971,150
Pegasus Equity Index Fund	-	-	2,297,028	-	-	-	-	2,297,028
The George Putnam Fund of Boston	-	-	-	-	1,359,075	-	-	1,359,075
Textron Inc. common stock	-	-	-	-	-	1,127,621	-	1,127,621
Participant notes receivable	-	-	-	-	-	-	176,339	176,339
Total investments	636,885	5,691	2,297,028	1,971,150	1,359,075	1,127,621	176,339	7,573,789
Receivables:								
Participant contributions	2,829	47	13,731	13,745	8,487	8,221	-	47,060
Employer's contributions	516	11	2,195	2,193	1,508	1,314	-	7,737
Total receivables	3,345	58	15,926	15,938	9,995	9,535	-	54,797
Net assets available for benefits	\$640,230	\$5,749	\$2,312,954	\$1,987,088	\$1,369,070	\$1,137,156	\$176,339	\$7,628,586

See accompanying notes.

Employees' Retirement Savings Plan  
for the Precision Stamping Division of  
Elco Textron Inc.

Statement of Net Assets Available for Benefits With Fund Information

December 31, 1997

	Main Fund	Money Market Fund	High Income Equity Fund	Fund Information Small Capitalization Fund	Balanced Fund	Textron Stock Fund	Loan Fund	Total
Investments, at fair value:								
Parkstone Prime Obligation Money Market Fund	\$137	\$659,902	\$ 112	\$ 195	\$ 7,464	\$ 42,612	\$ -	\$ 710,422
Parkstone High Income Equity Fund	-	-	1,761,879	-	-	-	-	1,761,879
Parkstone Mid Capitalization Fund	-	-	23,923	-	-	-	-	23,923
Parkstone Small Capitalization Fund	-	-	-	1,879,144	-	-	-	1,879,144
Parkstone Balanced Fund	-	-	-	-	1,054,342	-	-	1,054,342
Textron Inc. common stock	-	-	-	-	-	705,625	-	705,625
Participant notes receivable	-	-	-	-	-	-	80,955	80,955
Total investments	137	659,902	1,785,914	1,879,339	1,061,806	748,237	80,955	6,216,290
Receivables:								
Participant contributions	-	2,944	13,878	16,613	8,389	7,614	-	49,438
Employer's contributions	-	14,841	28,538	34,060	21,644	16,330	-	115,413
Other receivable (payable)	-	(1,617)	(2,654)	(2,734)	(1,814)	374	-	(8,445)
Accrued income	570	2,888	2	2	9	2,994	-	6,465
Total receivables	570	19,056	39,764	47,941	28,228	27,312	-	162,871
Due (to) from other funds	(707)	3,185	(1,402)	(822)	(1,046)	783	9	-
Net assets available for benefits	\$ -	\$682,143	\$1,824,276	\$1,926,458	\$1,088,988	\$776,332	\$80,964	\$6,379,161

See accompanying notes.

Employees' Retirement Savings Plan  
for the Precision Stamping Division of  
Elco Textron Inc.

Statement of Changes in Net Assets Available for Benefits with Fund Information

Year ended December 31, 1998

	Fund Information							Total
	Money Market Fund	Bond Fund	High Income Equity Fund	Small Capitalization Fund	Balanced Fund	Textron Stock Fund	Loan Fund	
Additions to net assets attributed to:								
Investment income:								
Net appreciation (depreciation) in fair value of investments	\$ -	\$ 21	\$248,858	\$(106,549)	\$32,220	\$190,040	\$ -	\$364,590
Interest and dividend income	34,008	-	151,894	132,370	116,125	11,867	6,777	453,041
	34,008	21	400,752	25,821	148,345	201,907	6,777	817,631
Contributions:								
Participant	29,678	47	143,514	149,391	85,666	90,106	-	498,402
Employer	5,336	11	22,751	23,375	15,554	13,875	-	80,902
	35,014	58	166,265	172,766	101,220	103,981	-	579,304
<b>Total additions</b>	<b>69,022</b>	<b>79</b>	<b>567,017</b>	<b>198,587</b>	<b>249,565</b>	<b>305,888</b>	<b>6,777</b>	<b>1,396,935</b>
Deductions from net assets attributed to:								
Benefits paid to participants	46,309	-	40,218	42,095	19,418	146	-	148,186
Administrative expenses	196	-	196	196	196	647	-	1,431
Other	(1,729)	-	(3,351)	(4,967)	(2,100)	10,030	10	(2,107)
<b>Net deductions</b>	<b>44,776</b>	<b>-</b>	<b>37,063</b>	<b>37,324</b>	<b>17,514</b>	<b>10,823</b>	<b>10</b>	<b>147,510</b>
Net increase prior to interfund transfers	24,246	79	529,954	161,263	232,051	295,065	6,767	1,249,425
Interfund transfers (net)	(66,159)	5,670	(41,276)	(100,633)	48,031	65,759	88,608	-
<b>Net increase (decrease)</b>	<b>(41,913)</b>	<b>5,749</b>	<b>488,678</b>	<b>60,630</b>	<b>280,082</b>	<b>360,824</b>	<b>95,375</b>	<b>1,249,425</b>
<b>Net assets available for benefits, beginning of year</b>	<b>682,143</b>	<b>-</b>	<b>1,824,276</b>	<b>1,926,458</b>	<b>1,088,988</b>	<b>776,332</b>	<b>80,964</b>	<b>6,379,161</b>
<b>Net assets available for benefits, end of year</b>	<b>\$640,230</b>	<b>\$5,749</b>	<b>\$2,312,954</b>	<b>\$1,987,088</b>	<b>\$1,369,070</b>	<b>\$1,137,156</b>	<b>\$176,339</b>	<b>\$7,628,586</b>

See accompanying notes.

Employees' Retirement Savings Plan  
for the Precision Stamping Division of  
Elco Textron Inc.

Statement of Changes in Net Assets Available for Benefits with Fund Information

Year ended December 31, 1997

	Fund Information						Total
	Money Market Fund	High Income Equity Fund	Small Capitalization Fund	Balanced Fund	Textron Stock Fund	Loan Fund	
Additions to net assets attributed to:							
Investment income:							
Net appreciation (depreciation) in fair value of investments	\$ -	\$25,963	\$(162,454)	\$55,606	\$125,250	\$ -	\$44,365
Interest and dividend income	41,698	298,698	89,173	56,299	11,600	7,312	504,780
	41,698	324,661	(73,281)	111,905	136,850	7,312	549,145
Contributions:							
Participant	46,514	146,270	188,542	94,126	75,687	-	551,139
Employer	22,805	49,511	59,529	37,401	27,070	-	196,316
	69,319	195,781	248,071	131,527	102,757	-	747,455
Total additions	111,017	520,442	174,790	243,432	239,607	7,312	1,296,600
Deductions from net assets attributed to:							
Benefit paid to participants	150,139	9,578	3,649	40,524	467	-	204,357
Administrative expenses	264	262	262	262	871	-	1,921
Other	1,958	1,962	2,536	1,388	687	7,856	16,387
Total deductions	152,361	11,802	6,447	42,174	2,025	7,856	222,665
Net increase (decrease) prior to interfund transfers	(41,344)	508,640	168,343	201,258	237,582	(544)	1,073,935
Interfund transfers (net)	(324,631)	69,719	147,601	5,547	102,908	(1,144)	-
Net increase (decrease)	(365,975)	578,359	315,944	206,805	340,490	(1,688)	1,073,935
Net assets available for benefits, beginning of year	1,048,118	1,245,917	1,610,514	882,183	435,842	82,652	5,305,226
Net assets available for benefits, end of year	\$682,143	\$1,824,276	\$1,926,458	\$1,088,988	\$776,332	\$80,964	\$6,379,161

See accompanying notes.



**Notes to Financial Statements**

**Year ended December 31, 1998**

1. Description of the Plan

The following brief description of the Employees' Retirement Savings Plan for the Precision Stamping Division of Elco Textron Inc. (the Plan) is provided for general information purposes only. Participants should refer to the Summary Plan Description for more complete information.

**General**

The Plan is a defined contribution plan formed to provide a retirement savings plan to employees of the Precision Stamping Division of Elco Textron Inc. (Elco). The Plan provides for participant tax-deferred savings under Section 401(k) of the Internal Revenue (IRC) and is subject to the provisions of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA). The Plan is administered by an administrative committee consisting of not fewer than three members selected by the Board of Directors of Elco.

**Eligibility**

All employees of the Precision Stamping Division of Elco (the Plan Sponsor) are eligible to participate in the Plan after completing one year of service, as defined in the Plan.

**Vesting and Forfeitures**

Participants are immediately vested in the value of their contributions and related allocation of trust income or loss.

Participants become fully vested in the value of contributions made by Elco and related allocations of trust income or loss after five years of credited service.

Any forfeitures are allocated to remaining Plan participants.

## **Contributions**

Active participants may contribute up to 14% of their pre-tax compensation, as defined by the Plan, subject to dollar limitations of \$10,000 and \$9,500 in 1998 and 1997, respectively.

The Plan provides for an employer matching contribution of 25% of a participant's contribution, not to exceed 1% of the participant's compensation. The Plan also provides for discretionary Company contributions. Elco made a discretionary contribution of \$-0- and \$107,500 in 1998 and 1997, respectively.

## **Investment Options**

Participants are allowed to direct the employer and employee contributions in 10% increments in any of the following investment funds:

**Money Market Fund** - Funds are invested in the Pegasus Money Market Fund, a mutual fund, which invests in short-term U.S. Treasury bills or notes as well as other short-term obligations issued by or guaranteed by the U.S. Government and other short-term obligations.

**Bond Fund** - Funds are invested in the Pegasus Bond Fund, a mutual fund, which invests in fixed income of corporate or U.S. Government obligations of varying maturities.

**High Income Equity Fund** - Funds are invested in the Pegasus Equity Index Fund, a mutual fund, which invests in common and preferred stocks.

**Small Capitalization Fund** - Funds are invested in the Putnam Voyager Fund, a mutual fund, which invests in common and preferred stocks.

**Balanced Fund** - Funds are invested in The George Putnam Fund of Boston, a mutual fund, which invests in a combination of common stocks (and securities convertible into common stocks) and fixed income securities.

Textron Stock Fund - Funds are invested exclusively in Textron Inc. common stock.

Participants may change their investment options quarterly.

During October 1998, the underlying investments available to participants changed.

### **Allocations**

The Plan document provides for daily allocation of trust income or loss which is made in the same ratio that a participant's account bears to the sum of the balances of all participants' accounts, taking into consideration the dates on which additional contributions are made. Company contributions are allocated as of the end of each plan year.

### **Distribution of Benefits**

Distribution of the vested value of a participant's account is made by the trustee within sixty (60) days after the end of the Plan year in which occurs a participants' normal retirement date, early retirement date, late retirement date, disability retirement date, severance date or death.

The vested value of such distribution includes any pre-tax contributions made to the participant's account during the Plan year and is determined subsequent to the inclusion of his allocable share of trust income or loss.

### **Participant Notes Receivable**

Participants may borrow an amount that does not exceed the lesser of \$50,000 or 50% of the employee's own contributions. Loans must be repaid within five years and bear interest at the current prime rate plus 1%.

## 2. Summary of Significant Accounting Policies

### **Investment Valuation**

The Plan's investments are stated at fair value. The shares of the registered investment companies are valued at quoted market prices which represent the net asset values of the shares held by the Plan at year end. Shares of Textron Inc. common stock are valued at the last reported sale price on the last day of business of the Plan year. Participant loans are valued at their outstanding balances, which approximates fair value.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **Administrative Expenses**

Certain services are provided to the Plan by Elco without charge.

## 3. Termination Priorities

Although it has not expressed any intent to do so, Elco has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of termination, participants become 100% vested in their accounts.

## 4. Related-Party Transactions

During the year, the Plan had purchase and sale transactions with mutual funds administered by an affiliate of the Plan's trustee and the common stock of Textron Inc., parent company of Elco.

## 5. Income Tax Status

The Internal Revenue Service ruled on April 6, 1995, that the Plan qualifies under Section 401(a) of the Internal Revenue Code (IRC) and, therefore, the related trust is not subject to tax under present income tax law. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualification. The plan administrator is not aware of any course of action or series of events that have occurred that might adversely affect the Plan's qualified status.

## 6. Year 2000 (Unaudited)

The Plan Sponsor has determined that it will be necessary to take certain steps in order to ensure that the Plan's information systems are prepared to handle the Year 2000 dates. The Plan Sponsor is taking a two-phase approach. The first phase addresses internal systems that must be modified or replaced to function properly. Both internal and external resources are being utilized to replace or modify existing software applications, and test the software and equipment for the Year 2000 modifications. The Plan Sponsor anticipates substantially completing this phase of the project by July 1999. Costs associated with modifying software and equipment are not estimated to be significant and will be paid by the Plan Sponsor.

For the second phase of the project, Plan management established formal communications with its third-party service providers to determine that they have developed plans to address their own Year 2000 problems as they relate to the Plan's operations. All third-party service providers have indicated that they will be Year 2000 compliant by mid-1999. If modification of data processing systems of either the Plan, the Plan Sponsor, or its service providers is not completed on time, the Year 2000 problem could have a material impact on the operations of the Plan. Plan management has not developed a contingency plan, because they are confident that all systems will be Year 2000 ready.

Supplemental Schedules

Employees' Retirement Savings Plan  
for the Precision Stamping Division of  
Elco Textron Inc.

Employer Identification Number 36-1033080  
Plan Number 012

Line 27(a) - Schedule of Assets Held for Investment Purposes

December 31, 1998

Identity of Party Involved	Number of Shares or Face Amount	Cost	Current Value
Pegasus Money Market Fund*	636,885	\$636,885	\$636,885
Mutual funds:			
Pegasus Bond Fund*	527	5,670	5,691
Pegasus Equity Index Fund*	90,469	1,975,253	2,297,028
Putnam Voyager Fund*	89,924	1,623,273	1,971,150
The George Putnam Fund of Boston*	75,326	1,328,677	1,359,075
Textron Inc. common stock*	14,849	817,781	1,127,621
Participant loans	7.5%to9.5%	-	176,339
		\$6,387,539	\$7,573,789

\* Indicates a party-in-interest to the Plan.

Employees' Retirement Savings Plan  
for the Precision Stamping Division of  
Elco Textron Inc.  
Employer Identification Number 36-1033080  
Plan Number 012

Line 27(d) - Schedule of Reportable Transactions (continued)

Year ended December 31, 1998

Identity of Party Involved	Description of Assets	Purchase Price	Selling Price	Cost of Asset	Current Value of Asset on Transaction Date	Net Gain (Loss)
Category (i) - Individual transactions in excess of 5 percent of plan assets						
First of America Investment Corporation*	Parkstone Prime Obligation Money Market Fund	\$ -	\$618,385	\$618,385	\$618,385	\$ -
First of America Investment Corporation*	Parkstone High Income Equity Fund	-	1,778,069	1,806,075	1,778,069	(28,006)
First of America Investment Corporation*	Parkstone Small Capitalization Fund	-	1,449,764	1,992,120	1,449,764	(542,356)
First of America Investment Corporation*	Parkstone Balanced Fund	-	1,214,665	1,195,272	1,214,665	19,393
Putnam*	Putnam Voyager Fund	1,451,118	-	1,451,118	1,451,118	-
Putnam*	The George Putnam Fund of Boston	1,215,322	-	1,215,322	1,215,322	-
Putnam*	Pegasus Equity Index Fund	1,801,190	-	1,801,190	1,801,190	-
Putnam*	Pegasus Money Market Fund	620,996	-	620,996	620,996	-
Category (iii) - Series of security transactions in excess of 5 percent of plan assets						
First of America Investment Corporation*	Parkstone Prime Obligation Money Market Fund	1,448,113	-	1,448,113	1,448,113	-
		-	2,158,535	2,158,535	2,158,535	-
First of America Investment Corporation*	Parkstone High Income Equity Fund	245,079	-	245,079	245,079	-
		-	1,936,129	1,959,710	1,936,129	23,581
First of America Investment Corporation*	Parkstone Small Capitalization Fund	220,547	-	\$220,547	220,547	-
		-	1,645,139	2,220,903	1,645,139	(575,764)
First of America Investment Corporation*	Parkstone Balanced Fund	221,964	-	221,964	221,964	-
		-	1,277,936	1,255,243	1,277,936	22,693
Textron Inc.*	Textron Inc. common stock	353,304	-	353,304	353,304	-
		-	121,348	84,526	121,348	36,822
Putnam*	Putnam Voyager Fund	1,623,933	-	1,623,933	1,623,933	-
		-	786	660	786	126
Putnam*	The George Putnam Fund of Boston	1,335,800	-	1,335,800	1,335,800	-
		-	7,315	7,123	7,315	192
Putnam*	Pegasus Equity Index Fund	1,975,253	-	1,975,253	1,975,253	-
Putnam*	Pegasus Money Market Fund	636,885	-	636,885	636,885	-

There were no category (ii) or (iv) reportable transactions during 1998.

\* Indicates a party-in-interest to the Plan.

## Exhibit 23

### Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-07121) pertaining to the Employees' Retirement Savings Plan for the Precision Stamping Division of Elco Textron Inc. of Textron Inc. of our report dated May 5, 1999, with respect to the financial statements and schedules of the Employees' Retirement Savings Plan for the Precision Stamping Division of Elco Textron Inc. included in this Annual Report (Form 11-K) for the year ended December 31, 1998.

*/s/ Ernst & Young LLP*  
*ERNST & YOUNG LLP*

*Providence, Rhode Island*  
*June 28, 1999*

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**End of Filing**

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