

TEXTRON INC

FORM 10-Q (Quarterly Report)

Filed 11/13/95 for the Period Ending 09/30/95

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 10-Q (Quarterly Report)

Filed 11/13/1995 For Period Ending 9/30/1995

Address	40 WESTMINSTER ST PROVIDENCE, Rhode Island 02903
Telephone	401-421-2800
CIK	0000217346
Industry	Conglomerates
Sector	Conglomerates
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal quarter ended September 30, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES AND EXCHANGE ACT OF 1934

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 02903
401-421-2800

(Address and telephone number of principal executive offices)

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 X No

Common stock outstanding at October 28, 1995 - 84,821,000 shares

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

TEXTRON INC.
Consolidated Statement of Income (unaudited)
(Dollars in millions except per share amounts)

	Three months ended		Nine months ended	
	September 30, 1995	October 1, 1994	September 30, 1995	October 1, 1994
Revenues				
Sales	\$ 1,558	\$ 1,621	\$ 4,763	\$ 5,084
Interest, discount and service charges	397	332	1,165	981
Insurance premiums	357	315	1,036	908
Investment income (including net realized investment gains)	113	113	350	333
Total revenues	2,425	2,381	7,314	7,306

Costs and expenses				
Cost of sales	1,276	1,330	3,905	4,241
Selling and administrative	384	376	1,137	1,115
Interest	198	168	609	489
Provision for losses on collection of finance receivables, less recoveries	42	37	120	117
Insurance benefits and increase in policy liabilities	283	256	844	724
Amortization of insurance policy acquisition costs	34	29	101	81
Total costs and expenses	2,217	2,196	6,716	6,767
Income before income taxes	208	185	598	539
Income taxes	(82)	(71)	(236)	(207)
Elimination of minority interest in net income of Paul Revere	(4)	(3)	(10)	(11)
Net income	\$ 122	\$ 111	\$ 352	\$ 321
Net income per common share	\$ 1.41	\$ 1.23	\$ 4.05	\$ 3.54
Average shares outstanding*	86,692,000	90,577,000	86,857,000	90,567,000
Dividends per share:				
\$2.08 Preferred stock, Series A	\$.52	\$.52	\$1.56	\$1.56
\$1.40 Preferred stock, Series B	\$.35	\$.35	\$1.05	\$1.05
Common stock	\$.39	\$.35	\$1.17	\$1.05

* Average shares outstanding assume full conversion of preferred stock and exercise of options.

See notes to consolidated financial statements.

Item 1. FINANCIAL STATEMENTS (Continued)

TEXTRON INC.
Consolidated Balance Sheet (unaudited)
(In millions)

	September 30, 1995	December 31, 1994
Assets		
Cash	\$ 78	\$ 49
Investments	5,626	5,294
Receivables - net:		
Finance	9,438	8,583
Commercial and U.S. Government	787	702
	10,225	9,285
Inventories	1,244	1,211
Property, plant and equipment, less accumulated depreciation of \$1,646 and \$1,450	1,288	1,253
Insurance policy acquisition costs	998	911
Goodwill, less accumulated amortization of \$424 and \$381	1,480	1,512
Other assets (including net prepaid income taxes)	1,773	1,410
Total assets	\$ 22,712	\$ 20,925
Liabilities and shareholders' equity		
Liabilities		
Accounts payable	\$ 651	\$ 619
Accrued postretirement benefits other than pensions	945	951
Other accrued liabilities (including income taxes)	2,534	2,424
Insurance reserves and claims	5,151	4,685
Debt:		
Textron Parent Company Borrowing Group	1,669	1,582
Finance and insurance subsidiaries	8,536	7,782
	10,205	9,364
Total liabilities	19,486	18,043
Shareholders' equity		
Capital stock:		
Preferred stock	15	16
Common stock*	12	12
Capital surplus	738	702
Retained earnings	2,771	2,518
Other	42	(108)
	3,578	3,140
Less cost of treasury shares	352	258
Total shareholders' equity	3,226	2,882
Total liabilities and shareholders' equity	\$ 22,712	\$ 20,925
*Common shares outstanding	84,761,000	85,497,000

See notes to consolidated financial statements.

Item 1. FINANCIAL STATEMENTS (Continued)

TEXTRON INC.
Consolidated Statement of Cash Flows (unaudited)
(In millions)

	Nine Months Ended	
	September 30, 1995	October 1, 1994
Cash flows from operating activities:		
Net income	\$ 352	\$ 321
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	308	303
Provision for losses on receivables	151	144
Increase in insurance policy liabilities	409	305
Deferred income taxes	61	39
Changes in assets and liabilities excluding those related to acquisitions and divestitures:		
Increase in commercial and U.S. Government receivables	(89)	(173)
Decrease (increase) in inventories	(32)	27
Additions to insurance policy acquisition costs	(196)	(166)
Decrease (increase) in other assets	17	(43)
Increase in accounts payable	33	12
Increase (decrease) in accrued liabilities	(101)	95
Increase in unearned insurance premiums and reserves for insurance losses and adjustment expenses	43	18
Other - net	(2)	7
Net cash provided by operating activities	954	889
Cash flows from investing activities:		
Purchases of investments	(1,258)	(1,696)
Proceeds from disposition of securities:		
Sales of:		
Securities available for sale	627	737
Securities held to maturity	9	10
Maturities and calls	167	490
Proceeds from disposition of other investments	29	53
Finance receivables:		
Originated or purchased	(4,703)	(4,246)
Repaid or sold	4,173	3,635
Cash used in acquisition of business	(40)	-
Net proceeds from sale of business	-	118
Capital expenditures	(197)	(198)
Other investing activities - net	15	43
Net cash used by investing activities	(1,178)	(1,054)
Cash flows from financing activities:		
Decrease in short-term debt	(46)	(33)
Proceeds from issuance of long-term debt	2,347	1,854
Principal payments on long-term debt	(1,927)	(1,619)
Interest-sensitive insurance products:		
Receipts	231	198
Return of account balances	(193)	(92)
Proceeds from exercise of stock options	32	11
Purchases of Textron common stock	(93)	-
Dividends paid	(100)	(94)
Net cash provided by financing activities	251	225
Effect of foreign exchange rate changes on cash	2	1
Net increase in cash	29	61
Cash at beginning of period	49	26
Cash at end of period	\$ 78	\$ 87
See notes to consolidated financial statements.		

Item 1. FINANCIAL STATEMENTS (Continued)

TEXTRON INC.

Notes to Consolidated Financial Statements (unaudited)

Note 1: Summary of significant accounting policies

The financial statements should be read in conjunction with the financial statements included in Textron's Form 10-K for the year ended December 31, 1994. The financial statements reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of Textron's consolidated financial position at September 30, 1995 and December 31, 1994 and its consolidated results of operations for each of the respective three and nine month periods ended September 30, 1995 and October 1, 1994 and consolidated cash flows for each of the nine month periods ended September 30, 1995 and October 1, 1994. The results of operations for the nine months ended September 30, 1995 are not necessarily indicative of results for the full year.

Note 2: Acquisition

In October 1995, Textron acquired Elco Industries, Inc., a manufacturer and distributor of fastening products and systems, for an aggregate cost of approximately \$230 million (\$180 million paid in cash, plus debt of Elco and expenses).

Note 3: Investments

	September 30, 1995	December 31, 1994
	(In millions)	
Debt and marketable equity securities available for sale, at estimated fair value (amortized cost: \$2,512 and \$2,610)	\$2,640	\$2,511
Debt securities to be held to maturity, at amortized cost (estimated fair value: \$2,758 and \$2,294)	2,606	2,470
Other	380	313
	\$5,626	\$5,294

In the third quarter of 1995, an investment in the held to maturity category with an amortized cost of \$8 million was sold due to a significant deterioration in the issuer's creditworthiness.

Note 4: Finance receivables - net

	September 30, 1995	December 31, 1994
	(In millions)	
Finance receivables	\$9,971	\$9,084
Less allowance for credit losses	272	250
Less finance-related insurance reserves and claims	261	251
	\$9,438	\$8,583

Note 5: Inventories

	September 30, 1995	December 31, 1994
	(In millions)	
Finished goods	\$ 370	\$288
Work in process	901	948
Raw materials	192	212
	1,463	1,448
Less progress and advance payments	219	237
	\$1,244	\$1,211

Note 6: Insurance reserves and claims

	September 30, 1995	December 31, 1994
	(In millions)	
Paul Revere:		
Future policy benefits	\$1,289	\$1,193
Unpaid claims and claim expenses	1,794	1,576
Other policyholder funds	1,833	1,714
Other	235	202
	\$5,151	\$4,685

Note 7: Contingencies

There are pending or threatened against Textron and its subsidiaries lawsuits and other proceedings, some of which allege violations of federal government procurement regulations, involve environmental matters, or are or purport to be class actions. Among these suits and proceedings are some which seek compensatory, treble or punitive damages in substantial amounts; fines, penalties or restitution; the cleanup of allegedly hazardous wastes; or, under federal government procurement regulations, could result in suspension or debarment of Textron or its subsidiaries from U.S. Government contracting for a period of time. These suits and proceedings are being defended or contested on behalf of Textron and its subsidiaries. On the basis of information presently available, Textron believes that any such liability or the impact of the application of relevant government regulations would not have a material effect on Textron's net income or financial condition.

Note 8: Financial information by borrowing group

Textron consists of two borrowing groups - the Textron Parent Company Borrowing Group and its finance and insurance subsidiaries.

The Textron Parent Company Borrowing Group is comprised of all entities of Textron other than its finance and insurance subsidiaries. The

financial statements of this group as set forth below reflect Textron's investments in its finance and insurance subsidiaries on the equity basis. Its sources of cash flow include dividends paid by the finance and insurance subsidiaries, as well as cash generated by other operating units.

The finance and insurance subsidiaries finance their respective operations by borrowing from their own group of external creditors.

Item 1 FINANCIAL STATEMENTS (Continued)

Note 8: Financial information by borrowing group (continued)

TEXTRON PARENT COMPANY BORROWING GROUP
(unaudited) (In millions)

	Three Months Ended		Nine Months Ended	
	September 30, 1995	October 1, 1994	September 30, 1995	October 1, 1994
Statement of Income				
Revenues	\$1,558	\$1,622	\$4,763	\$5,086
Costs and expenses				
Cost of sales	1,276	1,330	3,905	4,241
Selling and administrative	159	169	474	500
Interest	46	52	148	160
Total costs and expenses	1,481	1,551	4,527	4,901
	77	71	236	185
Pretax income of finance and insurance subsidiaries	131	114	362	354
Income before income taxes	208	185	598	539
Income taxes	(82)	(71)	(236)	(207)
Elimination of minority interest in net income of Paul Revere	(4)	(3)	(10)	(11)
Net income	\$ 122	\$ 111	\$ 352	\$ 321
			September 30, 1995	December 31, 1994
Balance Sheet				
Assets				
Cash			\$ 57	\$ 20
Receivables - net			787	702
Inventories			1,244	1,211
Investments in finance and insurance subsidiaries			2,506	2,246
Property, plant and equipment - net			1,181	1,146
Goodwill, less accumulated amortization of \$222 and \$194			1,207	1,231
Other assets (including net prepaid income taxes)			1,200	1,262
Total assets			\$8,182	\$7,818
Liabilities and shareholders' equity				
Accounts payable and accrued liabilities (including income taxes)			\$3,287	\$3,354
Debt			1,669	1,582
Shareholders' equity			3,226	2,882
Total liabilities and shareholders' equity			\$8,182	\$7,818

Item 1. FINANCIAL STATEMENTS (Continued)

Note 8: Financial information by borrowing group (continued)

TEXTRON PARENT COMPANY BORROWING GROUP (continued)
(unaudited) (In millions)

	Nine Months Ended	
	September 30, 1995	October 1, 1994
Statement of Cash Flows		
Cash flows from operating activities:		
Net income	\$352	\$321
Adjustments to reconcile net income to net cash provided by operating activities:		
Undistributed earnings of finance and insurance subsidiaries	(117)	(121)
Depreciation and amortization	165	182
Deferred income taxes	24	8
Changes in assets and liabilities excluding those related to acquisitions and divestitures:		
Increase in receivables	(89)	(156)
Decrease (increase) in inventories	(32)	27
Decrease (increase) in other assets	41	(82)
Increase (decrease) in accounts payable and accrued liabilities	(64)	148
Other - net	46	30
Net cash provided by operating activities	326	357
Cash flows from investing activities:		
Net proceeds from sale of business	-	118
Capital expenditures	(180)	(176)
Other investing activities - net	(13)	43
Net cash used by investing activities	(193)	(15)
Cash flows from financing activities:		
Decrease in short-term debt	(1)	(31)
Proceeds from issuance of long-term debt	810	560
Principal payments on long-term debt	(722)	(714)

Proceeds from exercise of stock options	32	11
Purchases of Textron common stock	(93)	-
Purchases of Textron common stock from Paul Revere	(22)	(25)
Dividends paid	(100)	(94)
Net cash used by financing activities	(96)	(293)
Effect of foreign exchange rates on cash	-	2
Net increase in cash	37	51
Cash at beginning of period	20	12
Cash at end of period	\$ 57	\$ 63

Item 1 FINANCIAL STATEMENTS (Continued)

Note 8: Financial information by borrowing group (continued)

FINANCE AND INSURANCE SUBSIDIARIES (unaudited) (In millions)

Statement of Income	Three Months Ended		Nine Months Ended	
	September 30, 1995	September 30, 1994	September 30, 1995	September 30, 1994
Revenues				
Interest, discount and service charges	\$ 397	\$ 332	\$1,165	\$ 981
Credit life, credit disability and casualty insurance premiums	87	75	250	208
Non-cancellable disability income, life and group insurance premiums	270	240	786	700
Investment income (including net realized investment gains)	113	112	350	331
Total revenues	867	759	2,551	2,220
Costs and expenses				
Selling and administrative	225	207	663	615
Interest	152	116	461	329
Provision for losses on collection of finance receivables, less recoveries	42	37	120	117
Credit life, credit disability and casualty insurance losses and adjustment expenses, less recoveries	39	33	109	95
Death and other insurance benefits	112	114	355	332
Increase in insurance policy liabilities	132	109	380	297
Amortization of insurance policy acquisition costs	34	29	101	81
Total costs and expenses	736	645	2,189	1,866
Income before income taxes	131	114	362	354
Income taxes	(51)	(44)	(141)	(138)
Net income	80	70	221	216
Minority interest in net income	(4)	(3)	(10)	(11)
Textron's equity in net income	\$ 76	\$ 67	\$ 211	\$ 205

Item 1. FINANCIAL STATEMENTS (Continued)

Note 8: Financial information by borrowing group (continued)

FINANCE AND INSURANCE SUBSIDIARIES (unaudited) (In millions)

Balance Sheet	September 30, 1995	December 31, 1994
Assets		
Cash	\$ 21	\$ 29
Investments	5,589*	5,265
Finance receivables - net	9,472	8,622
Property, plant and equipment - net	107	107
Insurance policy acquisition costs	998	911
Goodwill, less accumulated amortization of \$202 and \$187	273	281
Other assets	1,206*	633
Total assets	\$17,666	\$15,848
Liabilities and equity		
Accounts payable and accrued liabilities (including income taxes)	\$1,260	\$ 953
Insurance reserves and claims	5,151	4,685
Debt	8,536	7,782
Equity:		
Textron	2,506	2,246
Minority interest in Paul Revere	213	182
Total liabilities and equity	\$17,666	\$15,848

* In the third quarter of 1995, Paul Revere transferred \$561 million of

investments into a trust fund in connection with a reinsurance transaction.

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

TEXTRON INC.				
Revenues and Income by Business Segment				
(In millions)				
	Three Months Ended		Nine Months Ended	
	September 30, 1995	October 1, 1994	September 30, 1995	October 1, 1994
REVENUES				
MANUFACTURING:				
Aircraft	\$ 609	\$ 549	\$1,786	\$1,589
Automotive	349	341	1,171	1,152
Industrial	324	339	1,026	1,078
Systems and Components	276	392	780	1,265
	1,558	1,621	4,763	5,084
FINANCIAL SERVICES:				
Finance	499	421	1,461	1,227
Paul Revere	368	338	1,090	993
	867	759	2,551	2,220
Total revenues	\$2,425	\$2,380	\$7,314	\$7,304
INCOME				
MANUFACTURING:				
Aircraft	\$ 66	\$ 56	\$ 171	\$ 131
Automotive	26	23	99	101
Industrial	36	37	120	113
Systems and Components	24	30	66	56
	152	146	456	401
FINANCIAL SERVICES:				
Finance	96	86	272	247
Paul Revere	35	28	90	107
	131	114	362	354
Segment operating income	283	260	818	755
Corporate expenses and other - net	(29)	(24)*	(72)	(58)*
Interest expense - net	(46)	(51)	(148)	(158)
Income before income taxes	\$ 208	\$ 185	\$ 598	\$ 539

* Includes a pretax charge of \$9 million related to the early redemption of debt.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Financial Condition

Textron Parent Company Borrowing Group: During the nine months ended September 30, 1995, the Textron Parent Company Borrowing Group's operating activities provided cash of \$326 million versus \$357 million during the corresponding period of 1994, the detail of which is presented on page 9. Cash outflows for 1995 were affected by an increase in receivables and inventory due principally to increased business and a decrease in accrued liabilities due to increased tax payments, partially offset by reductions of cash value of company-owned life insurance (approximately \$90 million). The group's debt increased by \$87 million principally as a result of cash used for capital expenditures, purchases of Textron common stock and payments of dividends over the \$326 million of cash provided by operations. Its ratio of debt to total capital was 34% at September 30, 1995, down from 35% at December 31, 1994.

During the nine months ended October 1, 1994, the Group's operating activities provided cash of \$357 million up from \$299 million during the corresponding period of 1993. The improvement was due to (a) increased income, (b) higher payables due primarily to the timing of dividend payments in 1994 and (c) increased customer deposits, partially offset by higher receivables, due primarily to changed payment terms with certain customers. The Group's debt decreased by \$174 million principally as a result of cash provided by operations and the proceeds from the sale of Homelite. Its ratio of debt to total capital was 38% at October 1, 1994, down from 42% at year end 1993.

The Group's credit facilities not used or reserved as support for outstanding commercial paper or bank borrowings at September 30, 1995 were \$827 million. Textron had \$211 million available at September 30, 1995 for unsecured debt securities under its shelf registration statement filed with the Securities and Exchange Commission. In October 1995, Textron filed a shelf registration statement with the Securities and Exchange Commission for the issuance of up to an additional aggregate amount of \$800 million of (a) debt issuable by Textron and (b) preferred securities issuable by entities formed by Textron as to which Textron would provide certain guarantees.

In 1994, Textron reactivated its program to purchase up to five million shares of its common stock from time to time in the open market as conditions warrant. In February 1995, Textron announced that it may purchase up to an additional five million shares of its common stock under the program. In June 1995, Textron completed the purchase of the first five million shares under the program. No additional shares had been purchased as of October 28, 1995.

Management believes that the Group will continue to have adequate access to credit markets and that its credit facilities and cash flows from operations

--including dividends received from Textron's finance and insurance operations-- will continue to be more than sufficient to meet its operating needs and to finance growth.

Finance and insurance subsidiaries: The finance and insurance subsidiaries paid dividends of \$94 million and \$84 million to the Textron Parent Company Borrowing Group during the nine month periods ended September 30, 1995 and October 1, 1994, respectively.

In June 1995, Avco Financial Services (AFS) filed a shelf registration statement with the Securities and Exchange Commission, increasing the amount of registered debt available for issuance by \$1.5 billion. During the nine months ended September 30, 1995, AFS issued \$1.2 billion of unsecured debt securities, including \$892 million under its shelf registration statements. AFS had \$1.5 billion and \$423 million available at September 30, 1995 for unsecured debt securities under its shelf registration statements with the Securities and Exchange Commission and Canadian provincial security exchanges, respectively.

During the nine months ended September 30, 1995, Textron Financial Corporation (TFC) issued \$133 million of medium-term notes under a \$500 million medium-term note facility under Rule 144A of the Securities Act of 1933, as amended. TFC had \$367 million available under this facility at September 30, 1995.

During the nine months ended September 30, 1995, the finance subsidiaries had \$727 million of interest rate exchange agreements go into effect. Of these, \$250 million expire in 1996 and had the effect of exchanging the indices used to determine interest expense under certain variable rate borrowings at September 30, 1995 for the purpose of better matching the rate of interest incurred on financing with the rate of interest earned on certain of their variable rate finance receivables. The balance of the agreements, which have a weighted average original term of 2.4 years and expire through 1999, had the effect of fixing the rate of interest at approximately 8.1% on \$477 million of variable rate borrowings at September 30, 1995.

Results of Operations - Three months ended September 30, 1995 vs. Three months ended October 1, 1994

Textron reported 1995 third quarter earnings per share of \$1.41, up 15% from 1994 earnings per share of \$1.23, reflecting higher net income and a decreased number of average shares outstanding. Net income in 1995 of \$122 million was up from 1994 net income of \$111 million. Revenues were unchanged at \$2.4 billion, reflecting the impact of divestitures in 1994. Excluding the revenues of these divested businesses, revenues in the third quarter increased 9% over 1994.

The Aircraft segment's revenues and income increased \$60 million (11%) and \$10 million (18%), respectively, due to improvements at both Bell Helicopter and Cessna Aircraft. Bell Helicopter's revenues and income increased primarily as a result of higher international aircraft sales and higher revenues under the V-22 engineering and manufacturing development contract. Cessna's revenues and income increased due to stronger aircraft deliveries. Cessna's operating margin improved despite higher product development expenses related to two new Citation aircraft models. An announcement was made in June 1995 that the JPATS contract for a new U.S. military trainer would be awarded to a competitor. The award is the subject of pending protests filed by Textron and Rockwell International with the U.S. General Accounting Office.

The Automotive segment's revenues and income increased \$8 million (2%) and \$3 million (13%), respectively, despite lower automotive production in North America, as a result of increased production of models which have Textron content.

The Industrial segment's revenues decreased \$15 million (4%) and income approximated last year's level, both reflecting the divestiture of the Homelite division in August 1994. Excluding the impact of Homelite, revenues increased 6% and income increased 11%, primarily due to higher sales in the fastening systems and contractor tool businesses.

The Systems and Components segment's revenues decreased \$116 million (30%) and income decreased \$6 million (20%). The decrease in revenues and income was due primarily to the divestiture of the Textron Lycoming Turbine Engine division in October 1994 and to reduced shipments on certain commercial aerospace contracts at other divisions.

The Finance segment's revenues increased \$78 million (19%), while income increased \$10 million (12%). AFS' revenues increased, due primarily to (a) a higher level of finance receivables outstanding, (b) an increase in earned insurance premiums, and (c) an increase in investment income, due to higher yields and a higher level of invested assets, partially offset by a decline in yields on finance receivables, reflecting an increase in the level of retail installment contracts outstanding. Its income increased due to those factors, partially offset by an increase in the average cost of borrowed funds. Revenues at TFC increased, due to a higher level of finance receivables outstanding and higher yields on finance receivables, reflecting the higher interest rate environment. Its income increased as the benefit of the higher revenues was partially offset by an increase in the average cost of borrowed funds.

Paul Revere's revenues increased \$30 million (9%), due to continued premium growth in its individual disability insurance and group insurance lines of business, partially offset by reduced net investment income, attributable to the transfer of investments in connection with a reinsurance transaction completed in the third quarter. Its income increased \$7 million (25%), primarily as a result of the higher premium revenues and improved expense ratios across all business lines. The individual disability insurance benefit ratio improved in the third quarter of 1995 to 83.5%, from 85.3% in the third quarter of 1994 and 87.2% in the second quarter of 1995, due primarily to the reinsurance transaction. Without this transaction, the benefit ratio for the quarter would have been 87.5% as higher claims in the excess risk reinsurance line more than offset an

improved benefit ratio in the core individual disability insurance line of business.

Corporate expenses and other - net for the three months ended September 30, 1995 were higher than the corresponding level in 1994, as a result of (a) increased compensation expense due to appreciation in the market value of Textron's common stock and (b) expenses related to acquisition activities, partially offset by a pretax charge in 1994 related to the early redemption of debt. Lower interest expense of the Textron Parent Company Borrowing Group primarily reflected a lower level of average borrowing. The quarter's results reflected a slightly higher effective income tax rate than the corresponding prior year rate.

Results of Operations - Nine months ended September 30, 1995 vs. Nine months ended October 1, 1994

Earnings per share for the first nine months of 1995 were \$4.05, up 14% from the \$3.54 reported for the corresponding period in 1994, reflecting higher net income and a decreased number of average shares outstanding. Net income in 1995 was \$352 million, up from \$321 million for 1994. Revenues were unchanged at \$7.3 billion, reflecting the impact of divestitures in 1994. Excluding the revenues of these divested businesses, revenues for the first nine months increased 9% over 1994.

The Aircraft segment's revenues and income increased \$197 million (12%) and \$40 million (30%), respectively, due to improvements at both Bell Helicopter and Cessna Aircraft. Bell Helicopter's revenues increased primarily as a result of higher international aircraft sales and higher revenues under the V-22 engineering and manufacturing development contract, partially offset by lower foreign military aircraft sales. Bell's income increased as a result of the higher revenues, partially offset by increased product development expenses related to new helicopter models. Cessna's income increased due to higher revenues, an improved operating margin and lower bid and proposal expenses for the JPATS competition for a new U.S. military trainer, partially offset by higher product development expenses, principally related to two new Citation aircraft models.

The Automotive segment's revenues increased \$19 million (2%), while income decreased \$2 million (2%), due to higher start-up costs related to the launch of new products and facilities.

The Industrial segment's revenues decreased \$52 million (5%), while income increased \$7 million (6%). Excluding the impact of the 1994 divestiture of the Homelite division, revenues and income increased 15% and 23%, respectively, as a result of higher fastening systems sales (including Avdel's results for nine months in 1995 compared with six months in 1994) and increased contractor tool sales.

The Systems and Components segment's revenues decreased \$485 million (38%), while income increased \$10 million (18%). The decrease in revenues was due to the divestiture of the Textron Lycoming Turbine Engine division in October 1994 and to reduced shipments on certain U.S. Government contracts and commercial aerospace contracts at other divisions. Income for 1994 reflected provisions for the consolidation of certain manufacturing operations and legal matters and charges related to certain valuation adjustments at the Textron Lycoming Turbine Engine division. Excluding Lycoming Turbine Engine and these provisions from 1994, income decreased 11%, due primarily to lower revenues.

The Finance segment's revenues increased \$234 million (19%), while income increased \$25 million (10%). AFS' revenues increased, due primarily to (a) a higher level of finance receivables outstanding, (b) an increase in earned insurance premiums, and (c) an increase in investment income, due to higher yields and a higher level of invested assets, partially offset by a decline in yields on finance receivables, reflecting an increase in the level of retail installment contracts outstanding. Its income increased due to those factors, a decrease in insurance losses and a decrease in the operating expense ratio, partially offset by an increase in the average cost of borrowed funds. Revenues at TFC increased, due to a higher level of finance receivables outstanding and higher yields on finance receivables, reflecting the higher interest rate environment, partially offset by higher leveraged lease income in 1994 and lower fee income in 1995. Its income increased due to those factors and a decrease in loan loss provisions, reflecting an improvement in equipment portfolios and a stabilization of nonperforming real estate loans, partially offset by an increase in the average cost of borrowed funds.

Paul Revere's revenues increased \$97 million (10%), due to continued premium growth in its individual disability insurance and group insurance lines of business and higher net investment income despite the reinsurance transaction described above, partially offset by lower net realized investment gains. Its income decreased \$17 million (16%), primarily as a result of a higher individual disability insurance benefit ratio and lower net realized investment gains (\$17 million in 1995 vs. \$22 million in 1994), partially offset by a lower benefit ratio in the group disability insurance line of business, increased premium volume, and improved expense ratios across all lines of business. The higher benefit ratio (86.6% vs. 80.8%) in the individual disability insurance business was the result of adverse claims experience from the block of policies issued between 1985 and 1989, especially in Florida and California, partially offset by the favorable impact on the benefit ratio of a reinsurance transaction in the third quarter of 1995. The ratio would have been 88.0% without this transaction. In addition, business issued to physicians has performed below expectations.

Corporate expenses and other - net for the nine months ended September 30, 1995 were higher than the corresponding level in 1994, primarily as a result of (a) increased compensation expense due to appreciation in the market value of Textron's common stock and (b) foreign exchange losses in 1995, partially offset by a pretax charge in 1994 related to the early redemption of debt. Lower interest expense of the Textron Parent Company Borrowing Group reflected a lower level of average borrowing, partially offset by an increased average cost of borrowing. Results for the nine months ended September 30, 1995 reflected a slightly higher effective income tax rate than the corresponding prior year rate.

PART II. OTHER INFORMATION

Item 5. OTHER INFORMATION

On September 27, 1995, Textron's Board of Directors approved the renewal of Textron's existing Shareholder Rights Plan by adopting a Renewed Rights Agreement between the Company and First Chicago Trust Company of New York, as rights agent (the "Renewed Rights Agreement"). Pursuant to the Renewed Rights Agreement, one new right (a "Right") will be issued for each share of common stock, par value \$0.125 per share, of the Company (the "Common Stock") outstanding upon the "Expiration Date" (as defined in the Company's existing rights agreement dated as of March 8, 1986 between Textron and Morgan Shareholder Services Trust Company [currently known as First Chicago Trust Company of New York], as amended and restated as of December 16, 1987) (the "Record Date") and for each share of Common Stock issued between the Record Date and the Distribution Date (as defined in the Renewed Rights Agreement). Each new Right will initially represent the right to purchase from Textron one one-hundredth of a share of Series C Junior Participating Preferred Stock, upon the terms and subject to the conditions set forth in the Renewed Rights Agreement. The new Rights are redeemable under certain circumstances at \$.05 per Right and will expire on September 27, 2005, subject to extension or earlier redemption.

The Shareholder Rights Plan is designed to deter coercive takeover tactics and to prevent an acquirer from gaining control of the Company without offering a fair price to all of Textron's shareholders. The plan is not aimed at preventing a takeover, but is intended to preserve the Board's bargaining power and flexibility to maximize value for all Textron shareholders.

The description and terms of the new Rights are set forth in the Renewed Rights Agreement, a copy of which is filed herewith and is incorporated herein by reference.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

4 Renewed Rights Agreement dated as of September 27, 1995 between Textron Inc. and First Chicago Trust Company of New York.

12.1 Computation of ratio of income to fixed charges of the Textron Parent Company Borrowing Group.

12.2 Computation of ratio of income to fixed charges of Textron Inc. including all majority-owned subsidiaries.

27 Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the third quarter ended September 30, 1995.

SIGNATURES

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

TEXTRON INC.

Date: November 10, 1995

*s/S. L. Key
S. L. Key
Executive Vice President and Chief
Financial Officer
(principal financial officer)
LIST OF EXHIBITS*

The following exhibits are filed as part of this report on Form 10-Q:

	Name of Exhibit
4	Renewed Rights Agreement dated as of September 27, 1995 between Textron Inc. and First Chicago Trust Company of New York
12.1	Computation of ratio of income to fixed charges of the Textron Parent Company Borrowing Group
12.2	Computation of ratio of income to fixed charges of Textron Inc. including all majority-owned subsidiaries
27	Financial Data Schedule

TEXTRON INC.

and

FIRST CHICAGO TRUST COMPANY OF NEW YORK

Rights Agent

Renewed Rights Agreement

Dated as of September 27, 1995

RENEWED RIGHTS AGREEMENT

RENEWED RIGHTS AGREEMENT dated as of September 27, 1995 (the "Agreement") between TEXTRON INC., a Delaware corporation (the "Company"), and FIRST CHICAGO TRUST COMPANY OF NEW YORK (formerly known as Morgan Shareholder Services Trust Company), a New York corporation, as rights agent (the "Rights Agent").

WITNESSETH

WHEREAS, on March 8, 1986, the Board of Directors of the Company authorized and declared a dividend distribution of one 1986 Right (as hereinafter defined) for each share of common stock, par value \$0.25 per share, of the Company outstanding at the close of business on March 21, 1986 (the "1986 Record Date"), and authorized the issuance of one 1986 Right (as such number was subsequently adjusted pursuant to the provisions of

Section 11(p) of the Rights Agreement, dated as of March 8, 1986 (the "1986 Agreement"), as amended and restated as of December 16, 1987 (as so amended and restated, the "1987 Agreement"), between the Company and the Rights Agent) for each share of common stock, par value \$0.25 per share, of the Company issued between the 1986 Record Date (whether originally issued or delivered from the Company's treasury) and the Distribution Date (as defined in the 1986 Agreement, as amended by the 1987 Agreement), each 1986 Right initially representing the right to purchase one one-hundredth of a share of Series C Junior Participating Preferred Stock of the Company having the rights, powers and preferences set forth in the Certificate of Designation, Preferences and Rights of Series C Junior Participating Preferred Stock of the Company, as filed with the Secretary of State of the State of Delaware on March 11, 1986 (a form of which was attached as Exhibit A to the 1986 Agreement), upon the terms and subject to the conditions set forth in the 1986 Agreement, as amended by the 1987 Agreement, (the "1986 Rights");

WHEREAS, on May 11, 1987, a two-for-one split of the common stock of the Company became effective and, in accordance with Section 11 (p) of the 1986 Agreement, the 1986 Rights then associated with each share of common stock, par value \$0.125 per share, of the Company (the "Common Stock") thereafter outstanding were automatically proportionately adjusted so that each share of Common Stock is, at the date hereof, accompanied by one-half of a 1986 Right;

WHEREAS, on December 16, 1987, the Board of Directors, in accordance with Section 26 of the 1986 Agreement, determined it desirable and in the best interests of the Company and its stockholders for the Company to supplement and amend certain provisions of the 1986 Agreement and to implement such supplements and amendments by executing the 1987 Agreement;

WHEREAS, on September 27, 1995, the Board of Directors determined it desirable and in the best interests of the Company and its stockholders for the Company to renew the 1987 Agreement and to implement such renewal by executing this Agreement; and

WHEREAS, on September 27, 1995 (the "Rights Dividend Declaration Date"), the Board of Directors of the Company authorized and declared a dividend distribution of one Right for each share of Common Stock of the Company (as defined herein) outstanding upon the "Expiration Date" under the 1987 Agreement (the "Record Date"), and authorized the issuance of one Right (as such number may hereafter be adjusted pursuant to the provisions of

Section 11(i) or 11(p) hereof) for each share of Common Stock of the Company issued between the Record Date (whether originally issued or delivered from the Company's treasury) and the Distribution Date (as defined herein), and under certain circumstances thereafter, each Right initially representing the right to purchase one one-hundredth of a share of Series C Junior Participating Preferred Stock of the Company having the rights, powers and preferences set forth in the Restated Certificate of Incorporation of the Company, as filed with the Secretary of State of the State of Delaware on March 24, 1988, as the same will be further amended by the Amended Certificate of Designations, Preferences and Rights of Series C Junior Participating Preferred Stock of the Company, a form of which is attached hereto as Exhibit A (the "Certificate of Incorporation"), upon the terms and subject to the conditions hereinafter set forth (the "Rights");

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "Acquiring Person" shall mean any Person who or which, together with all Affiliates and Associates of such Person, shall be the Beneficial

Owner of 15% or more of the shares of Common Stock of the Company then outstanding, but shall not include an Exempt Person.

(b) "Act" shall mean the Securities Act of 1933, as amended.

(c) "Adjustment Shares" shall have the meaning set forth in Section 11(a)(ii) hereof.

(d) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act (as defined herein).

(e) "Agreement" means this Renewed Rights Agreement as originally executed or as it may from time to time be supplemented, amended, renewed or extended pursuant to the applicable provisions hereof.

(f) A Person shall be deemed the "Beneficial Owner" of and shall be deemed to "beneficially own" any securities:

(i) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the "Beneficial Owner" of or to "beneficially own" (A) securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange or (B) securities issuable upon exercise of Rights at any time prior to the occurrence of a Triggering Event or (C) securities issuable upon exercise of Rights from and after the occurrence of a Triggering Event which are Original Rights or securities issued pursuant to Section 11(i) or Section 11(p) hereof in connection with an adjustment made with respect to any Original Rights;

(ii) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act), including pursuant to any agreement, arrangement or understanding, whether or not in writing; provided, however, that a Person shall not be deemed the "Beneficial Owner" of or to "beneficially own" any security under this subparagraph (ii) as a result of an agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding: (A) arises solely from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act and (B) is not also then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person's Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing), for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to subparagraph

(ii) of this paragraph (f)) or disposing of any voting securities of the Company; provided, however, that nothing in this paragraph (f) shall cause a Person engaged in business as an underwriter of securities to be deemed the "Beneficial Owner" of or to be deemed to "beneficially own" any securities acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of forty days after the date of such acquisition.

(g) "Board" means the Board of Directors of the Company.

(h) "Business Day" shall mean any day other than a Saturday, Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

(i) "Certificate of Incorporation" shall have the meaning set forth in the fifth WHEREAS clause at the beginning of this Agreement, as the same may be amended or restated from time to time.

(j) "Close of Business" on any given date shall mean 5:00 P.M., New York City time, on such date; provided, however, that if such date is not a Business Day, it shall mean 5:00 P.M., New York City time, on the next succeeding Business Day.

(k) "Common Stock" when used in reference to the Company shall mean the common stock, par value \$0.125 per share, of the Company or any other shares of capital stock of the Company into which such stock shall be reclassified or changed. "Common Stock," when used with reference to any Person other than the Company which shall be organized in corporate form, shall mean (i) the capital stock or other equity interest with the greatest voting power, (ii) the equity securities or other equity interest having power to control or direct the management of such Person or (iii) if such Person is a Subsidiary of another Person, the Person or Persons which ultimately control such first-mentioned Person and which has issued any such outstanding capital stock, equity securities or equity interest. "Common Stock" when used with reference to any Person which shall not be organized in corporate form shall mean units of beneficial interest which (x) shall represent the right to participate generally in the profits and losses of such Person (including, without limitation, any flow-through tax benefits resulting from an ownership interest in such Person) and (y) shall be entitled to exercise the greatest voting power of such Person or, in the case of a limited partnership, shall have the power to rename the general partner or partners.

(l) "Common Stock Equivalents" shall have the meaning set forth in Section 11(a)(iii) hereof.

- (m) "Company" shall mean the Person named as the "Company" in the first paragraph of this Agreement until a successor corporation or entity shall have become such, or until a Principal Party shall assume, and thereafter be liable for, all obligations and duties of the Company hereunder pursuant to the applicable provisions of this Agreement, and thereafter "Company" shall mean such successor or Principal Party.
- (n) "Current Market Price" shall have the meaning set forth in Section 11(d) hereof.
- (o) "Current Value" shall have the meaning set forth in Section 11(a)(iii) hereof.
- (p) "Distribution Date" shall have the meaning set forth in Section 3(a) hereof.
- (q) "Equivalent Preferred Stock" shall have the meaning set forth in Section 11(b) hereof.
- (r) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.
- (s) "Exempt Person" shall mean (i) the Company, (ii) any Subsidiary of the Company, (iii) any employee benefit or employee stock plan of the Company or of any Subsidiary of the Company or (iv) any Person or entity organized, appointed, established or holding Common Stock of the Company by, for or pursuant to the terms of any such employee benefit or employee stock plan.
- (t) "Expiration Date" shall have the meaning set forth in Section 7(a) hereof.
- (u) "Final Expiration Date" shall mean the Close of Business on September 27, 2005.
- (v) "Original Rights" shall mean Rights acquired by such Person or any of such Person's Affiliates or Associates prior to the Distribution Date or pursuant to Section 3(a) or Section 22 hereof.
- (w) "Outside Directors" shall mean the members of the Board who are not officers of the Company or any of its Subsidiaries and who are not Acquiring Persons or representatives, nominees, Affiliates or Associates of Acquiring Persons.
- (x) "Person" shall mean any individual, firm, corporation, partnership, trust or other entity and includes, without limitation, an unincorporated group of persons who, by formal or informal agreement, have embarked on a common purpose or act.
- (y) "Preferred Stock" shall mean shares of Series C Junior Participating Preferred Stock, without par value, of the Company having the rights, powers and preferences set forth in the Certificate of Incorporation, as amended as of the Record Date by the Amendment to Certificate of Designations, Preferences and Rights of Series C Junior Participating Preferred Stock of Company to be filed with the Secretary of State of the State of Delaware on the Record Date.
- (z) "Principal Party" shall have the meaning set forth in Section 13(b) hereof.
- (aa) "Purchase Price" shall have the meaning set forth in Section 4(a) hereof.
- (bb) "Record Date" shall have the meaning set forth in the fifth WHEREAS clause at the beginning of the Agreement.
- (cc) "Redemption Price" shall have the meaning set forth in Section 23(a) hereof.
- (dd) "Rights" shall have the meaning set forth in the fifth WHEREAS clause at the beginning of the Agreement.
- (ee) "Rights Agent" shall mean the Person named as the "Rights Agent" in the first paragraph of this Agreement until a successor Rights Agent shall have become such pursuant to the applicable provisions hereof, and thereafter "Rights Agent" shall mean such successor Rights Agent. If at any time there is more than one Person appointed by the Company as Rights Agent pursuant to the applicable provisions of this Agreement, "Rights Agent" shall mean and include each such Person.
- (ff) "Rights Certificates" shall have the meaning set forth in Section 3(a) hereof.
- (gg) "Rights Dividend Declaration Date" shall have the meaning set forth in the fifth WHEREAS clause at the beginning of the Agreement.
- (hh) "Section 11(a)(ii) Event" shall mean any event described in Section 11(a)(ii) hereof.
- (ii) "Section 11(a)(ii) Trigger Date" shall have the meaning set forth in Section 11(a)(iii) hereof.
- (jj) "Section 13 Event" shall mean any event described in clauses (x), (y) or (z) of Section 13(a) hereof.

(kk) "Spread" shall have the meaning set forth in Section 11(a)(iii) hereof.

(ll) "Stock Acquisition Date" shall mean the first date of public announcement by the Company that an Acquiring Person has become such.

(mm) "Subsidiary" shall mean, with reference to any Person, any corporation or other entity of which securities or other ownership interest having ordinary voting power sufficient, in the absence of contingencies, to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly beneficially owned, or otherwise controlled, by such Person and any Affiliate of such Person.

(nn) "Substitution Period" shall have the meaning set forth in Section 11(a)(iii) hereof.

(oo) "Trading Day" shall mean a day on which the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading is open for the transaction of business or, if the shares of Common Stock are not listed or admitted to trading on any national securities exchange, a Business Day.

(pp) "Triggering Event" shall mean any Section 11(a)(ii) Event or any Section 13 Event.

Section 2. Appointment of Rights Agent. The Company has appointed the Rights Agent to act as agent for the Company and the holders of the Rights (who, in accordance with Section 3 hereof, shall prior to the Distribution Date also be the holders of the Common Stock of the Company) in accordance with the terms and conditions hereof, and the Rights Agent has accepted such appointment. The Company may from time to time appoint such Co-Rights Agents as it may deem necessary or desirable. Any actions which may be taken by the Rights Agent pursuant to the terms of this Agreement may be taken by any such Co-Rights Agent.

Section 3. Issue of Rights Certificates.

(a) Until the earlier of (i) the Close of Business on the tenth Business Day (or such specified or unspecified later date as may be determined by the Board before the occurrence of a Distribution Date) after the Stock Acquisition Date (or, if the tenth Business Day after the Stock Acquisition Date occurs before the Record Date, the Close of Business on the Record Date) or

(ii) the Close of Business on the tenth Business Day (or such specified or unspecified later date as may be determined by the Board before the occurrence of a Distribution Date) after the date that a tender or exchange offer by any Person (other than an Exempt Person) is first published or sent or given within the meaning of Rule 14d-2(a) of the General Rules and Regulations under the Exchange Act, if upon consummation thereof, such Person would be an Acquiring Person (the earlier of (i) and (ii) being herein referred to as the "Distribution Date"), (x) the Rights will be evidenced (subject to the provisions of paragraphs (b) and (c) of this Section 3) by the certificates for the Common Stock of the Company registered in the names of the holders of the Common Stock of the Company whether or not bearing the legend set forth in Section 3 (c) hereof (which certificates for Common Stock of the Company shall be deemed also to be certificates for Rights) and not by separate certificates and (y) the Rights will be transferable only in connection with the transfer of the underlying shares of Common Stock of the Company (including a transfer to the Company). As soon as practicable after the Distribution Date, the Rights Agent will send by first-class, insured postage prepaid mail, to each record holder of the Common Stock of the Company as of the Close of Business on the Distribution Date, at the address of such holder shown on the records of the Company, one or more rights certificates, in substantially the form of Exhibit B hereto (the "Rights Certificates"), evidencing one Right for each share of Common Stock of the Company so held, subject to adjustment as provided herein. At the time of distribution of the Rights Certificates, the Company may make the necessary and appropriate rounding adjustments (in accordance with Section 14(a) hereof) so that Rights Certificates representing only whole numbers of Rights are distributed and cash is paid in lieu of any fractional Rights. As of and after the Distribution Date, the Rights will be evidenced solely by such Rights Certificates.

(b) With respect to certificates for the Common Stock of the Company outstanding as of the Record Date, as set forth in paragraph (a) above, until the earlier of the Distribution Date or the Expiration Date, the Rights will be evidenced by such certificates for the Common Stock of the Company whether or not bearing the legend set forth in Section 3(c) hereof and the registered holders of the Common Stock of the Company shall also be the registered holders of the associated Rights. Until the earlier of the Distribution Date or the Expiration Date, the transfer of any certificates representing shares of Common Stock of the Company in respect of which Rights have been issued shall also constitute the transfer of the Rights associated with such shares of Common Stock of the Company.

(c) Rights shall be issued in respect of all shares of Common Stock of the Company which are issued (whether originally issued or from the Company's treasury) after the Record Date but prior to the earlier of the Distribution Date or the Expiration Date, and to the extent provided in Section 22 hereof, in respect of shares of Common Stock of the Company issued after the Distribution Date and prior to the Expiration Date. Certificates representing such shares of Common Stock of the Company shall also be deemed to be certificates for Rights and shall, as promptly as possible following the Record Date, bear the following legend:

This certificate also evidences and entitles the holder hereof to certain Rights as set forth in the Renewed Rights Agreement between Textron Inc. (the "Company") and First Chicago Trust Company of New York (the "Rights Agent") dated as of September 27, 1995, as the same may be amended, restated, renewed or extended from time to time (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal offices of the Company. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. The Company will mail to the holder of this certificate a copy of the Rights Agreement, as in effect on the date of mailing, without charge promptly after receipt of a written request therefor. Under certain circumstances set forth in the Rights Agreement, Rights beneficially owned (as such term is defined in

the Rights Agreement) by any Person who is, was or becomes an Acquiring Person or any Affiliate or Associate thereof (as such terms are defined in the Rights Agreement), whether currently held by or on behalf of such Person or by any subsequent holder, may become null and void. The Rights shall not be exercisable, and shall be void so long as held, by a holder in any jurisdiction where the requisite qualification to the issuance to such holder, or the exercise by such holder, of the Rights in such jurisdiction shall not have been obtained or be obtainable.

In addition to the provisions of Section 3(b) above, with respect to such certificates containing the foregoing legend, and certificates containing the legends specified in the 1986 Agreement and the 1987 Agreement and with respect to previously issued certificates that contain no comparable legend, until the earlier of (i) the Distribution Date or (ii) the Expiration Date, the Rights associated with the Common Stock of the Company represented by such certificates shall be evidenced by such certificates alone, registered holders of Common Stock of the Company shall also be the registered holders of the associated Rights, and the transfer of any of such certificates shall also constitute the transfer of the Rights associated with the Common Stock of the Company represented by such certificates.

Section 4. Form of Rights Certificates.

(a) The Rights Certificates (and the forms of election to purchase, the forms of assignment and the accompanying certificates to be printed on the reverse thereof) shall each be substantially in the form set forth in Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage. Subject to the provisions of Section 11 and Section 22 hereof, the Rights Certificates, whenever distributed, shall be dated as of the Record Date and on their face shall entitle the holders thereof to purchase such number of one one-hundredths of a share of Preferred Stock as shall be set forth therein at the exercise price set forth therein (such exercise price per one one-hundredth of a share, as adjusted from time to time hereunder, the "Purchase Price"), but the amount and type of securities purchasable upon the exercise of each Right and the Purchase Price thereof shall be subject to adjustment as provided herein.

(b) Any Rights Certificate issued pursuant to Section 3(a) or Section 22 hereof that represents Rights beneficially owned by: (i) an Acquiring Person or any Associate or Affiliate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such, or (iii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom such Acquiring Person has any continuing agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer which the Board has determined is part of a plan, arrangement or understanding which has as a primary purpose or effect avoidance of Section 7(e) hereof, and any Rights Certificate issued pursuant to Section 6 or Section 11 hereof upon transfer, exchange, replacement or adjustment of any other Rights Certificate referred to in this sentence, shall contain (to the extent feasible) the following legend:

The Rights represented by this Rights Certificate are or were beneficially owned by a Person who was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person (as such terms are defined in the Renewed Rights Agreement). Accordingly, this Rights Certificate and the Rights represented hereby may become null and void in the circumstances specified in Section 7(e) of such Agreement.

Section 5. Countersignature and Registration.

(a) The Rights Certificates shall be executed on behalf of the Company by its Chairman or Vice Chairman of the Board, or its President or any Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, either manually or by facsimile signature. The Rights Certificates shall be manually countersigned by the Rights Agent and shall not be valid for any purpose unless so countersigned. In case any officer of the Company who shall have signed any of the Rights Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Rights Certificates, nevertheless, may be countersigned by the Rights Agent, and issued and delivered by the Company with the same force and effect as though the person who signed such Rights Certificates had not ceased to be such officer of the Company; and any Rights Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Rights Certificate, shall be a proper officer of the Company to sign such Rights Certificate, although at the date of the execution of this Rights Agreement any such person was not such an officer.

(b) Following the Distribution Date, the Rights Agent will keep or cause to be kept, at its principal office or offices designated as the appropriate place for surrender of Rights Certificates upon exercise or transfer, books for registration and transfer of the Rights Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Rights Certificates, the number of Rights evidenced on its face by each of the Rights Certificates, the certificate number of each of the Rights Certificates and the date of each of the Rights Certificates.

Section 6. Transfer, Split Up, Combination and Exchange of Rights Certificates; Mutilated, Destroyed, Lost or Stolen Rights Certificates.

(a) Subject to the provisions of Section

4(b), Section 7(e) and Section 14 hereof, at any time after the Close of Business on the Distribution Date, and at or prior to the Close of Business on the Expiration Date, any Rights Certificate or Rights Certificates may be transferred, split up, combined or exchanged for another Rights Certificate or Rights Certificates, entitling the registered holder to purchase a like number of one one-hundredths of a share of Preferred Stock (or, following a Triggering Event, Common Stock, other securities, cash or other assets, as the case may be) as the Rights Certificate or

Rights Certificates surrendered then entitled such holder (or former holder in the case of a transfer) to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Rights Certificate or Rights Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Rights Certificate or Rights Certificates to be transferred, split up, combined or exchanged at the principal office or offices of the Rights Agent designated for such purpose. Neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to the transfer or exchange of any such surrendered Rights Certificate or Rights Certificates until the registered holder shall have completed and signed the certificate contained in the form of assignment on the reverse side of such Rights Certificate or Rights Certificates and shall have provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request. Thereupon, the Rights Agent shall, subject to Section 4(b), Section 7(e) and Section 14 hereof, countersign and deliver to the Person entitled thereto a Rights Certificate or Rights Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Rights Certificates.

(b) Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to each of them of the loss, theft, destruction or mutilation of a valid Rights Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to each of them and reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Rights Certificate if mutilated, the Company will execute and deliver a new Rights Certificate of like tenor to the Rights Agent for countersignature and delivery to the registered owner in lieu of the Rights Certificate so lost, stolen, destroyed or mutilated.

Section 7. Exercise of Rights; Purchase Price; Expiration Date of Rights.

(a) Subject to Section 7(e) hereof, the registered holder of any Rights Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein including, without limitation, the restrictions on exercisability set forth in Section 9(c), Section 11(a)(iii) and Section 23(a) hereof) in whole or in part at any time after the Distribution Date upon surrender of the Rights Certificate, with the form of election to purchase and the certificate on the reverse side thereof duly executed, to the Rights Agent at the principal office or offices of the Rights Agent designated for such purpose, together with payment of the aggregate Purchase Price with respect to the total number of one one-hundredths of a share (or other securities, cash or other assets, as the case may be) as to which such surrendered Rights are then exercisable, at or prior to the earliest of (i) the Final Expiration Date, (ii) the time at which the Rights are redeemed as provided in Section 23 hereof and (iii) the time at which the Rights expire pursuant to Section 13(d) hereof (the earliest of (i), (ii) and (iii) being herein referred to as the "Expiration Date").

(b) The Purchase Price for each one one-hundredth of a share of Preferred Stock pursuant to the exercise of a Right shall initially be \$250, and shall be subject to adjustment from time to time as provided in Sections 11 and 13(a) hereof and shall be payable in accordance with paragraph (c) below.

(c) Upon receipt of a Rights Certificate representing exercisable Rights, with the form of election to purchase and the certificate on the reverse side of the Rights Certificate duly executed, accompanied by payment, with respect to each Right so exercised, of the Purchase Price, as such amount may be reduced pursuant to Section 11(a)(ii) hereof, per one one-hundredth of a share of Preferred Stock (or other shares, securities, cash or other assets, as the case may be) to be purchased as set forth below and an amount equal to any applicable transfer tax, the Rights Agent shall, subject to Sections 7(f) and 20(k) hereof, thereupon promptly (i)(A) requisition from any transfer agent of the shares of Preferred Stock (or make available, if the Rights Agent is the transfer agent for such shares) certificates for the total number of one one-hundredths of a share of Preferred Stock to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests, or (B) if the Company shall have elected to deposit the total number of shares of Preferred Stock issuable upon exercise of the Rights hereunder with a depository agent, requisition from the depository agent depository receipts representing such number of one one-hundredths of a share of Preferred Stock as are to be purchased (in which case certificates for the shares of Preferred Stock represented by such receipts shall be deposited by the transfer agent with the depository agent) and the Company will direct the depository agent to comply with such request, (ii) requisition from the Company the amount of cash, if any, to be paid in lieu of fractional shares in accordance with Section 14 hereof, (iii) after receipt of such certificates or depository receipts, cause the same to be delivered to or upon the order of the registered holder of such Rights Certificate, registered in such name or names as may be designated by such holder, and (iv) after receipt thereof, deliver such cash, if any, to or upon the order of the registered holder of such Rights Certificate. The payment of the Purchase Price (as such amount may be reduced pursuant to Section 11(a)(iii) hereof) shall be made in cash or by certified check, cashiers check or bank draft payable to the order of the Company. In the event that the Company is obligated to issue other securities (including Common Stock) of the Company, pay cash and/or distribute other assets pursuant to Section 11(a) hereof, the Company will make all arrangements necessary so that such other securities, cash and/or other property are available for distribution by the Rights Agent, if and when appropriate. The Company reserves the right to require prior to the occurrence of a Triggering Event that, upon any exercise of Rights, a number of Rights be exercised so that only whole shares of Preferred Stock would be issued.

(d) In case the registered holder of any Rights Certificate shall exercise less than all the Rights evidenced thereby, a new Rights Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent and delivered to, or upon the order of, the registered holder of such Rights Certificate, registered in such name or names as may be designated by such holder, subject to the provisions of Section 14 hereof.

(e) Notwithstanding anything in this Agreement to the contrary, from and after the first occurrence of a Section 11(a)(ii) Event, any Rights beneficially owned by (i) an Acquiring Person or an Associate or Affiliate of an Acquiring Person which the Board in its sole discretion determines is or was involved in or caused or facilitated, directly or indirectly, such Section 11(a)(ii) Event, (ii) a transferee of any such Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after such Acquiring Person becomes such, or (iii) a transferee of any such Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with such

Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from such Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom such Acquiring Person has any continuing agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer which the Board has determined is part of a plan, arrangement or understanding which has as a primary purpose or effect the avoidance of this Section 7(e), shall become null and void without any further action, and no holder of such Rights shall have any rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise. The Company shall use all reasonable efforts to ensure that the provisions of this Section 7(e) and Section 4(b) hereof are complied with, but the Company and the Rights Agent shall have no liability to any holder of Rights Certificates or other Person as a result of the Company's failure to make any determinations with respect to an Acquiring Person or any of its Affiliates, Associates or transferees hereunder.

(f) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder of any Rights Certificate upon the occurrence of any purported assignment or exercise as set forth in this Section 7 unless such registered holder shall have (i) completed and signed the certificate contained in the form of assignment or election to purchase set forth on the reverse side of the Rights Certificate surrendered for such assignment or exercise, and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request.

Section 8. Cancellation and Destruction of Rights Certificates. All Rights Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or any of its agents, be delivered to the Rights Agent for cancellation or in cancelled form, or, if surrendered to the Rights Agent, shall be cancelled by it, and no Rights Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Rights Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all cancelled Rights Certificates to the Company, or shall, at the written request of the Company, destroy such cancelled Rights Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

Section 9. Reservation and Availability of Capital Stock.

(a) The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued shares of Preferred Stock (and, following the occurrence of a Triggering Event, out of its authorized and unissued shares of Common Stock and/or other securities or out of its authorized and issued shares held in its treasury), the number of shares of Preferred Stock (and, following the occurrence of a Triggering Event, Common Stock and/or other securities) that, as provided in this Agreement (including Section 11(a)(iii) hereof), will be sufficient to permit the exercise in full of all outstanding Rights.

(b) So long as the shares of Preferred Stock (and, following the occurrence of a Triggering Event, Common Stock and/or other securities) issuable and deliverable upon the exercise of the Rights may be listed on any national securities exchange, the Company shall use its reasonable efforts to cause, from and after such time as the Rights become exercisable, all shares reserved for such issuance to be listed on such exchange upon official notice of issuance upon such exercise.

(c) The Company shall use all reasonable efforts to (i) file, as soon as practicable following the earliest date after the first occurrence of a Triggering Event in which the consideration to be delivered by the Company upon exercise of the Rights has been determined in accordance with this Agreement, or as soon as required by law following the Distribution Date, as the case may be, a registration statement under the Act with respect to the securities purchasable upon exercise of the Rights on an appropriate form, (ii) cause such registration statement to become effective as soon as practicable after such filing, and (iii) cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Act) until the earlier of (A) the date as of which the Rights are no longer exercisable for such securities and (B) the Expiration Date. The Company will also take such action as may be appropriate under, or to ensure compliance with, the securities or "blue sky" laws of the various states in connection with the exercisability of the Rights. The Company may, acting by resolution of the Board temporarily suspend, for a period of time not to exceed ninety days after the date set forth in clause (i) of the first sentence of this Section 9(c), the exercisability of the Rights in order to prepare and file such registration statement and permit it to become effective. In the event of any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, and shall issue a public announcement at such time as the suspension is no longer in effect. In addition, if the Company shall determine that a registration statement is required in other circumstances following the Distribution Date, the Company may similarly temporarily suspend the exercisability of the Rights until such time as a registration statement has been declared effective. Notwithstanding any provision of this Agreement to the contrary, the Rights shall not be exercisable in any jurisdiction if the requisite qualification in such jurisdiction shall not have been obtained, the exercise thereof shall not otherwise be permitted under applicable law or a registration statement shall not have been declared effective.

(d) The Company covenants and agrees that it will take all such action as may be necessary to ensure that all one one-hundredths of a share of Preferred Stock (and, following the occurrence of a Triggering Event, Common Stock and/or other securities) delivered upon exercise of Rights shall, at the time of delivery of the certificates for such shares (subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and nonassessable.

(e) The Company further covenants and agrees that, except as set forth in Section 6(a) hereof, it will pay when due and payable any and all federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of the Rights Certificates and of any certificates for a number of one one-hundredths of a share of Preferred Stock (or Common Stock and/or other securities, as the case may be) upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax which may be payable in respect of any

transfer or delivery of Rights Certificates to a Person other than, or the issuance or delivery of a number of one one-hundredths of a share of Preferred Stock (or Common Stock and/or other securities, as the case may be) in respect of a name other than that of, the registered holder of the Rights Certificates evidencing Rights surrendered for exercise, nor shall the Company be required to issue or deliver any certificates for a number of one one-hundredths of a share of Preferred Stock (or Common Stock and/or other securities, as the case may be) in a name other than that of the registered holder upon the exercise of any Rights until such tax shall have been paid (any such tax being payable by the holder of such Rights Certificate at the time of surrender) or until it has been established to the Company's satisfaction that no such tax is due.

Section 10. Preferred Stock Record Date. Each person in whose name any certificate for a number of one one-hundredths of a share of Preferred Stock (or Common Stock and/or other securities, as the case may be) is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of such fractional shares of Preferred Stock (or Common Stock and/or other securities, as the case may be) represented thereby on, and such certificate shall be dated, the date upon which the Rights Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and all applicable transfer taxes) was made; provided, however, that if the date of such surrender and payment is a date upon which the Preferred Stock (or Common Stock and/or other securities, as the case may be) transfer books of the Company are closed, such Person shall be deemed to have become the record holder of such shares (fractional or otherwise) on, and such certificate shall be dated, the next succeeding Business Day on which the Preferred Stock (or Common Stock and/or other securities, as the case may be) transfer books of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Rights Certificate, as such, shall not be entitled to any rights of a stockholder of the Company with respect to shares for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. Adjustment of Purchase Price, Number and Kind of Shares or Number of Rights. The Purchase Price, the number and kind of shares, or fractions thereof, purchasable upon the exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this

Section 11.

(a) (i) In the event the Company shall at any time after the date of this Agreement (A) declare a dividend on the Preferred Stock payable in shares of Preferred Stock, (B) subdivide or split the outstanding Preferred Stock, (C) combine or consolidate the outstanding Preferred Stock into a smaller number of shares or (D) issue any shares of its capital stock in a reclassification of the Preferred Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a) and Section 7(e) hereof, the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, split, combination, consolidation or reclassification, and the number and kind of shares of Preferred Stock (or other capital stock, as the case may be) issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive, upon payment of the Purchase Price then in effect, the aggregate number and kind of shares of Preferred Stock or capital stock, as the case may be, which, if such Right had been exercised immediately prior to such date and at a time when the Preferred Stock (or other capital stock, as the case may be) transfer books of the Company were open, the holder of such Right would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, split, combination, consolidation or reclassification. If an event occurs which would require an adjustment under both this Section 11(a)(i) and Section 11(a)(ii) hereof, the adjustment provided for in this Section 11(a)(i) shall be in addition to, and shall be made prior to, any adjustment required pursuant to, Section 11(a)(ii) hereof.

(ii) In the event (a "Section 11(a)(ii) Event") that any Person (other than an Exempt Person), alone or together with its Affiliates and Associates, shall, at any time after the Rights Dividend Declaration Date, become an Acquiring Person, unless the event causing such Person to become an Acquiring Person is (A) a Section 13 Event or (B) an acquisition of shares of Common Stock of the Company pursuant to a tender offer or an exchange offer for all outstanding shares of Common Stock of the Company determined by at least a majority of the Outside Directors, after receiving advice from one or more investment banking firms, to be (1) at a price which is fair to the Company's stockholders (taking into account all factors which such Outside Directors deem relevant including, without limitation, prices which could reasonably be achieved if the Company or its assets were sold on an orderly basis designed to realize maximum value) and (2) otherwise in the best interests of the Company and its stockholders, then, promptly after the date of occurrence of a Section 11(a)(ii) Event, proper provision shall be made so that each holder of a Right (except as provided below and in Section 7(e) hereof) shall thereafter have the right to receive, upon exercise thereof at the then current Purchase Price in accordance with the terms of this Agreement, in lieu of a number of one one-hundredths of a share of Preferred Stock, such number of shares of Common Stock of the Company as shall equal the result obtained by (x) multiplying the then current Purchase Price by the then number of one one-hundredths of a share of Preferred Stock for which a Right was exercisable immediately prior to the first occurrence of a Section 11(a)(ii) Event (whether or not such Right was then exercisable) and (y) dividing that product (which, following such first occurrence, shall thereafter be referred to as the "Purchase Price" for each Right and for all purposes of this Agreement) by 50% of the Current Market Price per share of Common Stock of the Company on the date of such first occurrence (such number of shares, the "Adjustment Shares").

(iii) In lieu of issuing only shares of Common Stock of the Company in accordance with Section 11(a)(ii) hereof, the Company, acting by resolution of the Board, may, and in the event that the number of shares of Common Stock of the Company which are authorized by the Company's Certificate of Incorporation but not outstanding or reserved for issuance for purposes other than upon exercise of the Rights is not sufficient to permit the exercise in full of the Rights in accordance with the foregoing subparagraph (ii) of this Section 11(a), the Company, acting by resolution of the Board, shall (A) determine the excess of (1) the value of the Adjustment Shares issuable upon the exercise of a Right (the "Current Value") over (2) the Purchase Price attributable to each Right (such excess, the "Spread") and (B) with respect to each Right (subject to Section 7(e) hereof), make adequate provision to substitute for all or a portion of the Adjustment Shares, upon payment of the applicable Purchase Price, (1) cash, (2) a reduction in the Purchase Price, (3) equity securities of the Company other than Common Stock of the Company (including, without limitation, shares, or units of shares, of preferred

stock which the Board which, when added to any shares of Common Stock issued upon such exercise, has deemed to have the same value as shares of Common Stock of the Company (such shares of preferred stock, "Common Stock Equivalents"),

(4) debt securities of the Company, (5) other assets or (6) any combination of the foregoing which, when added to any shares of Common Stock issued upon such exercise, has an aggregate value equal to the Current Value, where such aggregate value has been determined by the Board based upon the advice of a nationally recognized investment banking firm selected by the Board; provided, however, if the Company shall not have made adequate provision to deliver value pursuant to clause (B) above within thirty days following the later of (x) the first occurrence of a Section 11(a)(ii) Event and (y) the date on which the Company's right of redemption pursuant to Section 23(a) hereof, as such date may be amended pursuant to Section 26 hereof, expires (the later of (x) and (y) being referred to herein as the "Section 11(a)(ii) Trigger Date"), then the Company shall be obligated to deliver, upon the surrender for exercise of a Right and without requiring payment of the Purchase Price, shares of Common Stock of the Company (to the extent available) and then, if necessary, cash, which shares and/or cash have an aggregate value equal to the Spread. If the Board shall determine in good faith that it is likely that sufficient additional shares of Common Stock of the Company could be authorized for issuance upon exercise in full of the Rights, the thirty day period set forth above may be extended to the extent necessary, but not more than ninety days following the Section 11(a)(ii) Trigger Date, in order that the Company may seek stockholder approval for the authorization of such additional shares (such period, as it may be extended, the "Substitution Period"). To the extent that the Company determines that some action need be taken pursuant to the first and/or second sentences of this Section 11(a)(iii), the Company (x) shall provide, subject to Section 7(e) hereof, that such action shall apply uniformly to all outstanding Rights and (y) may suspend the exercisability of the Rights until the expiration of the Substitution Period in order to seek any authorization of additional shares and/or to decide the appropriate form of distribution to be made pursuant to such first sentence and to determine the value thereof. In the event of any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. For purposes of this Section 11(a)(iii), the value of the Common Stock of the Company shall be the Current Market Price per share of the Common Stock of the Company on the Section 11(a)(ii) Trigger Date and the value of any Common Stock Equivalent shall be deemed to have the same value as the Common Stock of the Company on such date.

(b) In case the Company shall fix a record date for the issuance of rights, options or warrants to all holders of Preferred Stock entitling them to subscribe for or purchase (for a period expiring within forty-five calendar days after such record date) Preferred Stock (or shares having the same rights, privileges and preferences as the shares of Preferred Stock ("Equivalent Preferred Stock")) or securities convertible into Preferred Stock or Equivalent Preferred Stock at a price per share of Preferred Stock or per share of Equivalent Preferred Stock (or having a conversion price per share, if a security convertible into Preferred Stock or Equivalent Preferred Stock) less than the Current Market Price per share of Preferred Stock on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of shares of Preferred Stock outstanding on such record date, plus the number of shares of Preferred Stock and/or Equivalent Preferred Stock which the aggregate subscription or purchase price of the total number of shares of Preferred Stock and/or Equivalent Preferred Stock so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such Current Market Price, and the denominator of which shall be the number of shares of Preferred Stock outstanding on such record date, plus the number of additional shares of Preferred Stock and/or Equivalent Preferred Stock to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible). In case such subscription price may be paid by delivery of consideration part or all of which may be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes. Shares of Preferred Stock owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed, and in the event that such rights, options or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for a distribution to all holders of Preferred Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or surviving corporation) of evidences of indebtedness, cash (other than a regular periodic cash dividend out of the earnings or retained earnings of the Company), assets (other than a dividend payable in Preferred Stock, but including any dividend payable in stock other than Preferred Stock) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the Current Market Price per share of Preferred Stock on such record date, less the fair market value (as determined in good faith by the Board, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes) of the portion of the cash, assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to a share of Preferred Stock and the denominator of which shall be such Current Market Price per share of Preferred Stock. Such adjustments shall be made successively whenever such a record date is fixed, and in the event that such distribution is not so made, the Purchase Price shall be adjusted to be the Purchase Price which would have been in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, other than computations made pursuant to Section 11(a)(iii) hereof, the Current Market Price per share of Common Stock on any date shall be deemed to be the average of the daily closing prices per share of such Common Stock for the thirty consecutive Trading Days immediately prior to such date, and for purposes of computations made pursuant to Section 11(a)(iii) hereof, the Current Market Price per share of Common Stock on any date shall be deemed to be the average of the daily closing prices per share of such Common Stock for the ten consecutive Trading Days immediately following such date; provided, however, that in the event that the Current Market Price per share of the Common Stock is determined during a period following the announcement by the issuer of such Common Stock of (A) a dividend or distribution on such Common Stock payable in shares of such Common Stock or securities convertible into shares of such Common Stock (other than the Rights) or (B) any subdivision, combination, consolidation, reverse stock split or reclassification of such Common Stock, and prior to the expiration of the requisite thirty Trading Day or ten Trading Day period, as set forth above, after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination, consolidation, reverse stock split or reclassification, then, and in each such case, the Current Market Price shall be properly adjusted to take into account ex-dividend

trading. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the shares of Common Stock are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system or by the Nasdaq National Market with respect to securities listed or admitted to trading on another national securities exchange or quoted by the Nasdaq National Market, respectively, or, if the shares of Common Stock are not listed or admitted to trading on any national securities exchange or quoted by the Nasdaq National Market, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by The Nasdaq Stock Market or such other quotation system then in use, or, if on any such date the shares of Common Stock are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Stock selected by the Board. If on any such date the Common Stock is not publicly held or not so listed, traded or quoted, and no market maker is making a market in the Common Stock, Current Market Price per share shall mean the fair value per share as determined in good faith by the Board, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes.

(ii) For purposes of any computation hereunder, the Current Market Price per share of Preferred Stock shall be determined in the same manner as set forth above for the Common Stock in clause (i) of this Section 11(d) (other than the last sentence thereof). If the Current Market Price per share of Preferred Stock cannot be determined in the manner provided above or if the Preferred Stock is not publicly held or not so listed, traded or quoted in a manner described in clause (i) of this

Section 11(d), the Current Market Price per share of Preferred Stock shall be conclusively deemed to be an amount equal to 100 (as such number may be appropriately adjusted for such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock occurring after the date of this Agreement) multiplied by the Current Market Price per share of the Common Stock. If neither the Common Stock nor the Preferred Stock is publicly held or so listed, traded or quoted, Current Market Price per share of the Preferred Stock shall mean the fair value per share as determined in good faith by the Board, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes. For all purposes of this Agreement, the Current Market Price of one one-hundredth of a share of Preferred Stock shall be equal to the Current Market Price of one share of Preferred Stock divided by 100.

(e) Anything herein to the contrary notwithstanding, no adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least one percent in the Purchase Price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest ten-thousandth of a share of Common Stock or other share or one-millionth of a share of Preferred Stock, as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction which mandates such adjustment or (ii) the Expiration Date.

(f) If as a result of an adjustment made pursuant to Section 11(a)(ii) or Section 13(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock other than Preferred Stock, thereafter the number of such other shares so receivable upon exercise of any Right and the Purchase Price thereof (or the number of Rights) shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Stock contained in Sections 11(a), (b), (c), (e), (g), (h), (i), (j),

(k), (l) and (m), and the provisions of Sections 7, 9, 10, 13 and 14 hereof with respect to the Preferred Stock shall apply on like terms to any such other shares provided, however, that the Company shall not be liable for its inability to reserve and keep available for issuance upon exercise of the Rights pursuant to Section 11(a)(ii) a number of shares of Common Stock of the Company greater than the number then authorized by the Certificate of Incorporation but not outstanding or reserved for any other purpose.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of one one-hundredths of a share of Preferred Stock purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i), upon each adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one one-hundredths of a share of Preferred Stock (calculated to the nearest one one-millionth of a share) obtained by (i) multiplying (x) the number of one one-hundredths of a share covered by a Right immediately prior to this adjustment by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights, in lieu of any adjustment in the number of one one-hundredths of a share of Preferred Stock purchasable upon the exercise of a Right. Each of the Rights outstanding after the adjustment in the number of Rights shall be exercisable for the number of one one-hundredths of a share of Preferred Stock for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Rights Certificates have been issued, shall be at least ten days later than the date of the public announcement. If Rights Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Rights Certificates on such record date Rights Certificates evidencing,

subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Rights Certificates held by such holders prior to the date of adjustment and upon surrender thereof, if required by the Company, new Rights Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Rights Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein (and may bear, at the option of the Company, the adjusted Purchase Price) and shall be registered in the names of the holders of record of Rights Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of one one-hundredths of a share of Preferred Stock issuable upon the exercise of the Rights, the Rights Certificates theretofore and thereafter issued may continue to express the Purchase Price per one one-hundredth of a share and the number of one one-hundredths of a share which were expressed in the initial Rights Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below the then stated value, if any, of the number of one one-hundredths of a share of Preferred Stock issuable upon exercise of the Rights, the Company shall use reasonable efforts to take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue, fully paid and nonassessable, such number of one one-hundredths of a share of Preferred Stock at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the number of one one-hundredths of a share of Preferred Stock and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the number of one one-hundredths of a share of Preferred Stock and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares (fractional or otherwise) or securities upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such adjustments in the Purchase Price, in addition to those adjustments expressly required by this

Section 11, as and to the extent that in its good faith judgment the Board shall determine to be advisable in order that any (i) consolidation or subdivision of the Preferred Stock, (ii) issuance wholly for cash of any shares of Preferred Stock at less than the Current Market Price, (iii) issuance wholly for cash of shares of Preferred Stock or securities which by their terms are convertible into or exchangeable for shares of Preferred Stock, (iv) stock dividends or (v) issuance of rights, options or warrants referred to in this Section 11, hereafter made by the Company to holders of its Preferred Stock shall not be taxable to such stockholders.

(n) The Company covenants and agrees that it shall not, at any time after the Distribution Date,

(i) consolidate with any other Person (other than a Subsidiary of the Company in a transaction which complies with Section 11(o) hereof), (ii) merge with or into any other Person (other than a Subsidiary of the Company in a transaction which complies with Section 11(o) hereof) or (iii) sell or transfer (or permit any Subsidiary to sell or transfer), in one transaction or a series of related transactions, assets or earning power aggregating more than 50% of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person or Persons (other than the Company and/or any of its Subsidiaries in one or more transactions each of which complies with Section 11(o) hereof) if (x) at the time of or immediately after such consolidation, merger, sale or transfer there are any rights, warrants or other instruments or securities outstanding or agreements in effect which would substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights or (y) prior to, simultaneously with or immediately after such consolidation, merger, sale or transfer, the stockholders of the Person who constitutes, or would constitute, the "Principal Party" for purposes of Section 13(a) hereof shall have received a distribution of Rights previously owned by such Person or any of its Affiliates and Associates.

(o) The Company covenants and agrees that, after the Distribution Date, it will not, except as permitted by Section 23 or Section 26 hereof, take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

(p) Anything in this Agreement to the contrary notwithstanding, in the event that the Company shall at any time after the Rights Dividend Declaration Date and prior to the Distribution Date (i) declare a dividend on the outstanding shares of Common Stock of the Company payable in shares of Common Stock of the Company,

(ii) subdivide or split the outstanding shares of Common Stock of the Company in a manner not covered in clause

(i) of this Section 11(p) or (iii) combine or consolidate the outstanding shares of Common Stock of the Company into a smaller number of shares, the number of Rights associated with each share of Common Stock of the Company then outstanding, or issued or delivered thereafter but prior to the Distribution Date, shall be proportionately adjusted so that the number of Rights thereafter associated with each share of Common Stock of the Company following any such event shall equal the result obtained by multiplying the number of Rights associated with each share of Common Stock of the Company immediately prior to such event by a fraction the numerator of which shall be the total number of shares of Common Stock of the Company outstanding immediately prior to the occurrence of the event and the denominator of which shall be the total number of shares of Common Stock of the Company outstanding immediately following the occurrence of such event.

Section 12. Certificate of Adjusted Purchase Price or Number of Shares. Whenever an adjustment is made as provided in Section 11 or Section 13 hereof, the Company shall (a) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment, (b) promptly file with the Rights Agent, and with each transfer agent for the Preferred Stock and the Common Stock of the Company, a copy of such certificate and (c) mail a brief summary thereof to each holder of a Rights Certificate (or, if prior to the Distribution

Date, to each holder of a certificate representing shares of Common Stock of the Company) in accordance with Section 25 hereof. Notwithstanding the foregoing sentence, the failure of the Company to prepare such certificate or statement or make such filings or mailing shall not affect the validity of, or the force or effect of, the requirement for such adjustment. The Rights Agent shall be fully protected in relying on any such certificate and on any adjustment therein contained.

Section 13. Consolidation, Merger or Sale or Transfer of Assets or Earning Power.

(a) In the event (a "Section 13 Event") that, on or after the Stock Acquisition Date, directly or indirectly, (x) the Company shall consolidate or otherwise combine with, or merge with or into, any other Person or Persons (other than a Subsidiary of the Company in a transaction which complies with Section 11(o) hereof), and the Company shall not be the continuing or surviving corporation of such consolidation, combination or merger, (y) any Person or Persons (other than a Subsidiary of the Company in a transaction which complies with Section 11(o) hereof) shall consolidate or combine with, or merge with or into, the Company, and the Company shall be the continuing or surviving corporation of such consolidation, combination or merger and, in connection with such consolidation, combination or merger, all or part of the outstanding shares of Common Stock of the Company shall be changed into or exchanged for stock or other securities of any other Person or Persons or cash or any other property or (z) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one transaction or a series of related transactions, assets or earning power aggregating more than 50% of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any Person or Persons (other than the Company or any Subsidiary of the Company in one or more transactions each of which complies with Section 11(o) hereof); provided, however, that this clause (z) of Section 13(a) shall not apply to the pro rata distribution by the Company of assets (including securities) of the Company or any of its Subsidiaries to all holders of the Company's Common Stock; then, and in each such case (except as may be contemplated by Section 13(d) hereof), proper provision shall be made so that: (i) each holder of a Right, except as provided in Section 7(e) hereof shall thereafter have the right to receive, upon the exercise thereof at the then current Purchase Price in accordance with the terms of this Agreement, such number of validly authorized and issued, fully paid, nonassessable and freely tradeable shares of Common Stock of the Principal Party, not subject to any liens, encumbrances, rights of first refusal or other adverse claims, as shall be equal to the result obtained by (1) multiplying the then current Purchase Price by the number of one one-hundredths of a share of Preferred Stock for which a Right is exercisable immediately prior to the first occurrence of a Section 13 Event (or, if a Section

11(a)(ii) Event has occurred prior to the first occurrence of a Section 13 Event, multiplying the number of such one one-hundredths of a share for which a Right was exercisable immediately prior to the first occurrence of a Section 11(a)(ii) Event by the Purchase Price in effect immediately prior to such first occurrence), and

(2) dividing that product (which, following the first occurrence of a Section 13 Event, shall be referred to as the "Purchase Price" for each Right and for all purposes of this Agreement) by 50% of the Current Market Price per share of the Common Stock of such Principal Party on the date of consummation of such Section 13 Event; (ii) such Principal Party shall thereafter be liable for, and shall assume, by virtue of such Section 13 Event, all the obligations and duties of the Company pursuant to this Agreement; (iii) the term "Company" shall thereafter be deemed to refer to such Principal Party, it being specifically intended that the provisions of Section 11 hereof shall apply only to such Principal Party following the first occurrence of a Section 13 Event; (iv) such Principal Party shall take such steps (including, but not limited to, the reservation of a sufficient number of shares of its Common Stock) in connection with the consummation of any such transaction as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to its shares of Common Stock thereafter deliverable upon the exercise of the Rights; and (v) the provisions of Section 11(a)(ii) hereof shall be of no effect following the first occurrence of any Section 13 Event.

(b) "Principal Party" shall mean

(i) in the case of any transaction described in clause (x) or (y) of the first sentence of Section 13(a) hereof, (A) the Person that is the issuer of any securities into which shares of Common Stock of the Company are converted, changed or exchanged in such merger, consolidation or combination, or if there is more than one such issuer, the issuer the Common Stock of which has the greatest market value or (B) if no securities are so issued, the Person that is the other party to such merger (and survives the merger), consolidation or combination (or if there is more than one such Person, the Person the Common Stock of which has the greatest value), or if the other party to the merger does not survive the merger, the Person that does survive the merger (including the Company if it survives); and

(ii) in the case of any transaction described in clause (z) of the first sentence of Section 13(a), the Person that is the party receiving the greatest portion of the assets or earning power transferred pursuant to such transaction or transactions or, if each Person that is a party to such transaction or transactions receives the same portion of the assets or earning power so transferred or if the Person receiving the greatest portion of the assets or earning power cannot be determined, whichever of such Persons as is the issuer of Common Stock having the greatest market value;

provided, however, that in any such case, (1) if the Common Stock of such Person is not at such time and has not been continuously over the preceding twelve-month period registered under Section 12 of the Exchange Act, and such Person is a direct or indirect Subsidiary of another Person the Common Stock of which is and has been so registered, "Principal Party" shall refer to such other Person; (2) if the Common Stock of such Person is not and has not been so registered and such Person is a Subsidiary, directly or indirectly, of more than one Person, the Common Stocks of two or more of which are and have been so registered, "Principal Party" shall refer to whichever of such Persons is the issuer of the Common Stock having the greatest aggregate market value; and (3) if the Common Stock of such Person is not and has not been so registered and such Person is owned, directly or indirectly, by a joint venture formed by two or more Persons that are not owned, directly or indirectly, by the same Person, the rules set forth in (1) and (2) above shall apply to each of the chains of ownership having an interest in such joint venture as if such party were a Subsidiary of both or all of such joint venturers and the Principal Parties in each such chain shall bear the obligations set forth in this Section 13 in the same ratio as their direct or indirect interests in such Person bear to the total of such interests.

(c) The Company shall not consummate any

Section 13 Event unless the Principal Party shall have a sufficient number of authorized shares of its Common Stock which have not been issued or reserved for issuance to permit the exercise in full of the Rights in accordance with this Section 13 and unless prior thereto the Company and such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement confirming that the requirements of Sections 13(a) and (b) hereof shall promptly be performed in accordance with their terms and that such Section 13 Event shall not result in a default by the Principal Party under this Agreement as the same shall have been assumed by the Principal Party pursuant to Sections 13(a) and (b) hereof and further providing that, as soon as practicable after the date of such Section 13 Event, the Principal Party will:

(i) prepare and file a registration statement under the Act, with respect to the Rights and the securities purchasable upon exercise of the Rights on an appropriate form, and will use its best efforts to cause such registration statement to (A) become effective as soon as practicable after such filing and (B) remain effective (with a prospectus at all times meeting the requirements of the Act) until the Expiration Date and to similarly comply with applicable state securities laws;

(ii) use its best efforts to list or obtain quotation of (or continue the listing or quotation of) the Rights and the securities purchasable upon exercise of the Rights on a national securities exchange or automated quotation service;

(iii) deliver to holders of the Rights historical financial statements for the Principal Party and each of its Affiliates which comply in all respects with the requirements for registration on Form 10 (or any successor form) under the Exchange Act; and

(iv) use its best efforts to obtain waivers of any rights of first refusal or preemptive rights in respect of the shares of Common Stock of the Principal Party subject to purchase upon exercise of outstanding Rights.

The provisions of this Section 13 shall similarly apply to successive mergers, consolidations, combinations or sales or other transfers. In the event that a Section 13 Event shall occur at any time after the occurrence of a Section 11(a)(ii) Event, the Rights which have not theretofore been exercised shall thereafter become exercisable in the manner described in Section 13(a).

(d) Notwithstanding anything in this Agreement to the contrary, Section 13 shall not be applicable to a transaction described in subparagraph (x) or (y) of Section 13(a) if (i) such transaction is consummated with a Person or Persons (or a wholly owned Subsidiary of any such Person or Persons) who acquired shares of Common Stock of the Company pursuant to a tender offer or exchange offer for all outstanding shares of Common Stock of the Company which complies with the exception provided for in Section 11(a)(ii) hereof, (ii) the price per share of Common Stock of the Company offered in such transaction is not less than the price per share of Common Stock of the Company paid to all holders of shares of Common Stock of the Company whose shares were purchased pursuant to such tender offer or exchange offer and (iii) the form of consideration being offered to the remaining holders of shares of Common Stock of the Company pursuant to such transaction is the same as the form of consideration paid pursuant to such tender offer or exchange offer. Upon consummation of any such transaction contemplated by this Section 13(d), all Rights hereunder shall expire.

Section 14. Fractional Rights and Fractional Shares.

(a) The Company shall not be required to issue fractions of Rights, except prior to the Distribution Date as provided in Section 11(p) hereof, or to distribute Rights Certificates which evidence fractional Rights. In lieu of any such fractional Rights, there shall be paid to the registered holders of the Rights Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For purposes of this Section

14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price of the Rights for any Trading Day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system or the Nasdaq National Market with respect to securities listed on another national securities exchange or quoted by the Nasdaq National Market, respectively, or if the Rights are not listed or admitted to trading on any national securities exchange or quoted on the Nasdaq National Market, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by The Nasdaq Stock Market or such other quotation system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board. If on any such date no such market maker is making a market in the Rights, the fair value of the Rights on such date as determined in good faith by the Board shall be used.

(b) The Company shall not be required to issue fractions of shares of Preferred Stock (other than fractions which are integral multiples of one one-hundredth of a share of Preferred Stock) upon exercise of the Rights or to distribute certificates which evidence fractional shares of Preferred Stock (other than fractions which are integral multiples of one one-hundredth of a share of Preferred Stock). In lieu of fractional shares of Preferred Stock that are not integral multiples of one one-hundredth of a share of Preferred Stock, the Company may pay to the registered holders of Rights Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one one-hundredth of a share of Preferred Stock. For purposes of this Section 14(b), the current market value of one one-hundredth of a share of Preferred Stock shall be one one-hundredth of the closing price of a share of Preferred Stock or, if unavailable, the appropriate alternative price (in each case as determined pursuant to Section 11(d)(ii) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) Following the occurrence of a Triggering Event, the Company shall not be required to issue fractions of shares of Common Stock of the Company upon exercise of the Rights or to distribute certificates which evidence fractional shares of Common Stock of the Company. In lieu of fractional shares of Common Stock of the Company, the Company may pay to the registered holders of Rights Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one share of Common Stock of the Company. For purposes of this Section 14(c), the current market value of one share of Common Stock shall be the closing price of one share of Common Stock or, if unavailable, the appropriate alternative price (in each case as determined pursuant to Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of such exercise.

(d) The holder of a Right by the acceptance of that Right expressly waives his right to receive any fractional Rights or any fractional shares upon exercise of a Right, except as permitted by this Section 14.

Section 15. Rights of Action. All rights of action in respect of this Agreement, except any rights of action vested in the Rights Agent pursuant to Section 18 hereof, are vested in the respective registered holders of the Rights Certificates (and, prior to the Distribution Date, the registered holders of the Common Stock of the Company); and any registered holder of any Rights Certificate (or, prior to the Distribution Date, of the Common Stock of the Company), without the consent of the Rights Agent or of the holder of any other Rights Certificate (or, prior to the Distribution Date, of the Common Stock of the Company), may, in such holder's own behalf and for such holder's own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, such holder's right to exercise the Rights evidenced by such Rights Certificate in the manner provided in such Rights Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and shall be entitled to specific performance of the obligations hereunder and injunctive relief against actual or threatened violations of the obligations hereunder of any Person subject to this Agreement.

Section 16. Agreement of Rights Holders. Every holder of a Right by accepting the same consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of Common Stock of the Company;

(b) after the Distribution Date, the Rights Certificates are transferable only on the registry books of the Rights Agent if surrendered at the principal office or offices of the Rights Agent designated for such purposes, duly endorsed or accompanied by a proper instrument of transfer and with the appropriate forms and certificates fully executed;

(c) subject to Section 6(a) and Section 7(f) hereof, the Company and the Rights Agent may deem and treat the person in whose name a Rights Certificate (or, prior to the Distribution Date, the associated Common Stock certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Rights Certificates or the associated Common Stock certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent, subject to the last sentence of Section 7(e) hereof, shall be required to be affected by any notice to the contrary; and

(d) notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent shall have any liability to any holder of a Right or other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority prohibiting or otherwise restraining performance of such obligation; provided, however, the Company must use reasonable efforts to have any such order, decree or ruling lifted or otherwise overturned as soon as possible.

Section 17. Rights Certificate Holder Not Deemed a Stockholder. No holder, as such, of any Rights Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the number of one one-hundredths of a share of Preferred Stock or any other securities of the Company which may at any time be issuable upon the exercise of the Rights represented thereby, nor shall anything contained herein or in any Rights Certificate be construed to confer upon the holder of any Rights Certificate, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in Section 24 hereof), or to receive dividends or subscription rights, or otherwise, until the Rights evidenced by such Rights Certificate shall have been exercised in accordance with the provisions hereof.

Section 18. Concerning the Rights Agent.

(a) The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and disbursements and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, or expense, incurred without negligence, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability in the premises.

(b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any Rights Certificate or certificate for Common Stock or for other securities of the

Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement or other paper or document reasonably believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.

Section 19. Merger or Consolidation or Change of Name of Rights Agent.

(a) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the corporate trust or stock transfer business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided, however, that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. If at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Rights Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of a predecessor Rights Agent and deliver such Rights Certificates so countersigned; and if at that time any of the Rights Certificates shall not have been countersigned, any successor Rights Agent may countersign such Rights Certificates either in the name of the predecessor or in the name of the successor Rights Agent; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

(b) If at any time the name of the Rights Agent shall be changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and if at that time any of the Rights Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

Section 20. Duties of Rights Agent. The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter (including, without limitation, the identity of any Acquiring Person and the determination of the Current Market Price) be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by the Chairman of the Board, the President, any Vice President, the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder only for its own negligence, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Rights Certificates, nor shall it be required to verify the same (except as to its countersignature on such Rights Certificates), but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Rights Certificate (except its countersignature thereon); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Rights Certificate; nor shall it be responsible for any adjustment required under the provisions of Section 11 or Section 13 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights evidenced by Rights Certificates after actual notice of any such adjustment); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of Common Stock or Preferred Stock to be issued pursuant to this Agreement or any Rights Certificate or as to whether any shares of Common Stock or Preferred Stock will, when so issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from the Chairman of the Board, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered to be taken by it in good faith in accordance with instructions of any such officer.

(h) The Rights Agent and any stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct; provided, however, reasonable care was exercised in the selection and continued employment thereof.

(j) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

(k) If, with respect to any Rights Certificate surrendered to the Rights Agent for exercise or transfer, the certificate attached to the form of assignment or form of election to purchase, as the case may be, has either not been completed or indicates an affirmative response to clause 1 and/or 2 thereof, the Rights Agent shall not take any further action with respect to such requested exercise or transfer without first consulting with the Company.

Section 21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon thirty days' notice in writing mailed to the Company, and to each transfer agent of the Common Stock and Preferred Stock, by registered or certified mail, and to the holders of the Rights Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent upon thirty days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Stock and Preferred Stock, by registered or certified mail, and to the holders of the Rights Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of thirty days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Rights Certificate (who shall, with such notice, submit his Rights Certificate for inspection by the Company), then any registered holder of any Rights Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. If no successor Rights Agent shall have been appointed within thirty days from effectiveness of such removal or resignation, and no registered holder of any Rights Certificates have applied pursuant to this Agreement for the appointment of a new Rights Agent, the Company shall be automatically designated as successor Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be (a) a corporation organized and doing business under the laws of the United States or of any state of the United States so long as such corporation is authorized to do business as a banking institution in such state, is in good standing, is authorized under such laws to exercise corporate trust powers, is subject to supervision or examination by federal or state authority and has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$100,000,000 or (b) an Affiliate of a corporation described in clause (a) of this sentence. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and shall execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Stock and the Preferred Stock, and shall mail a notice thereof in writing to the registered holders of the Rights Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Rights Certificates. Notwithstanding any of the provisions of this Agreement or of the Rights Certificates to the contrary, the Company may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by the Board to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares or other securities or property purchasable under the Rights Certificates made in accordance with the provisions of this Agreement. In addition, in connection with the issuance or sale of shares of Common Stock of the Company following the Distribution Date and prior to the redemption or expiration of the Rights, the Company (a) shall, with respect to shares of Common Stock of the Company so issued or sold pursuant to the exercise of stock options or under any employee plan or arrangement, or upon the exercise, conversion or exchange of securities hereafter issued by the Company and (b) may, in any other case, if deemed necessary or appropriate by the Board, issue Rights Certificates representing the appropriate number of Rights in connection with such issuance or sale; provided, however, that (i) no such Rights Certificate shall be issued if, and to the extent that, the Company shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Company or the Person to whom such Rights Certificate would be issued and (ii) no such Rights Certificate shall be issued if, and to the extent that, appropriate adjustment shall otherwise have been made in lieu of the issuance thereof.

Section 23. Redemption and Termination.

(a) The Board may, at its option, at any time prior to the earlier of (i) the Close of Business on the tenth Business Day following the Stock Acquisition Date (or, if the Stock Acquisition Date shall have occurred prior to the Record Date, the Close of Business on the tenth Business Day following the Record Date), as such period may be extended pursuant to Section 26 hereof, or (ii) the Final Expiration Date, direct the Company to, and if so directed, the Company shall, redeem all but not less than all of the then outstanding Rights at a redemption price of \$.05 per Right, as such amount may be appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"). Notwithstanding anything contained in this Agreement to the contrary, the Rights shall not be exercisable after the first occurrence of a Section 11(a)(ii) Event until such time as the Company's right

of redemption hereunder has expired. The Company may, at its option, pay the Redemption Price in cash, shares of Common Stock of the Company (based on the Current Market Price of the Common Stock at the time of redemption) or any other form of consideration deemed appropriate by the Board.

(b) Immediately upon the action of the Board ordering the redemption of the Rights, evidence of which shall have been filed with the Rights Agent and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price for each Right so held. Promptly after the action of the Board ordering the redemption of the Rights, the Company shall give notice of such redemption to the Rights Agent and the holders of the then outstanding Rights by mailing such notice to all such holders at each holder's last address as it appears upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Stock. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made.

Section 24. Notice of Certain Events.

(a) In case the Company shall propose, at any time after the Distribution Date, (i) to pay any dividend payable in stock of any class to the holders of Preferred Stock or to make any other distribution to the holders of Preferred Stock (other than a regular periodic cash dividend out of earnings or retained earnings of the Company) or (ii) to offer to the holders of Preferred Stock rights or warrants to subscribe for or to purchase any additional shares of Preferred Stock or shares of stock of any class or any other securities, rights or options, or (iii) to effect any reclassification of its Preferred Stock (other than a reclassification involving only the subdivision of outstanding shares of Preferred Stock), or (iv) to effect any consolidation, combination or merger into or with any other Person (other than a Subsidiary of the Company in a transaction which complies with Section 11(o) hereof), or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one transaction or a series of related transactions, of more than 50% of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person or Persons (other than the Company and/or any of its Subsidiaries in one or more transactions each of which complies with Section 11(o) hereof), or (v) to effect the liquidation, dissolution or winding up of the Company, then, in each such case, the Company shall give to each holder of a Rights Certificate, to the extent feasible and in accordance with Section 25 hereof, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend or distribution of rights or warrants, or the date on which such reclassification, consolidation, combination, merger, sale, transfer, liquidation, dissolution or winding up is to take place and the date of participation therein by the holders of the shares of Preferred Stock, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least twenty days prior to the record date for determining holders of the shares of Preferred Stock for purposes of such action, and in the case of any such other action, at least twenty days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the shares of Preferred Stock whichever shall be the earlier.

(b) In case any Section 11(a)(ii) Event shall occur, then, in any such case, (i) the Company shall as soon as practicable thereafter give to each holder of a Rights Certificate, to the extent feasible and in accordance with Section 25 hereof, a notice of the occurrence of such event, which shall specify the event and the consequences of the event to holders of Rights under Section 11(a)(ii) hereof and (ii) all references in the preceding paragraph to Preferred Stock shall be deemed thereafter to refer to Common Stock of the Company and/or, if appropriate, other securities.

Section 25. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Rights Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

Textron Inc.
40 Westminster Street
Providence, Rhode Island 02903 Attention: General Counsel

Subject to the provisions of Section 21, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Rights Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

First Chicago Trust Company of New York 525 Washington Boulevard
Suite 4660
Jersey City, New Jersey 07310 Attention: Tenders and Exchanges Administration

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Rights Certificate (or, if prior to the Distribution Date, to the holder of certificates representing shares of Common Stock of the Company) shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 26. Supplements and Amendments. Prior to the Distribution Date and subject to the penultimate sentence of this Section 26, the Company and the Rights Agent shall, if the Board so directs, supplement or amend any provision of this Agreement without the approval of any holders of certificates representing shares of Common Stock of the Company. From and after the Distribution Date and subject to the penultimate sentence of this

Section 26, the Company and the Rights Agent shall, if the Board so directs, supplement or amend this Agreement without the approval of any holders of Rights Certificates in order (i) to cure any ambiguity, (ii) to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, (iii) to shorten or lengthen any time period hereunder or (iv) to change or supplement the provisions hereunder in any manner which the Company may deem necessary or desirable and which shall not adversely affect the interests of the holders of Rights Certificates (other than an Acquiring Person or any Affiliate or Associate of any Acquiring Person), provided, this Agreement may not be supplemented or amended to lengthen, pursuant to clause (iii) of this sentence, (A) a time period relating to when the Rights may be redeemed at such time as the Rights are not then redeemable or (B) any other time period unless such lengthening is for the purpose of protecting, enhancing or clarifying the rights of, and/or the benefits to, the holders of Rights (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person). Upon the delivery of a certificate from an appropriate officer of the Company which states that the proposed supplement or amendment is in compliance with the terms of this Section 26, the Rights Agent shall execute such supplement or amendment. Notwithstanding anything contained in this Agreement to the contrary, no supplement or amendment shall be made which changes the Redemption Price, the Final Expiration Date, the Purchase Price or the number of one one-hundredths of a share of Preferred Stock for which a Right is exercisable; provided, however, that at any time prior to (x) the existence of an Acquiring Person or (y) the date that a tender or exchange offer by any Person (other than an Exempt Person) is first published or sent or given within the meaning of Rule 14d-2(a) of the General Rules and Regulations under the Exchange Act if upon consummation thereof such Person would be an Acquiring Person, the Board may amend this Agreement to increase the Purchase Price or extend the Final Expiration Date. Prior to the Distribution Date, the interests of the holders of Rights shall be deemed coincident with the interests of the holders of Common Stock of the Company.

Section 27. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 28. Determinations and Actions by the Board, etc. For all purposes of this Agreement, any calculation of the number of shares of Common Stock of the Company outstanding at any particular time, including for purposes of determining the particular percentage of such outstanding shares of Common Stock of the Company of which any Person is the Beneficial Owner, shall be made in accordance with the last sentence of Rule 13d-3(d)(1)(i) of the General Rules and Regulations under the Exchange Act. The Board shall have the exclusive power and authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board, or to the Company, or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power to (a) interpret the provisions of this Agreement, and (b) make all determinations deemed necessary or advisable for the administration of this Agreement (including a determination to redeem or not redeem the Rights or to amend the Agreement). All such actions, calculations, interpretations and determinations (including, for purposes of clause (y) below, all omissions with respect to the foregoing) which are done or made by the Board, the Outside Directors or the Company in good faith, shall (x) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights and all other parties, and (y) not subject the Board to any liability to the holders of the Rights.

Section 29. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any Person other than the Company, the Rights Agent and the registered holders of the Rights Certificates (and, prior to the Distribution Date, registered holders of the Common Stock of the Company) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Rights Certificates (and, prior to the Distribution Date, registered holders of the Common Stock of the Company).

Section 30. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated; provided, however, that notwithstanding anything in this Agreement to the contrary, if any such term, provision, covenant or restriction is held by such court or authority to be invalid, void or unenforceable and the Board determines in its good faith judgment that severing the invalid language from this Agreement would adversely affect the purpose or effect of this Agreement, the right of redemption set forth in Section 23 hereof shall be reinstated and shall not expire until the Close of Business on the tenth Business Day following the date of such determination by the Board. Without limiting the foregoing, if any provision of this Agreement requiring that a determination be made by the Board or by the Outside Directors is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, such determination shall then be made by the Board in accordance with applicable law and the Company's Certificate of Incorporation and By-laws.

Section 31. Governing Law. This Agreement, each Right and each Rights Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Delaware, and the laws of the State of Delaware shall govern the rights and duties of the Rights Agent hereunder, and for all purposes this Agreement shall be governed by and construed in accordance with the laws of such State applicable to contracts made and to be performed entirely within such State.

Section 32. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 33. Descriptive Headings. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and their respective corporate seals to be hereunto affixed and attested, all as of September 27, 1995.

Attest:

TEXTRON INC.

By s/Michael D. Cahn
Name: Michael D. Cahn
Title: Assistant Secretary

By s/B. T. Downing
Name: B. T. Downing
Title: Vice President and
Treasurer

Attest: FIRST CHICAGO TRUST COMPANY
OF NEW YORK

By s/Joanne Gorostiola
Name: Joanne Gorostiola
Title: Assistant Vice President

By s/Ralph Persreo
Name: Ralph Persreo
Title: Customer Service Officer

Exhibit A

TEXTRON INC.

**AMENDMENT TO CERTIFICATE OF DESIGNATIONS,
PREFERENCES AND RIGHTS OF
SERIES C JUNIOR PARTICIPATING PREFERRED STOCK**

Pursuant to Section 151 of the
General Corporation Law of
the State of Delaware

Textron Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware in accordance with the provisions of Section 103 thereof (the "Corporation"), does hereby certify:

FIRST: That the Corporation filed a Certificate of Designation, Preferences and Rights on March 11, 1986 creating a series of 500,000 shares of preferred stock designated as "Series C Junior Participating Preferred Stock" (the "Certificate of Designations").

SECOND: That as authorized and directed by a resolution adopted by the Board of Directors of the Corporation (the "Board") at a duly convened meeting of the Board held on September 27, 1995, pursuant to the authority vested in it by the provisions of the Restated Certificate of Incorporation of the Corporation, the Certificate of Designations is hereby amended to increase the number of shares constituting the series from 500,000 to 2,000,000.

THIRD: That none of the shares of the Corporation's Series C Junior Participating Preferred Stock have been issued as of the date set forth below.

FOURTH: That the Certificate of Designations is hereby amended to change the Rights Declaration Date (as referenced therein) from March 8, 1986 to September 27, 1995 and that the foregoing amendment to the Certificate of Designations was effected by the following resolution adopted by the Board at a duly convened meeting of the Board held on September 27, 1995, pursuant to the authority vested in it by the provisions of the Restated Certificate of Incorporation of the Corporation:

FURTHER RESOLVED, that, subject to the filing of an Amendment to Certificate of Designations, Preferences and Rights of Series C Junior Participating Preferred Stock with the Secretary of State of the State of Delaware, the Certificate of Designation, Preferences and Rights of Series C Junior Participating Preferred Stock filed by the Corporation with the Secretary of State of the State of Delaware on March 11, 1986 (the "Certificate of Designations") be amended to change the Rights Declaration Date (as defined in the Certificate of Designations) from March 8, 1986 to September 27, 1995 and to increase the number of shares constituting the Series C Junior Participating Preferred Stock from 500,000 to 2,000,000.

FIFTH: That the Amendment to Certificate of Designations, Preferences and Rights of Series C Junior Participating Preferred Stock has been duly adopted in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware.

The Corporation has caused this Certificate to be signed by its _____ and attested to by its _____ this ___ day of _____, 19__.

Name:

Title:
Exhibit B

[Form of Rights Certificate]

Certificate No. R- _____ Rights

NOT EXERCISABLE AFTER SEPTEMBER 27, 2005 OR EARLIER RE-DEMPTION BY THE COMPANY OR EXPIRATION PURSUANT TO THE RENEWED RIGHTS AGREEMENT. THE RIGHTS ARE SUBJECT TO RE-DEMPTION, AT THE OPTION OF THE COMPANY, AT \$.05 PER RIGHT ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. THE RIGHTS SHALL NOT BE EXERCISABLE, AND SHALL BE VOID SO LONG AS HELD, BY A HOLDER IN ANY JURISDICTION WHERE THE REQUISITE QUALIFICATION FOR THE ISSUANCE TO SUCH HOLDER, OR THE EXERCISE BY SUCH HOLDER, OF THE RIGHTS IN SUCH JURISDICTION SHALL NOT HAVE BEEN OBTAINED OR BE OBTAIN-ABLE. UNDER CERTAIN CIRCUMSTANCES, RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RENEWED RIGHTS AGREEMENT) AND ANY SUBSEQUENT HOLDER OF SUCH RIGHTS MAY BECOME NULL AND VOID. [THE RIGHTS REPRESENTED BY THIS RIGHTS CERTIFICATE ARE OR WERE BENEFICIALLY OWNED BY A PERSON WHO WAS OR BECAME AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE OF AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RENEWED RIGHTS AGREEMENT). ACCORDINGLY, THIS RIGHTS CER-TIFICATE AND THE RIGHTS REPRESENTED HEREBY MAY BECOME NULL AND VOID IN THE CIRCUMSTANCES SPECIFIED IN SECTION 7(e) OF SUCH AGREEMENT.]

Rights Certificate

TEXTRON INC.

This certifies that , or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Renewed Rights Agreement, dated as of September 27, 1995, as amended, restated, renewed or extended from time to time (the "Rights Agreement"), be-tween Textron Inc., a Delaware corporation (the "Compa-ny"), and First Chicago Trust Company of New York (for-merly known as Morgan Shareholder Services Trust Compa-ny), a New York corporation (the "Rights Agent"), to pur-chase from the Company at any time prior to 5:00 p.m. (New York City time) on September 27, 2005 at the office or offices of the Rights Agent, designated for such pur- pose, one one-hundredth of a fully paid, nonassessable share of Series C Junior Participating Preferred Stock (the "Preferred Stock") of the Company, at a purchase price of \$250 per one one-hundredth of a share (the "Purchase Price"), upon presentation and surrender of this Rights Certificate with the Election to Purchase and related Certificate duly executed. The number of Rights evidenced by this Rights Certificate (and the number of shares which may be purchased upon exercise thereof) set forth above, and the Purchase Price per share set forth above, are the number and Purchase Price as of September 27, 1995, based on the Preferred Stock as constituted at such date. The Company reserves the right to require prior to the occurrence of a Triggering Event (as such term is defined in the Rights Agreement) that a number of Rights be exercised so that only whole shares of Pre-ferred Stock will be issued.

As more fully set forth in the Rights Agree-ment, from and after the first occurrence of a Section 11(a)(ii) Event (as such term is defined in the Rights Agreement), if the Rights evidenced by this Rights Cer-tificate are beneficially owned by (i) an Acquiring Person or an Associate or Affiliate of an Acquiring Person (as such terms are defined in the Rights Agree-ment), which the Board (as defined in the Rights Agree-ment) in its sole discretion determines is or was in- volved in or caused or facilitated directly or indirect-ly, such Section 11(a)(ii) Event, (ii) a transferee of any such Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after such Acquiring Person becomes such or (iii) under certain circumstances specified in the Rights Agreement, a transferee of such Acquiring Person (or of any such Associate or Affiliate), who becomes a transferee prior to or concurrently with such Acquiring Person becoming such, such Rights shall become null and void and no holder hereof shall have any right with respect to such Rights from and after the occurrence of such Section 11(a)(ii) Event.

As provided in the Rights Agreement, the Pur- chase Price and the number and kind of shares of Pre-ferred Stock or other securities which may be purchased upon the exercise of the Rights evidenced by this Rights Certificate are subject to modification and adjustment upon the happening of certain events, including Trigger- ing Events.

This Rights Certificate is subject to all of the terms, provisions and conditions of the Rights Agree-ment, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Rights Certificates, which limitations of rights include the temporary suspension of the exercisability of such Rights under the specific circumstances set forth in the Rights Agreement. Reference is also made to the Rights Agreement for definitions of capitalized terms used and not defined herein. Copies of the Rights Agreement are on file at the principal offices of the Company and are available upon written request to the Rights Agent.

This Rights Certificate, with or without other Rights Certificates, upon surrender at the principal office or offices of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of one one-hundredths of a share of Preferred Stock as the Rights evidenced by the Rights Certificate or Rights Certificates surrendered shall have entitled such holder to purchase. If this Rights Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Rights Certifi- cate or Rights Certificates for the number of whole

Rights not exercised.

Subject to the provisions of the Rights Agree- ment, the Rights evidenced by this Certificate may be redeemed by the Company at its option at a redemption price of \$.05 per Right at any time prior to the earlier of (i) the Close of Business on the tenth Business Day following the Stock Acquisition Date (or if the Stock Acquisition Date shall have occurred prior to the Record Date, the Close of Business on the tenth Business Day following the Record Date), as such time period may be extended pursuant to the Rights Agreement, and (ii) the Final Expiration Date (as defined in the Rights Agree- ment).

If the Company so determines, no fractional shares of Preferred Stock will be issued upon the exer- cise of any Right or Rights evidenced hereby (other than fractions which are integral multiples of one one-hun- dredth of a share of Preferred Stock, which may, at the election of the Company, be evidenced by depositary receipts), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Rights Certificate, as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of shares of Preferred Stock or of any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affect- ing stockholders (except as provided in the Rights Agree- ment), or to receive dividend or subscription rights, or otherwise, until the Right or Rights evidenced by this Rights Certificate shall have been exercised as provided in the Rights Agreement.

This Rights Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal.

Dated as of _____, 19__

ATTEST: TEXTRON INC.

Secretary By
Name:
Title:

Countersigned:

FIRST CHICAGO TRUST
COMPANY OF NEW YORK

By _____
Authorized Signature

[Form of Reverse Side of Rights Certificate]

ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Rights Certificate.)

FOR VALUE RECEIVED
hereby sells, assigns and transfers unto

(Please print name and address of transferee)

this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably consti- tute and appoint _____, Attorney, to transfer the within Rights Certificate on the books of the within- named Company, with full power of substitution.

Dated: , 19__

Signature

Signature Guaranteed:

Certificate

The undersigned hereby certifies by checking the appropriate boxes that:

(1) this Rights Certificate [] is [] is not being sold, assigned and transferred by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined pursuant to the Rights Agreement); and

(2) after due inquiry and to the best knowledge of the undersigned, the undersigned [] did [] did not acquire the Rights evidenced by this Rights Certificate from any Person who is, was or subsequently became an Acquiring Person or an Affiliate or Associate of any such Acquiring Person.

Dated: _____, 19__ _____ Signature

Signature Guaranteed:

NOTICE

The signatures to the foregoing Assignment and Certificate must correspond to the name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.

ELECTION TO PURCHASE

(To be executed if holder desires to exercise Rights represented by the Rights Certificate.)

To: TEXTRON INC.:

The undersigned hereby irrevocably elects to exercise _____ Rights represented by this Rights Certificate to purchase the shares of Preferred Stock issuable upon the exercise of the Rights (or such other securities of the Company or of any other Person which may be issuable upon the exercise of the Rights) and requests that certificates for such shares be issued in the name of and delivered to:

Please insert social security
or other identifying number

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of such Rights shall be registered in the name of and delivered to:

Please insert social security
or other identifying number

(Please print name and address)

Dated: _____, 19__ _____

Signature

Signature Guaranteed:

Certificate

The undersigned hereby certifies by checking the appropriate boxes that:

(1) the Rights evidenced by this Rights Certificate [] are [] are not being exercised by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined pursuant to the Rights Agreement); and

(2) after due inquiry and to the best knowledge of the undersigned, the undersigned [] did [] did not acquire the Rights evidenced by this Rights Certificate from any Person who is, was or became an Acquiring Person or an Affiliate or Associate of any such Acquiring Person.

Dated: _____, 19__ _____

Signature

Signature Guaranteed:

NOTICE

The signatures to the foregoing Election to Purchase and Certificate must correspond to the name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.

EXHIBIT 12.1

TEXTRON PARENT COMPANY BORROWING GROUP

COMPUTATION OF RATIO OF INCOME TO FIXED CHARGES

(unaudited)

(In millions except ratio)

	Nine Months Ended September 30, 1995
Fixed charges:	
Interest expense (1)	\$148
Estimated interest portion of rents	15
Total fixed charges	\$163
Income:	
Income before income taxes	\$598
Fixed charges	163
Eliminate equity in undistributed pretax income of finance and insurance subsidiaries	(268)
Adjusted income	\$493
Ratio of income to fixed charges	3.02

(1) Includes interest unrelated to borrowings of \$26 million (primarily interest accretion).

EXHIBIT 12.2

TEXTRON INC. INCLUDING ALL MAJORITY-OWNED SUBSIDIARIES

COMPUTATION OF RATIO OF INCOME TO FIXED CHARGES

(unaudited)

(In millions except ratio)

	Nine Months Ended September 30, 1995
Fixed charges:	
Interest expense (1)	\$609
Estimated interest portion of rents	31
Total fixed charges	\$640
Income:	
Income before income taxes	\$598
Elimination of minority interest in pretax income of Paul Revere	(15)
Fixed charges	640
Adjusted income	\$1,223
Ratio of income to fixed charges	1.91

(1) Includes interest unrelated to borrowings of \$26 million (primarily interest accretion).

ARTICLE 5

This schedule contains summary financial information extracted from Textron Inc.'s Consolidated Balance Sheet as of September 30, 1995 and Consolidated Statement of Income for the nine months ended September 30, 1995 and is qualified in its entirety by reference to such financial statements.

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 30 1995
PERIOD END	SEP 30 1995
CASH	78
SECURITIES	0
RECEIVABLES	10758
ALLOWANCES	272
INVENTORY	1244
CURRENT ASSETS	0
PP&E	2934
DEPRECIATION	1646
TOTAL ASSETS	22712
CURRENT LIABILITIES	0
BONDS	10205
COMMON	12
PREFERRED MANDATORY	0
PREFERRED	15
OTHER SE	3199
TOTAL LIABILITY AND EQUITY	22712
SALES	4763
TOTAL REVENUES	7314
CGS	3905
TOTAL COSTS	4850
OTHER EXPENSES	0
LOSS PROVISION	120
INTEREST EXPENSE	609
INCOME PRETAX	598
INCOME TAX	236
INCOME CONTINUING	352
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	352
EPS PRIMARY	4.05
EPS DILUTED	4.05

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