

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
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TEXTRON INC

FORM 11-K

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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:

ELCO TEXTRON INC.

PROFIT SHARING AND SAVINGS PLAN

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.

ELCO TEXTRON INC. PROFIT SHARING AND SAVINGS PLAN

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

Elco Textron Inc. Profit Sharing and Savings Plan

Years ended December 31, 1998 and 1997

Elco Textron Inc.

Profit Sharing and Savings Plan

Financial Statements and Supplemental Schedules

Years ended December 31, 1998 and 1997

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Report of Independent Auditors

Administrative Committee
Elco Textron Inc. Profit Sharing and Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Elco Textron Inc. Profit Sharing and Savings Plan 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. The Fund Information in the statements of net assets available for benefits and statements of changes in net assets available for benefits is presented for purposes 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

Elco Textron Inc.
Profit Sharing and Savings Plan

Statement of Net Assets Available for Benefits

December 31, 1998

	Fund Information							
	Money Market Fund	George Putnam Fund	Bond Fund	Textron Stock Fund	Equity Index Fund	Voyager Fund	Loan Fund	Total Funds
Assets								
Investments, at fair value:								
Shares of registered investment companies:								
Fixed income	\$5,494,727	\$ -	\$13,825,588	\$ -	\$ -	\$ -	\$ -	\$19,320,315
Balanced	-	43,304,457	-	-	3,229,664	2,887,088	-	49,421,209
Textron Inc. common stock	-	-	-	21,091,557	-	-	-	21,091,557
Participant notes receivable	-	-	-	-	-	-	2,247,552	2,247,552
Total investments	5,494,727	43,304,457	13,825,588	21,091,557	3,229,664	2,887,088	2,247,552	92,080,633
Receivables:								
Interest and dividends	-	-	-	81,449	-	-	-	81,449
Due from broker	-	-	-	179,461	-	-	-	179,461
Total receivables	-	-	-	260,910	-	-	-	260,910
Net assets available for benefits	\$5,494,727	\$43,304,457	\$13,825,588	\$21,352,467	\$3,229,664	\$2,887,088	\$2,247,552	\$92,341,543

See accompanying notes.

Elco Textron Inc.
Profit Sharing and Savings Plan

Statement of Net Assets Available for Benefits

December 31, 1997

	Fund Information						
	Money Market Fund	George Putnam Fund	Bond Fund	Textron Stock Fund	Loan Fund	Total Funds	
Assets							
Investments, at fair value:							
Shares of registered investment companies:							
Fixed income	\$5,576,828	\$ -	\$14,259,829	\$ -	\$ -	\$19,836,657	
Balanced	-	48,397,498	-	-	-	48,397,498	
Common stocks	-	261,014	-	17,292,250	-	17,553,264	
Preferred stocks	-	270,272	-	-	-	270,272	
Short-term investments	26	103,081	98	1,027	-	104,232	
Participant notes receivable	-	-	-	-	1,013,556	1,013,556	
Total investments	5,576,854	49,031,865	14,259,927	17,293,277	1,013,556	87,175,479	
Receivables:							
Interest and dividends	16,776	55,250	10,842	69,882	-	152,750	
Due to (from) other fund	6,677	(6,541)	2,235	(2,371)	-	-	
Other	(7,505)	13,165	7,803	(1,170)	-	12,293	
Cash	2	5	485	(10)	-	482	
Net assets available for benefits	\$5,592,804	\$49,093,744	\$14,281,292	\$17,359,608	\$1,013,556	\$87,341,004	

See accompanying notes.

Elco Textron Inc.
Profit Sharing and Savings Plan

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

Year ended December 31, 1998

	Fund Information							
	Money Market Fund	George Putnam Fund	Bond Fund	Textron Stock Fund	Equity Index Fund	Voyager Fund	Loan Fund	Total Funds
Additions to net assets attributed to:								
Investment income:								
Net appreciation in fair value of investments	\$ -	\$576,308	\$191,369	\$3,997,765	\$110,815	\$28,328	\$ -	\$4,904,585
Interest and dividend income	273,187	4,181,279	960,859	393,497	208,718	199,716	112,264	6,329,520
Total additions	273,187	4,757,587	1,152,228	4,391,262	319,533	228,044	112,264	11,234,105
Deductions from net assets attributed to:								
Benefits paid to participants	423,182	2,872,752	1,842,803	869,870	536	527	192,004	6,201,674
Administrative expenses	142	31,523	137	-	6	84	-	31,892
Total deductions	423,324	2,904,275	1,842,940	869,870	542	611	192,004	6,233,566
Net increase (decrease) before transfers	(150,137)	1,853,312	(690,712)	3,521,392	318,991	227,433	(79,740)	5,000,539
Interfund transfers, net	52,060	(7,642,599)	235,008	471,467	2,910,673	2,659,655	1,313,736	-
Net increase (decrease)	(98,077)	(5,789,287)	(455,704)	3,992,859	3,229,664	2,887,088	1,233,996	5,000,539
Net assets available for benefits, beginning of year	5,592,804	49,093,744	14,281,292	17,359,608	-	-	1,013,556	87,341,004
Net assets available for benefits, end of year	\$5,494,727	\$43,304,457	\$13,825,588	\$21,352,467	\$3,229,664	\$2,887,088	\$2,247,552	\$92,341,543

See accompanying notes.

Elco Textron Inc.
Profit Sharing and Savings Plan

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

Year ended December 31, 1997

	Fund Information						Total Funds
	Money Market Fund	George Putnam Fund	Bond Fund	Textron Stock Fund	Loan Fund		
Additions to net assets attributed to:							
Investment income:							
Net appreciation (depreciation) in fair value of investments	\$ (27,769)	\$8,012,971	\$71,246	\$2,179,114	\$ -		\$10,235,562
Interest and dividend income	351,792	1,465,685	991,359	220,512	19,693		3,049,041
	324,023	9,478,656	1,062,605	2,399,626	19,693		13,284,603
Contributions:							
Participants	99,536	649,262	141,875	199,588	-		1,090,261
Employer	317,994	1,039,166	270,826	307,041	-		1,935,027
	417,530	1,688,428	412,701	506,629	-		3,025,288
Total additions	741,553	11,167,084	1,475,306	2,906,255	19,693		16,309,891
Deductions from net assets attributed to:							
Benefits paid to participants	2,641,487	2,651,115	1,307,802	443,897	-		7,044,301
Administrative expenses	257	304,475	66,540	-	-		371,272
Total deductions	2,641,744	2,955,590	1,374,342	443,897	-		7,415,573
Net increase (decrease) before transfers	(1,900,191)	8,211,494	100,964	2,462,358	19,693		8,894,318
Interfund transfers, net	456,166	(6,619,270)	(2,944,364)	8,163,787	943,681		-
Net increase (decrease)	(1,444,025)	1,592,224	(2,843,400)	10,626,145	963,374		8,894,318
Net assets available for benefits, beginning of year	7,036,829	47,501,520	17,124,692	6,733,463	50,182		78,446,686
Net assets available for benefits, end of year	\$5,592,804	\$49,093,744	\$14,281,292	\$17,359,608	\$1,013,556		\$87,341,004

See accompanying notes.

Notes to Financial Statements

Years ended December 31, 1998 and 1997

1. Description of the Plan

The following description of the Elco Textron Inc. Profit Sharing and Savings Plan (Plan) provides only general information. Participants should refer to the Summary Plan Description for a more complete description of the Plan.

General

The Plan is a defined contribution plan formed to provide profit-sharing benefits to employees of Elco Textron Inc. (the Company) and Textron Inc. All full-time employees of the Company's Corporate Division, Precision Formed Products Division, Precision Commercial Division of Camcar, Heat Treat and Finishes Division, Tool Manufacturing Division, Construction Products Division and Textron Logistics Corp. are eligible to participate in the Plan, commencing with the first annual anniversary of their employment. During 1997, the Plan was amended such that no employee shall become a participant in the Plan after April 1, 1997. The Plan is subject to the provisions of 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 the Company.

Contributions and Vesting

During 1997, the Plan was also amended such that all participant and employer profit-sharing and additional employer contributions were discontinued as of June 30, 1997. All participants became fully vested in the profit-sharing and additional employer contributions at June 30, 1997.

Prior to June 30, 1997, the Company annually contributed to the Plan the lesser of 10 percent of the Company's net profits for the plan year plus an additional amount, which was authorized at the discretion of its Board of Directors, or 15 percent of the aggregate compensation paid to all Plan participants for the Plan year. In addition, the Company could make an additional contribution in such amount as determined at the Board's

discretion. The Company made a discretionary contribution of \$562,000 during 1997. Active participants could elect to make contributions not to exceed 14 percent of their earnings prior to June 30, 1997. All contributions were discontinued June 30, 1997, when the Plan was frozen.

Investment Options

Upon enrollment in the Plan, a participant may direct employer and employee contributions in 10% increments in any of the six investment options: Money Market Fund, George Putnam Fund (formerly known as the Balanced Fund), Bond Fund (formerly known as the Mortgage and Bond Fund), Textron Stock Fund, Equity Index Fund and the Voyager Fund.

Participants may change their investment options quarterly.

Participant Accounts

The allocation of Plan income or loss to active participants 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 and withdrawals are made. Participant account balances are valued daily by the Plan's recordkeeper based on the value of the number of shares owned in each mutual fund.

The allocation of Company contributions and forfeitures is based on participant earnings, plus years of service, as defined by the Plan document.

Payment of Benefits

The benefit to which a participant is entitled is the benefit that can be provided from the participant's account balance. On termination of service, a participant may elect to receive either a lump-sum amount equal to the vested portion of his account, or periodic payments over a period of time as defined by the Plan.

Participant Notes Receivable

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

2. 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. Common stocks and preferred stocks are carried at fair value based on quoted market values. Short-term investments are reported at cost, which approximates fair value. Participant notes receivable are valued at their outstanding balances, which approximate fair value.

Use of Estimates

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

Administrative Expense

Certain administrative services are provided to the Plan by the Company without charge.

3. Investments

In accordance with the terms of the trust agreement, as amended January 1, 1976, a trust fund administered by First of America Trust Company (FOA) had custody of all Plan assets, except cash and participant loans. Effective January 2, 1998, the trust agreement with FOA was terminated and NBD Bank was appointed trustee and Putnam Fiduciary Trust Company was appointed as custodian of the Plan assets. The fair value of individual investments that exceed five percent of the Plan's net assets is as follows:

	1998	1997
Textron Inc. Common Stock	\$ 21,091,557	\$ 17,292,250
Pegasus Bond Fund	13,825,588	14,259,829
George Putnam Fund of Boston	43,304,457	48,409,881
Pegasus Money Market Fund	5,494,727	5,576,828

Plan investments (including investments bought, sold, as well as held during the year) appreciated (depreciated) in fair value by \$4,904,585 and \$10,235,562, as follows:

	1998	1997
Investments at fair value as determined by quoted market prices:		
Common stocks	\$ 3,997,765	\$ 9,360,729
Mutual funds	906,820	568,420
Preferred stocks	-	(106,730)
U.S. Government and Agency obligations	-	238,325
Corporate obligations	-	151,471
Foreign bonds	-	23,347
	\$ 4,904,585	\$10,235,562

The Plan invested in mortgage notes receivable from certain employees of the Company in northern Illinois who may or may not be Plan participants. The Plan's policy restricted these investments to first mortgages on personal residences, including subsequent home improvements, and required approval by the administrative committee. The mortgage amount could not exceed 80 percent of the appraised value of the property for non-Plan participants. For Plan participants, the mortgage amount could not exceed 80 percent of the appraised value of the property plus 50 percent of the participant's vested benefit in their profit-sharing account. The maximum amount loaned was limited to the appraised value, but could not exceed \$50,000. Interest rates ranged from 7.5% to 8.5%. The notes were granted with maturities of up to ten years and payment schedules based on periods of up to twenty-five years. At the maturity date, unpaid loan balances were reviewed by the administrative committee and, upon approval, were refinanced at prevailing interest rates. In 1997, the outstanding mortgage notes were sold at approximate cost and the Plan no longer invests in mortgage notes.

4. 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 exempt from taxation. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualification. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the IRC and, therefore, believes that the Plan is qualified and the related trust is tax exempt.

5. 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 Textron Inc.

6. Plan Termination

As discussed in Note 1, the Plan was frozen effective June 30, 1997, and all participants are 100% vested in their accounts. Although it has not made a decision to do so, the Company has the right to terminate the Plan, subject to the provisions of ERISA.

7. Year 2000 (Unaudited)

The Company 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 Year 2000 dates. The Company 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 Company anticipates substantially completing this phase of the project by mid-1999. Costs associated with modifying software and equipment are not estimated to be significant and will be paid by the Company.

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 Company, 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 Schedule

Elco Textron Inc. Profit Sharing and Savings Plan

Employer Identification Number 36-1033080
Plan Number 010

Line 27a - Schedule of Assets Held for Investment Purposes

December 31, 1998

Identity /Description	Par Value or Shares	Cost	Current Value
Common stocks - Textron Inc.*	277,749	\$15,274,171	\$21,091,557
Short-term investments - Pegasus Money Market Fund	5,494,727	5,494,727	5,494,727
Mutual funds:			
Pegasus Equity Index Fund	127,202	3,117,238	3,229,664
George Putnam Fund of Boston*	2,400,469	43,199,588	43,304,457
Putnam Voyager Fund*	131,710	2,822,408	2,887,088
Pegasus Bond Fund	1,282,522	13,660,245	13,825,588
		62,799,479	63,246,797
Participant notes receivable	7.9% to 9.5%	-	2,247,552
		\$83,568,377	\$92,080,633

* Indicates party-in-interest to the Plan.

Elco Textron Inc. Profit Sharing and Savings Plan

Employer Identification Number 36-1033080
Plan Number 010

Line 27d - Schedule of Reportable Transactions

Year ended December 31, 1998

Identity of Party Involved	Description	Purchase Price	Selling Price	Cost of Asset	Current Value of Assets on Transaction Date	Net Gain (Loss)
Category (iii)-Series of security transactions in excess of 5% of plan assets						
Putnam	Pegasus Bond Fund	\$3,177,600	\$ -	\$3,177,600	\$3,177,600	\$ -
		-	3,875,803	3,849,777	3,875,803	26,026
Putnam	Pegasus Money Market Fund	2,005,520	-	2,005,520	2,005,520	-
		-	2,103,597	2,103,597	2,103,597	-
Putnam	George Putnam Fund of Boston*	7,335,003	-	7,335,003	7,335,003	-
		-	12,337,019	11,865,581	12,337,019	471,438
Textron Inc.	Common Stock*	4,137,453	-	4,137,453	4,137,453	-
		-	4,405,205	3,434,481	4,405,205	970,724

There were no category (i), (ii) or (iv) transactions in 1998.

* Indicates 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 Elco Textron Inc. Profit Sharing and Savings Plan of our report dated May 5, 1999, with respect to the financial statements and schedules of the Elco Textron Inc. Profit Sharing and Savings Plan 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

End of Filing

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