TEXTRON INC

FORM 10-K
(Annual Report)

Filed 03/14/01 for the Period Ending 12/30/00

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-K
(Annual Report)

Filed 3/14/2001 For Period Ending 12/30/2000

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, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 30, 2000
Commission File Number 1-5480

TEXTRON INC.

(Exact name of registrant as specified in charter)

Delaware	05-0315468
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

40 Westminster Street, Providence, R.I. 02903
(401) 421-2800
(Address and telephone number of principal executive offices)

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

Title of Class	Name of Each Exchange on Which Registered
Common Stock - par value 12 1/2(cent) (140,723,761 shares outstanding at March 3, 2001); Preferred Stock Purchase Rights	New York Stock Exchange Pacific Stock Exchange Chicago Stock Exchange
$2.08 Cumulative Convertible Preferred Stock, Series A - no par value	New York Stock Exchange
$1.40 Convertible Preferred Dividend Stock, Series B (preferred only as to dividends) - no par value	New York Stock Exchange
8 3/4% Debentures due July 1, 2022	New York Stock Exchange
7.92% Trust Preferred Securities of Subsidiary Trust (and Textron Guaranty with respect thereto)	New York Stock Exchange

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

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 [ ].

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

The aggregate market value of voting stock held by non-affiliates of the registrant is $7,574,922,778 as of March 3, 2001.

Portions of Textron's Annual Report to Shareholders for the fiscal year ended December 30, 2000, are incorporated by reference in Parts I and II of this Report. Portions of Textron's Proxy Statement for its Annual Meeting of Shareholders to be held on April 25, 2001, are incorporated by reference in Part III of this Report.

PART I

ITEM 1. BUSINESS OF TEXTRON

We are a global multi-industry company with operations in five business segments - Aircraft, Automotive, Fastening Systems, Industrial Products and Finance. Our business segments include operations that are unincorporated divisions of Textron Inc. or its subsidiaries and others that are separately incorporated subsidiaries.

BUSINESS SEGMENTS

This section contains a description of the business of each of our segments. Financial information by business segment and geographic area appears on pages 20, 57 and 58 of our 2000 Annual Report to Shareholders. Those pages of our Annual Report to Shareholders are incorporated by reference into this Annual Report on Form 10-K.

AIRCRAFT SEGMENT. Our Aircraft segment consists of Bell Helicopter Textron and Cessna Aircraft Company.

Bell Helicopter Textron

Bell is one of the largest supplier of helicopters, spare parts and helicopter-related services in the world. Founded in 1946, Bell has delivered over 34,000 aircraft to military and civilian customers. Bell currently manufactures four military and six civilian helicopter models. Bell's revenues accounted for approximately 12%, 13% and 14% of our total revenues in 2000, 1999 and 1998.

Bell supplies advanced military helicopters, spare parts and product support to the U.S. Government and to military customers outside the U.S. There are more helicopters manufactured by Bell in the inventory of the U.S. Government than are manufactured by any other helicopter company. Bell makes military sales to non-U.S. customers only with the concurrence of the U.S. Government.

Bell is also a leading supplier of commercially certified helicopters to charter, offshore, utility, corporate, police, fire, rescue and emergency medical helicopter operators. Bell's non-U.S. Government business (including non-U.S. military customers) typically represents 50% to 65% of its annual sales.

Bell is teamed with The Boeing Company in the development and production of the V-22 Osprey tiltrotor aircraft for the U.S. Department of Defense. Tiltrotor aircraft are designed to utilize the benefits of both helicopters and fixed-wing aircraft. Through the end of 2000, 19 complete V-22 aircraft have been manufactured under contract with the Department of Defense. The decision on full rate production of the V-22 is under consideration at the Department of Defense. Bell is also teamed with Agusta, Italy's leading helicopter manufacturer, for the design, manufacture, sale and customer support of a commercial tiltrotor, the BA609, and a new medium twin-engine helicopter, the AB139.

Bell has developed a new light twin-engine helicopter, designated the Model 427, in collaboration with Korean Aerospace Industries, LTD of South Korea. Bell is currently manufacturing the Model 427 and began deliveries in 2000.

In the light and medium helicopter market segments, Bell has two major U.S. competitors and one major European competitor. Some of its competitors are substantially larger and more diversified aircraft manufacturers. Bell markets its products around the world through its own sales force and through independent representatives. Price, financing terms, aircraft performance, reliability and product support are significant factors in the sale of helicopters. Bell has developed the world's largest distribution system to sell and support helicopters, serving customers in over 100 countries.

Cessna Aircraft Company

Based on unit sales, Cessna is the world's largest manufacturer of light and mid-size business jets, single engine utility turboprop aircraft, and single engine piston aircraft. Cessna currently has three major aircraft product lines:
Citation business jets, single engine turboprop Caravans and Cessna single engine piston aircraft. Cessna's revenues accounted for approximately 21%, 21% and 20% of our total revenues in 2000, 1999 and 1998.

The family of business jets currently produced by Cessna includes the Citation CJ1, Citation CJ2, the Citation Bravo, the Citation Encore, the Citation Excel, and the Citation X. The Citation X is the world's fastest business jet with a maximum operating speed of Mach .92. In 2000, Cessna delivered its 3200th business jet. Under development is the mid-size Citation Sovereign. First customer delivery of this model is scheduled for early 2004.

The Cessna Caravan is the world's best selling utility turboprop. More than 1,200 Caravans have been sold by Cessna since the first Caravan was delivered in 1985. Caravans are offered in four models: the Grand Caravan, the Super Cargomaster, the Caravan Floatplane and the Caravan 675. Caravans are used in the U.S. primarily to carry overnight express package shipments. International uses of Caravans include commuter flights, humanitarian flights, tourism and freight.

Cessna now has six models in its single engine piston product line: the four-place 172 Skyhawk, 172 Skyhawk SP, 182 Skylane and Turbo 182 Skylane, and the six-place 206 Stationair and T206 Turbo Stationair. In 2000, Cessna delivered its 3000th single engine piston aircraft since production was restarted in 1997.

Cessna markets its products worldwide primarily through its own sales force as well as through a network of authorized independent sales representatives. Cessna has one U.S. and three major foreign competitors for its business jet products. Cessna's aircraft compete with other aircraft that vary in size, speed, range, capacity, handling characteristics, and price. Reliability and product support are significant factors in the sale of these aircraft. The Citation family of aircraft is supported by ten Citation Service Centers owned and operated by Cessna, along with authorized independent service stations and centers in more than 15 countries throughout the world.

Cessna provides its business jet operators with factory-direct customer support offering 24 hour a day service and maintenance. Cessna Caravan and single-engine piston customers receive product support through independently owned service stations and 24 hour a day spare parts support through Cessna.

In 2000, Cessna entered the business jet fractional ownership market through a Joint Venture Agreement with TAG Aviation S.A., a worldwide aircraft management and charter enterprise. This program, called CitationShares, offers shares of Citation aircraft in the eastern United States.

AUTOMOTIVE SEGMENT. Our Automotive segment, organized under an umbrella organization called Textron Automotive Company Inc., consists of Textron Automotive Trim, CWC Textron and Kautex Textron. Some of our Automotive operations are unincorporated divisions of Textron Inc. or its subsidiaries and others are separately incorporated subsidiaries. These operations sell primarily to automotive original equipment manufacturers and their suppliers operating in North America and Europe, and, to a lesser extent, South America and Asia. Textron Automotive is headquartered in Troy, Michigan and has over sixty manufacturing facilities located in Argentina, Belgium, Brazil, Canada, China, the Czech Republic, Germany, India, Italy, Mexico, the Netherlands, Portugal, Spain, the United Kingdom and the U.S.

Through its Textron Automotive Trim operations, Textron Automotive is a leading worldwide supplier of automotive interior and exterior plastic components and systems. Interior trim products include instrument panels, door and sidewall trim, airbag doors, consoles, armrests, package trays and other trim components. In addition, Textron Automotive's Trim facilities manufacture exterior decorative components including painted bumpers, fascia, body side moldings and claddings, fender liners, signal lighting and structural composite bumper beams. Many of these products are shipped just-in-time as fully integrated systems. Revenues of Textron Automotive Trim operations accounted for 14%, 15%, and 15% of our total revenues in 2000, 1999 and 1998.

In June 2000, we acquired a 56.6% interest in Plascar Industria e Comerico Ltda. and integrated it into our Textron Automotive Trim operations. Plascar, based in Brazil, is the leading supplier of instrument panels and automotive trim products to global automotive manufacturers producing vehicles in South America. The remaining 43.3% of Plascar's equity continues to be publicly traded on Brazilian stock exchanges in the form of preferential shares.

In September 2000, Textron Automotive purchased the interest of Gallino Plasturgia S.r.l., a subsidiary of Breed Technologies, Inc., in Textron Breed Automotive S.r.l., a joint venture Textron Automotive formed in Italy in 1999 with Gallino and Magneti Marelli S.p.A. This purchase increased Textron's ownership in the joint venture to 90%. The joint venture, which was subsequently renamed Textron Automotive Italia S.r.l., has six manufacturing and administrative facilities in Italy and manufactures automotive plastic parts, including instrument panels, bumpers, and exterior and interior trim parts for sale to original equipment manufacturers such as Fiat Auto.

CWC Textron designs and manufactures engine camshafts and vibration damper components for original equipment manufacturers and the aftermarket. Through its Kaywood Products operation, CWC manufactures precision machined parts and components for assembled camshafts.

Kautex Textron is a leading manufacturer of blow-molded plastic fuel tank systems and other blow-molded parts for original equipment manufacturers throughout Europe, North America, South America and parts of Asia. Kautex supplies Volkswagen in China through a joint venture with Changchun Junzilan Industrial Group. Kautex's manufacturing plant in Puebla, Mexico supplies all of Volkswagen's and DaimlerChrysler's plastic fuel tank requirements for their Mexican production. Kautex produces plastic fuel tanks and metal fuel filler systems in its North American operations.

Kautex's McCord Winn Textron operation manufactures windshield and headlamp washer systems and continues to expand applications of its RITec (Reservoir Integrated Technology) product, an innovative integration of automotive cooling system components including the fan shroud and windshield washer and coolant reservoirs. McCord Winn launched a RITec production program with DaimlerChrysler in 1999, and other RITec development programs are in progress. We sold McCord Winn's seating comfort business in December 2000.

More than 100 models currently contain parts made by Textron Automotive including DaimlerChrysler's Jeep Grand Cherokee and Voyager and Caravan mini-vans; Ford's Mondeo, Lincoln Town Car and Windstar mini-van; General Motors' Cadillac Seville and De Ville, Chevrolet Malibu, Monte Carlo, Corvette and Impala, and the Venture, Transport and Silhouette mini-vans; BMW's 5 series and 8 series; Toyota's Camry and Avalon; Mitsubishi's Galant and Eclipse; Fiat's Punto and Bravo/Brava; and VW/Audi's Golf, Passat, Polo, T4, Beetle and A4. Textron Automotive continues its strong position on DaimlerChrysler's LH series of cars.

Textron Automotive's manufacturing operations are supported by a staff of research and design specialists at its Automotive Technology Center. These specialists have developed new processes and products, many of which are patented, that allow Textron Automotive to offer its customers technology-driven products and processes. In the plastics and coatings area, Textron Automotive is a recognized leader in interior surface material (including Textron Automotive's proprietary PVC-free thermoplastic polyurethane product line), seamless passenger airbag door technology, structural molded instrument panel systems, integrated modular assemblies, and molded-in-color interior and exterior components. CWC Castings is a leader in the design and manufacture of automotive castings. It has developed a selective austempering heat treatment process for ductile camshafts.

In the automotive business, there is often a long lead time from the time a supplier is selected to supply components on a new model to the time the supplier can begin shipping production parts. During this period, the supplier incurs engineering and development costs. The original equipment manufacturer reimburses the supplier for these costs as incurred or in the piece prices charged by the suppliers as the goods are shipped. In addition, automotive original equipment manufacturers often demand just-in-time delivery, requiring the supplier to plan shipments in advance and hold inventory.

Automotive original equipment manufacturers and their suppliers are the principal customers of Textron Automotive. The loss of U.S. and Europe-based automotive original equipment manufacturers and their first-tier suppliers would have a material adverse effect on Textron Automotive. However, because of the broad range of products sold to such customers, it is unlikely that they would cease all purchases from Textron Automotive.

Each of Textron Automotive's businesses faces competition from a number of other manufacturers based primarily on price, quality, reputation and delivery. Although Textron Automotive is one of the largest manufacturers offering its range of products and services, it faces strong competition in all of its market segments. Because of the diversity of products and services offered, no single company is a competitor in all market segments. In certain markets, Textron Automotive also competes for business with the original equipment manufacturers' own operations. Textron Automotive is under continual pressure from the original equipment manufacturers to reduce costs and prices on an annual basis.

FASTENING SYSTEMS SEGMENT. Our Fastening Systems segment, Textron Fastening Systems (TFS), manufactures and sells fasteners, fastening systems, engineered assemblies and installation tools to the aerospace, automotive, business equipment, construction, consumer goods, electronics, electrical equipment, industrial equipment, medical, non-automotive transportation, and telecommunications markets. TFS consists of three groups: Automotive Solutions, Commercial Solutions and Advanced Solutions. Some of our TFS operations are unincorporated divisions of Textron Inc. or its subsidiaries and others are separately incorporated subsidiaries. TFS also has non-controlling ownership interests in a number of other companies. TFS is headquartered in Troy, Michigan, and has facilities located in the following 19 countries: Australia, Austria, Brazil, Canada, China, France, Germany, Hong Kong, Ireland, Italy, Japan, Korea, Malaysia, Mexico, Singapore, Spain, Taiwan, the U.K. and the U.S.

TFS sells to a wide range of customers throughout the world, including original equipment manufacturers, contract producers, component manufacturers, distributors and retail stores. Products manufactured by TFS include rivets, threaded and non-threaded fasteners, cold-formed components, metal stampings, clips, cage nuts, plastic components, and engineered and laser weld assemblies that incorporate such products. TFS provides value-added products, services and solutions that simplify manufacturing processes and maximize efficiencies resulting in lower total system costs to the customer. Revenues of TFS accounted for approximately 16%, 18% and 18% of our total revenues in 2000, 1999 and 1998.

Through its Automotive Solutions group, TFS is a leading supplier of engineered fasteners, components and value added services to North American, South American and European automotive original equipment manufacturers and their suppliers. TFS Automotive Solutions produces cold formed components, clips, cage nuts, engineered and laser weld assemblies, metal stampings, engineered threaded fasteners, blind fastening systems, injection molded plastic components, and precision fine blanked products under a variety of brand names including Boesner, BSK, Camcar, Elco, Ring Screw, Sukosim, Valmex and VBF. TFS Automotive Solutions provides a wide range of design and engineering services for its global customers. The TFS Automotive Solutions plant provider program gives manufacturers a single source for the procurement, inventory and delivery of a broad range of products, including tooling, required for the final assembly of their products.

TFS Commercial Solutions is a major global manufacturer and distributor of fasteners and fastening solutions for non-automotive markets. TFS Commercial Solutions produces engineered threaded fasteners, blind fastening systems and installations tools, cold formed components, aerospace fasteners, construction fasteners and tooling under a variety of brand names including Avdel, Camcar, Cherry and Elco. TFS Commercial Solutions provides its customers with supply chain management services through global vendor managed inventory programs, warehouse and JIT (just-in-time) programs, and sourcing. TFS Commercial Solutions offers a wide range of design and engineering services to its customers and is a licensor of various patented fastening technologies including Torx and Torx Plus.

TFS Advanced Solutions is a major supplier of plastic molded components and engineered assemblies to wireless telecommunications and computing manufacturers, as well as the automotive and medical industries. TFS Advanced Solutions offers its customers a wide range of services including precision injection molding manufacturing, CAD/CAM tool design and fabrication, high quality plastic painting, optical quality lens manufacturing, in-mold decorating and automated assembly. Advanced Solutions' "Internet Manufacturing" process allows us to produce individualized cell phone covers based on designs downloaded by consumers to a website and then uploaded to Advanced Solutions for production.

In May 2000, we acquired the assets of Karl Oelschlager GmbH & Co., a Stuttgart, Germany based manufacturer of metal stamped parts and engineered assemblies for automotive and industrial applications. Oehlschlager's proprietary laser welding technology permits the combination of stamped metal parts with cold-formed products, thereby increasing an assembly's overall strength and durability at a lower cost and weight than traditional welding processes.

In June 2000, we acquired Advantage Molding & Decorating, Inc., an Illinois-based company, and three affiliated companies. Advantage supplies injection-molded parts, tooling, and pad-printed designs, and manufactures highly decorative lenses for use in the wireless telecommunications industry.

In August 2000, we acquired Rego Mold & Tool, Co. Inc., an Illinois producer of primary tooling and plastic injection molded components for the wireless telecommunications market and other industries. The Rego acquisition enhances the mold-making capabilities of TFS Advanced Solutions for both internal use and external customers.

Although TFS is one of the world's largest providers of fastener products, engineered assemblies and services, TFS has hundreds of competitors, ranging from small proprietorships to large multi-national companies. Competition is based primarily on price, quality, reputation and delivery. In addition, larger customers of fastening systems and engineered assemblies tend to procure products and services from the larger suppliers, except for "niche" products that may be sourced from smaller companies. In the wireless telecommunications industry, a major market for Advanced Solutions, product life cycles are relatively short and subject to rapid technological change. Only the loss of a customer that is a major original equipment manufacturer would have a material adverse effect on TFS. However, because of the broad range of products sold to such customers, it is unlikely that these customers will cease all purchases from TFS.

INDUSTRIAL PRODUCTS SEGMENT. Our Industrial Products segment, Textron Industrial Products, is comprised of the following groups: Greenlee Textron; Textron Golf, Turf & Specialty Products; Textron Fluid and Power Systems; Textron Systems; OmniQuip Textron; and Textron Industrial Components.

GREENLEE TEXTRON

Our Greenlee Textron group consists of Greenlee Textron and several operations reporting through Greenlee, including Fairmont Klauke, Progressive Electronics, Rifocs Corporation, Chesilvale Electronics, and IMAP. These businesses manufacture powered equipment, electrical test instruments, hand and hydraulic powered tools, electrical connectors, and certification and verification products for information technology networks. The products are principally used in electrical construction and maintenance, telecommunications, electronics, and plumbing industries.

Our Greenlee Textron group is developing products and services for the data, signal and voice market to leverage its strong relationship with the installation services community. Greenlee's entry into this fast-growing market was facilitated with the acquisitions of Datacom Technologies in 1998 and Progressive Electronics and Rifocs Corporation in 1999. We further expanded this business by acquiring IMAP and Chesilvale Electronics in March 2000. IMAP produces a cable management software solution that incorporates both voice and data connection management while Chesilvale Electronics manufactures test equipment and measurement instruments for both digital and analog networks. In January 2001, we acquired Tempo Research Corporation, which produces advanced measurement and test equipment for the telecommunications and cable television industries. Our Greenlee Textron group faces competition from numerous manufacturers based primarily on price, quality, performance, reliability, delivery and reputation.

TEXTRON GOLF, TURF & SPECIALTY PRODUCTS

Our Golf, Turf & Specialty Products group designs, manufactures and sells golf cars powered by electric and internal combustion engines, multipurpose utility vehicles, professional turf maintenance equipment, lawn care machinery and specialized industrial vehicles. Major brand names include E-Z-GO, Ransomes, Jacobsen, Cushman, Ryan, Steiner, Brouwer, Bunton and Bob-Cat.

The industrial customers of our Golf, Turf and Specialty Products group consist primarily of golf courses, resort communities and municipalities, as well as commercial and industrial users such as airports, factories and professional lawn care services. The group also manufacturers off-road utility vehicles and golf cars for the consumer market. Sales are made through a network of distributors and directly to end-users. Many golf and turf-care equipment sales (both at the distributor and end-user level) are financed through Textron Financial Corporation as an additional source of revenue to Textron and for marketing purposes.

Textron's Golf, Turf and Specialty Products business has two major competitors for golf cars, two major competitors for professional turf maintenance equipment, and a number of smaller competitors for multipurpose utility vehicles and professional lawn care machinery. Competition is based primarily on price, quality, product support, performance, reliability and reputation.

TEXTRON FLUID AND POWER SYSTEMS

Our Fluid and Power group consists of Textron Motion Control, Textron Power Transmission and Textron Fluid Handling Products. These operations face competition from other manufacturers based primarily on price, quality, product support, performance, delivery and reputation.

Textron's Motion Control business consists of David Brown Hydraulics, Williams Machine & Tool, Energy Manufacturing, and Micromatic Textron. Textron Motion Control designs and manufactures control systems, components and tooling for mobile equipment, automotive, factory and machine automation applications. In October 2000, we transferred the Micromatic Textron business, which manufacturers proprietary machine tools, components and assembly systems, from Textron's Automotive Segment to Textron Motion Control.

Our Textron Power Transmission business offers products under the brand names David Brown, Cone Drive, and Benzlers. We design and manufacture industrial gears, double enveloping worm gear speed reducers, frequency inverters, mechanical and hydraulic transmission systems, gear motors and gear sets. These products are sold to a variety of customers, including original equipment manufacturers (OEMs), distributors and end-users.

Our Textron Fluid Handling Products business, which includes David Brown Union Pumps, Maag Pump Systems and David Brown Guinard Pumps SAS, designs and manufactures industrial pumps for oil, gas, petrochemical and polymer industries. These products are sold to OEMs, distributors and end-users.

TEXTRON SYSTEMS

Textron Systems, a supplier of sensors, software and electronics for defense, aerospace, and industrial markets, manufactures "smart" weapons, airborne and ground-based surveillance systems, automatic aircraft landing systems, and aircraft and missile control actuators and valves. While Textron Systems sells most of its products directly to customers, it also sells an increasing number of products through a growing, global network of sales representatives and distributors. Formerly part of the Fluid and Power Group, Textron Systems is now managed as a separate business unit, and the defense and aerospace related product lines of the Textron Industrial Motion Control business have been merged into Textron Systems.

In 2001, Textron Marine & Land Systems, formerly part of the Textron Industrial Components group, became part of the Textron Systems group. Textron Marine & Land Systems designs and manufactures specialty marine and land systems. Products include high performance hovercraft, such as air cushion landing craft, search and rescue vessels, and the Cadillac Gage family of armored vehicles and turrets, which has products operating in over 35 countries.

OMNIQUIP TEXTRON

OmniQuip produces telescopic material handlers, aerial work platforms and compact construction equipment under the trade names SkyTrak, Lull, Snorkel and Scat Trak. It has 16 facilities located in the U.S., U.K., Australia and New Zealand and employs approximately 1,700 people. Large national equipment rental fleets account for approximately 50 percent of sales. Remaining sales are to end-users through independent distributors and rental centers. The majority of our sales occur in the second quarter; the first and fourth quarters are traditionally soft. End-users are usually construction sub-contractors such as masons, framers, steel erectors and roofers. OmniQuip competes in a fragmented market against a variety of manufacturers. Competition is based primarily on price, quality, product support, performance, delivery and reputation.

TEXTRON INDUSTRIAL COMPONENTS

Our Industrial Components group consists of Textron Lycoming and Turbine Engine Components Textron. The group's product lines are sold to a wide variety of customers, including OEMs, the U.S. and foreign governments, distributors and end-users. The principal competitive factors affecting the group's sales include price, quality, customer service, performance, reliability, reputation and existing product base.

Textron Lycoming is the world leader in the design, manufacture and overhaul of reciprocating piston aircraft engines for the global general aviation market. Textron Lycoming sells new products directly to general aviation airframe manufacturers, including Piper Aircraft, Robinson Helicopter, and SOCATA, a division of Aerospatiale. Textron Lycoming is also the exclusive supplier of engines for Cessna's product line of single-engine aircraft. Aftermarket sales are made to the more than 180,000 existing owners of Textron Lycoming products through a worldwide network of independently owned distributors.

Turbine Engine Components is one of the world's largest independent suppliers of internal components for aircraft gas turbine engines. Its product lines include fan and compressor blades, vanes, shafts, disks, rotors, and other rotating components, and the forgings from which those products are machined. Turbine Engine Components manufacturers its products to the specifications of its customers.

FINANCE SEGMENT. Our Finance segment consists of Textron Financial Corporation and its subsidiaries. Textron Financial is a diversified commercial finance company with core operations in four segments: small business, middle markets, specialty finance, and structured capital. The small business segment is focused in aircraft financing, equipment financing through vendor relationships, factoring, and SBA (Small Business Administration) financing. The middle markets segment focuses on dealer inventory financing, asset-based lending, and franchise finance. The specialty finance segment includes media finance and inventory and notes receivable financing for developers of vacation interval resorts, residential homesites (primarily for manufactured housing) and recreational land lots. The structured capital segment originates and manages a portfolio of leveraged lease transactions. The segment also originates factoring arrangements and working capital loans in the telecommunications industry, establishes financing programs with specialty financial services companies, and participates in investment grade and near investment grade structured secured term and revolving credit facilities. Textron Financial's other financial services and products include transaction syndications, equipment appraisal and management, portfolio servicing and insurance brokerage.

Textron Financial's financing activities are confined almost exclusively to commercial markets and to lease and secured lending products. Textron Financial's services are offered primarily in North America. However, Textron Financial does finance Textron products worldwide, principally Bell helicopters and Cessna aircraft in South America.

The commercial finance businesses in which Textron Financial operates are highly fragmented and extremely competitive. Textron Financial is subject to competition from various types of financing institutions, including banks, leasing companies, insurance companies, commercial finance companies and finance operations of equipment vendors. Competition within the commercial finance industry is primarily focused on price, terms, structure and service.

BACKLOG

Information regarding our backlog of government and commercial orders at the end of the past two fiscal years is contained on page 31 of our 2000 Annual Report to Shareholders, which page is incorporated herein by reference.

Approximately 46% of our total backlog of $9.9 billion at December 30, 2000, represents orders which are not expected to be filled within our 2001 fiscal year. At December 30, 2000, approximately 96% of the total government backlog of $1.4 billion was funded.

U.S. GOVERNMENT CONTRACTS

In 2000, 20% of the revenues of our Aircraft segment and 13% of the revenues of our Industrial Products segment, constituting in the aggregate 10% of our consolidated revenues, were generated by or resulted from contracts with the U.S. Government. U.S. Government business is subject to competition, changes in procurement policies and regulations, the continuing availability of Congressional appropriations, world events, and the size and timing of programs in which Textron may participate.

Our contracts with the U.S. Government generally may be terminated in whole or in part at the convenience of the U.S. Government or if we are in default. If the U.S. Government terminates a contract for convenience, we normally will be entitled (up to a maximum equal to the contract price) to reimbursement for allowable costs incurred, increased or decreased by our expected profit or loss had the contract been completed. If, however, the U.S. Government terminates a contract for default, generally: (a) we will be paid an agreed-upon amount for manufacturing materials and partially completed products accepted by the U.S. Government; (b) the U.S. Government will not be liable for our costs with respect to unaccepted items and will be entitled to repayment of advance payments and progress payments related to the terminated portions of the contract; and (c) we might be liable for excess costs incurred by the U.S. Government in procuring undelivered items from another source.

RESEARCH AND DEVELOPMENT

Information regarding our research and development expenditures is contained on pages 50 and 51 of our 2000 Annual Report to Shareholders. This page is incorporated herein by reference into this Annual Report on Form 10-K.

PATENTS AND TRADEMARKS

We own, or are licensed under, numerous patents throughout the world relating to products, services and methods of manufacturing. Patents have been of value in the past and are expected to be of value in the future. However, the loss of any single patent or group of patents would not, in our opinion, materially affect the conduct of our business.

We also own trademarks, trade names and service marks that are important to our business. Some of these trademarks, trade names and service marks are used in this Annual

Report on Form 10-K: AB139; Advantage Molding & Decorating; ASCTec; Avdel; BA609; Bell Helicopter Textron; Bell Model 427; Benzlers; Bob-Cat; Boesner; Brouwer; BSK; Bunton; Cadillac Gage; Cam Tooling; Camcar; Caravan 675; Caravan Floatplane; Cessna Aircraft Company; Cessna Caravan; Cherry; Chesilvale Electronics; Citation Bravo; Citation CJ1; Citation CJ2; Citation Encore; Citation Excel; CitationShares; Citation X; Cone Drive; Cushman; CWC; Datacom; David Brown Guinard Pumps; David Brown Hydraulics; David Brown Union Pumps; Elco; E-Z-GO; Fairmont Klauke; Grand Caravan; Greenlee Textron; IMAP; Jacobsen; Karl Oelschlager GmbH & Co.; Kautex Textron; Kaywood Products, Lull; Maag Pump Systems; McCord Winn Textron; Micromatic Textron; OmniQuip Textron; Progressive Electronics; Ransomes; Rego Mold & Tool, Rifocs; Ring Screw; RITec; Ryan; Scat Trak; 172 Skyhawk; 172 Skyhawk SP; 182 Skylane; Sky Trak; Snorkel; 206 Stationair; Steiner; Sukosim; Super Cargomaster; T206 Turbo Stationair; Tempo Research Corporation; Textron; Textron Automotive Company; Textron Automotive Trim; Textron Fastening Systems; Textron Financial Corporation; Textron Fluid and Power Systems; Textron Fluid Handling Products; Textron Golf, Turf and Specialty Products; Textron Industrial Components; Textron Industrial Motion Control; Textron Lycoming; Textron Marine & Land Systems; Textron Power Transmission; Textron Systems; TFS Advanced Solutions; TFS Automotive Solutions; TFS Commercial Solutions; Torx; Torx Plus; Turbine Engine Components Textron; Turbo 182 Skylane; V-22 Osprey; Valmex; VBX; Williams Machine & Tool and their related trademark designs and logotypes (and variations of the foregoing) are trademarks, trade names or service marks of Textron Inc., its subsidiaries, affiliates, or joint ventures.

ENVIRONMENTAL CONSIDERATIONS

Our operations are subject to numerous laws and regulations designed to protect the environment. Compliance with these laws and expenditures for environmental control facilities have not had a material effect on our capital expenditures, earnings or competitive position. Additional information regarding environmental matters is contained on pages 31 and 56 of our 2000 Annual Report to Shareholders. These pages are incorporated by reference into this Annual Report on Form 10-K.

EMPLOYEES

At December 30, 2000, we had approximately 71,000 employees.

ITEM 2. PROPERTIES

At December 30, 2000, we operated a total of 211 plants located throughout the U.S. and 128 plants outside the U.S. Of the total of 339 plants, we owned 173 and the balance were leased. In the aggregate, the total manufacturing space was approximately 41 million square feet.

In addition, we own or lease offices, warehouse and other space at various locations throughout the U.S. and outside the U.S. We consider the productive capacity of the plants operated by each of our business segments to be adequate. In general, our facilities are in good condition, are considered to be adequate for the uses to which they are being put, and are substantially in regular use.

ITEM 3. LEGAL PROCEEDINGS

On May 12, 2000, the Massachusetts Water Resources Authority (MWRA) issued a Notice of Violation (NOV) to Textron Systems Corporation (TSC) relating to industrial discharges to the MWRA sewer system from TSC's Wilmington, Massachusetts facility. The NOV, which seeks a civil administrative penalty, alleges a failure to obtain a permit for certain discharges, discharge reporting violations, and violations of discharge limits. The penalty assessed for the NOV may exceed $100,000.

We are subject to legal proceedings arising out of the conduct of our business. These proceedings include claims arising from private transactions, government contracts, product liability, and environmental, safety and health matters. Some of these legal proceedings seek damages, fines or penalties in substantial amounts or remediation of environmental contamination. Under federal government procurement regulations, certain claims brought by the U.S. Government could result in our suspension or debarment from U.S. Government contracting for a period of time. On the basis of information presently available, we believe that these suits and proceedings will not have a material effect on our net income or financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of our security holders during the last quarter of the period covered by this Annual Report on Form 10-K.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information concerning our executive officers as of March 15, 2001. Unless otherwise indicated, the employer is Textron Inc.

Name	Age	Position
Lewis B. Campbell	54	Chairman and Chief Executive Officer since 1999; formerly President and Chief Executive Officer, 1998 to 1999; President and Chief Operating Officer, 1994 to July 1998; Director since 1994.
John A. Janitz	58	President and Chief Operating Officer since 1999; formerly Chairman, President and Chief Executive Officer, Textron Automotive Company, 1996 to 1999; Executive Vice President and General Manager of TRW Inc.'s Occupant Restraint Group, 1990 to 1996. Director since 1999.
Kenneth C. Bohlen	48	Executive Vice President and Chief Innovation Officer since April 2000. Formerly, Senior Vice President and Chief Information Officer, 1999 to April 2000; Vice President and Chief Information Officer of AlliedSignal Aerospace, 1999 to 2000; Vice President Supply Chain AlliedSignal Engines, 1998 to 1999; Vice President SixSigma and Chief Information Officer AlliedSignal Engines, 1997 to 1998; Director of Supply Chain Management, AlliedSignal, Inc. 1996 to 1997.
John D. Butler	53	Executive Vice President Administration and Chief Human Resources Officer since 1999; formerly Executive Vice President and Chief Human Resources Officer, 1997 to 1998; Vice President Personnel of General Motors International Operations (Zurich, Switzerland), 1990 to 1997.
Mary L. Howell	48	Executive Vice President Government, Strategy Development and International, Communications and Investor Relations since October 2000; formerly Vice President Government, International, Communications and Investor Relations 1998 to October 2000; formerly Executive Vice President Government and International, 1995 to July 1998; Senior Vice President Government and International Relations, 1993 to 1995.
Theodore R. French	46	Executive Vice President and Chief Financial Officer since December 2000. Formerly, President, Financial Services and Chief Financial Officer, CNH Global N.V. and its predecessor, Case Corporation, 1992 to December 2000.
Terrence O'Donnell	57	Executive Vice President and General Counsel since March 2000; Partner, Williams & Connolly, since 1992.

PART II

ITEM 5. MARKETS FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our Common Stock is traded on the New York, Chicago and Pacific Stock Exchanges. At December 30, 2000, there were approximately 21,000 holders of Textron Common Stock. The information on the price range of Textron's Common Stock and dividends paid per share appearing under "Common Stock Information" on page 59 of our 2000 Annual Report to Shareholders is incorporated by reference into this Annual Report on Form 10-K.

ITEM 6. SELECTED FINANCIAL DATA

The information appearing under "Selected Financial Information" on page 60 of our 2000 Annual Report to Shareholders is incorporated by reference into this Annual Report on Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"Management's Discussion and Analysis," appearing on pages 21 through 32 of our 2000 Annual Report to Shareholders is incorporated by reference into this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

"Quantitative Risks Measures," appearing on page 30 of our 2000 Annual Report to Shareholders is incorporated by reference into this Annual Report on Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and supplementary information contained in our 2000 Annual Report to Shareholders and the Financial Statement Schedules, as listed in the Index to Financial Statements and Financial Statement Schedules attached to this Annual Report on Form 10-K, are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information appearing under "Nominees for Director," "Directors Continuing in Office" and "Section 16(a) Beneficial Ownership Reporting Compliance" on pages 3 through 6 and page 11 of the Proxy Statement for our Annual Meeting of Shareholders to be held on April 25, 2001, is incorporated by reference into this Annual Report on Form 10-K.

Information regarding Textron's executive officers is included on page 18 of Part I of this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information appearing under "Report of the Organization and Compensation Committee on Executive Compensation, Executive Compensation and Performance Graph" on pages 12 through 16 of the Proxy Statement for our Annual Meeting of Shareholders to be held on April 25, 2001, is incorporated by reference into this Annual Report on Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information appearing under "Security Ownership of Certain Beneficial Holders" and "Security Ownership of Management," on pages 9 and 10 of the Proxy Statement for our Annual Meeting of Shareholders to be held on April 25, 2001, is incorporated by reference into this Annual Report on Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 10-K

(a) FINANCIAL STATEMENTS AND SCHEDULES

The consolidated financial statements, supplementary information and financial statement schedules listed in the accompanying Index to Financial Statements and Financial Statement Schedules are filed as part of this Report.

EXHIBITS

3.1	Restated Certificate of Incorporation of Textron as filed January 29, 1998. Incorporated by reference to Exhibit 3.1 to Textron's Annual Report on Form 10-K for the fiscal year ended January 3, 1998.
3.2	By-Laws of Textron. Incorporated by reference to Exhibit 3.2 to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2000.
4.1	Indenture dated as of December 9, 1999, between Textron Financial Corporation and Sun Trust Bank, Atlanta (including form of debt securities). Incorporated by reference to Exhibit 4.1 to Amendment No. 2 to Textron Financial Corporation's Registration Statement on Form S-3 (No. 333-88509).

4.2	Support Agreement dated as of May 25, 1994, between Textron Inc. and Textron Financial Corporation. Incorporated by reference to Exhibit 10.1 to Textron Financial Corporation's Registration Statement on Form 10.
NOTE:	Instruments defining the rights of holders of certain issues of long-term debt of Textron have not been filed as exhibits to this Report because the authorized principal amount of any one of such issues does not exceed 10% of the total assets of Textron and its subsidiaries on a consolidated basis. Textron agrees to furnish a copy of each such instrument to the Commission upon request.
NOTE:	Exhibits 10.1 through 10.17 below are management contracts or compensatory plans, contracts or agreements.
10.1A	Annual Incentive Compensation Plan For Textron Employees. Incorporated by reference to Exhibit 10.1 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.
10.1B	Amendment to Annual Incentive Compensation Plan for Textron Employees. Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 1999.
10.2A	Deferred Income Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.2 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.
10.2B	Amendments to Deferred Income Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.2B to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1999.
10.2C	Amendment to Deferred Income Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 1999.
10.2D	Amendment to Deferred Income Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.2D to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2000.
10.3	Special Benefits for Textron Key Executives. Incorporated by reference to Exhibit 10.4 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

10.4	Supplemental Benefits Plan For Textron Key Executives with Market Square Profit Sharing Plan Schedule.
10.5A	Supplemental Retirement Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.6 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.
10.5B	Amendment to Supplemental Retirement Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.5B to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1999.
10.5C	Amendment to Supplemental Retirement Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.4 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 1999.
10.5D	Amendment to Supplemental Retirement Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.5D to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2000.
10.6A	Survivor Benefit Plan For Textron Key Executives. Incorporated by reference to Exhibit 10.7 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.
10.6B	Amendment to Survivor Benefit Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.5 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 1999.
10.7A	Textron 1990 Long-Term Incentive Plan ("1990 Plan"). Incorporated by reference to Exhibit 10.7 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1989.
10.7B	First Amendment to 1990 Plan. Incorporated by reference to Exhibit 10.7(c) to Textron's Annual Report on Form 10-K for the fiscal year ended December 28, 1991.
10.7C	Second Amendment to 1990 Plan. Incorporated by reference to Exhibit 10.7(c) to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1993.
10.8A	Textron 1994 Long-Term Incentive Plan ("1994 Plan"). Incorporated by reference to Exhibit 10 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 2, 1994.

10.8B	Amendment to 1994 Plan. Incorporated by reference to Exhibit 10.9B to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1999.
10.8C	Amendment to 1994 Plan. Incorporated by reference to Exhibit 10.6 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 1999.
10.8D	Amendment to 1994 Plan. Incorporated by reference to Exhibit 10.8D to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2000.
10.9	Textron 1999 Long Term Incentive Plan. Incorporated by reference to Exhibit 10.9 to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2000.
10.10	Form of Indemnity Agreement between Textron and its directors and executive officers. Incorporated by reference to Exhibit A to Textron's Proxy Statement for its Annual Meeting of Shareholders on April 29, 1987.
10.11	Deferred Income Plan for Non-Employee Directors. Incorporated by reference to Exhibit 10.11 to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2000.
10.12	Employment Agreement between Textron and Kenneth C. Bohlen dated July 18, 2000. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 1, 2000.
10.13	Employment Agreement between Textron and John D. Butler dated July 23, 1998. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 1998.
10.14A	Employment Agreement between Textron and Lewis B. Campbell dated July 23, 1998. Incorporated by reference to Exhibit 10.3 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 1998.
10.14B	Retention Award granted to Lewis B. Campbell on December 14, 1995. Incorporated by reference to Exhibit 10.16B to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

10.14C	Retention Award granted to Lewis B. Campbell on June 1, 1999. Incorporated by Reference to Exhibit 10.13C to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2000.
10.14D	Retention Award granted to Lewis B. Campbell on January 1, 2001, and revision of vesting schedule for the Retention Award granted on June 1, 1999.
10.15A	Employment Agreement between Textron and Theodore R. French dated December 21, 2000.
10.15B	Retention Award granted to Theodore R. French on January 1, 2001.
10.16	Employment Agreement between Textron and Mary L. Howell dated July 23, 1998. Incorporated by reference to Exhibit 10.5 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 1998.
10.17	Employment Agreement between Textron and John A. Janitz dated May 25, 1999. Incorporated by reference to Exhibit 10.15 to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2000.
10.18	5-Year Credit Agreement dated as of April, 1998, among Textron, the Banks listed therein and Morgan Guaranty Trust Company of New York as Administrative Agent. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended April 4, 1998.
10.18A	Employment Agreement between Textron and Stephen L. Key dated July 23, 1998. Incorporated by reference to Exhibit 10.7 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 1998.
10.18B	Amendment dated December 21, 2000, to Employment Agreement between Textron and Stephen L. Key.
10.19	Employment Agreement between Textron and Terrence O'Donnell dated March 10, 2000. Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 1, 2000.
12.1	Computation of ratio of income to combined fixed charges and preferred stock dividends of Textron Manufacturing.
12.2	Computation of ratio of income to combined fixed charges and preferred stock dividends of Textron Inc. including all majority-owned subsidiaries.

13	A portion (pages 20 through 60) of Textron's 2000 Annual Report to Shareholders.
21	Certain subsidiaries of Textron. Other subsidiaries, which considered in the aggregate do not constitute a significant subsidiary, are omitted from such list.
23	Consent of Independent Auditors.
24.1	Power of attorney.
24.2	Certified copy of a resolution of the Board of Directors of Textron.

(b) REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the quarter ended December 30, 2000.

SIGNATURES

Pursuant to the requirement of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on this 14th day of March 2001.

TEXTRON INC.
Registrant

By: /s/ Michael D. Cahn

Michael D. Cahn

Attorney-in-fact

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on this 14th day of March 2001, by the following persons on behalf of the registrant and in the capacities indicated:

Name	Title
* ---------------------------- Lewis B. Campbell	Chairman and Chief Executive Officer, Director
* ---------------------------- John A. Janitz	President and Chief Operating Officer, Director
* ---------------------------- H. Jesse Arnelle	Director
* ---------------------------- Teresa Beck	Director
* ---------------------------- R. Stuart Dickson	Director
* ---------------------------- Lawrence K. Fish	Director
* ---------------------------- Joe T. Ford	Director

* ---------------------------- Paul E. Gagne	Director
* ---------------------------- John D. Macomber	Director
* ---------------------------- Lord Powell of Bayswater KCMG	Director
* ---------------------------- Brian H. Rowe	Director
* ---------------------------- Sam F. Segnar	Director
* ---------------------------- Martin D. Walker	Director
* ---------------------------- Thomas B. Wheeler	Director
* ---------------------------- Theodore R. French	Executive Vice President and Chief Financial Officer (principal financial officer)

* ---------------------------- Richard L. Yates	Vice President and Controller (principal accounting officer)

*By: /s/ Michael D. Cahn

Michael D. Cahn
Attorney-in-fact

TEXTRON INC.
INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES
ITEM 14(a)

All other schedules are omitted because the conditions requiring the filing thereof do not exist or because the information required is included in the financial statements and notes thereto.

TEXTRON INC.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

For each of the years in the three-year period ended December 30, 2000

Financial information of the Registrant is omitted because condensed financial information of Textron Manufacturing, which includes the Registrant and all of its majority-owned subsidiaries other than its finance subsidiaries (Textron Finance), is shown on pages 34 through 38 of Textron's 2000 Annual Report to Shareholders. Management believes that the disclosure of financial information on the basis of Textron Manufacturing results in a more meaningful presentation, since this group constitutes the Registrant's basic borrowing entity and the only restrictions on net assets of Textron's subsidiaries relate to Textron Finance. The Registrant's investment in Textron Finance is $910 million in 2000 and $868 million in 1999.

Textron Manufacturing received dividends of $82 million, $36 million and $62 million from Textron Finance in 2000, 1999, and 1998, respectively. Lending agreements limit Textron Finance's net assets available for cash dividends and other payments to Textron Manufacturing to approximately $351 million of Textron Finance's net assets of $910 million at year-end 2000.

Textron Manufacturing's credit agreements contain provisions requiring it to maintain a minimum level of shareholders' equity and a minimum interest coverage ratio. For additional information concerning Textron Manufacturing's long-term debt, see Note 8 to the consolidated financial statements appearing on pages 45 and 46 of Textron's 2000 Annual Report to Shareholders.

For information concerning Textron-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Textron Junior Subordinated Debt Securities, see Note 11 to the consolidated financial statements appearing on page 48 of Textron's 2000 Annual Report to Shareholders.

EXHIBITS

3.1	Restated Certificate of Incorporation of Textron as filed January 29, 1998. Incorporated by reference to Exhibit 3.1 to Textron's Annual Report on Form 10-K for the fiscal year ended January 3, 1998.
3.2	By-Laws of Textron. Incorporated by reference to Exhibit 3.2 to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2000.
4.1	Indenture dated as of December 9, 1999, between Textron Financial Corporation and Sun Trust Bank, Atlanta (including form of debt securities). Incorporated by reference to Exhibit 4.1 to Amendment No. 2 to Textron Financial Corporation's Registration Statement on Form S-3 (No. 333-88509).
4.2	Support Agreement dated as of May 25, 1994, between Textron Inc. and Textron Financial Corporation. Incorporated by reference to Exhibit 10.1 to Textron Financial Corporation's Registration Statement on Form 10.
NOTE:	Instruments defining the rights of holders of certain issues of long-term debt of Textron have not been filed as exhibits to this Report because the authorized principal amount of any one of such issues does not exceed 10% of the total assets of Textron and its subsidiaries on a consolidated basis. Textron agrees to furnish a copy of each such instrument to the Commission upon request.
NOTE:	Exhibits 10.1 through 10.17 below are management contracts or compensatory plans, contracts or agreements.
10.1A	Annual Incentive Compensation Plan For Textron Employees. Incorporated by reference to Exhibit 10.1 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.
10.1B	Amendment to Annual Incentive Compensation Plan for Textron Employees. Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 1999.
10.2A	Deferred Income Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.2 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.
10.2B	Amendments to Deferred Income Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.2B to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1999.
10.2C	Amendment to Deferred Income Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 1999.
10.2D	Amendment to Deferred Income Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.2D to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2000.

10.3	Special Benefits for Textron Key Executives. Incorporated by reference to Exhibit 10.4 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.
10.4	Supplemental Benefits Plan For Textron Key Executives with Market Square Profit Sharing Plan Schedule.
10.5A	Supplemental Retirement Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.6 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.
10.5B	Amendment to Supplemental Retirement Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.5B to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1999.
10.5C	Amendment to Supplemental Retirement Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.4 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 1999.
10.5D	Amendment to Supplemental Retirement Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.5D to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2000.
10.6A	Survivor Benefit Plan For Textron Key Executives. Incorporated by reference to Exhibit 10.7 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.
10.6B	Amendment to Survivor Benefit Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.5 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 1999.
10.7A	Textron 1990 Long-Term Incentive Plan ("1990 Plan"). Incorporated by reference to Exhibit 10.7 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1989.
10.7B	First Amendment to 1990 Plan. Incorporated by reference to Exhibit 10.7(c) to Textron's Annual Report on Form 10-K for the fiscal year ended December 28, 1991.
10.7C	Second Amendment to 1990 Plan. Incorporated by reference to Exhibit 10.7(c) to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1993.
10.8A	Textron 1994 Long-Term Incentive Plan ("1994 Plan"). Incorporated by reference to Exhibit 10 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 2, 1994.

10.8B	Amendment to 1994 Plan. Incorporated by reference to Exhibit 10.9B to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1999.
10.8C	Amendment to 1994 Plan. Incorporated by reference to Exhibit 10.6 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 1999.
10.8D	Amendment to 1994 Plan. Incorporated by reference to Exhibit 10.8D to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2000.
10.9	Textron 1999 Long Term Incentive Plan. Incorporated by reference to Exhibit 10.9 to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2000.
10.10	Form of Indemnity Agreement between Textron and its directors and executive officers. Incorporated by reference to Exhibit A to Textron's Proxy Statement for its Annual Meeting of Shareholders on April 29, 1987.
10.11	Deferred Income Plan for Non-Employee Directors. Incorporated by reference to Exhibit 10.11 to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2000.
10.12	Employment Agreement between Textron and Kenneth C. Bohlen dated July 18, 2000. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 1, 2000.
10.13	Employment Agreement between Textron and John D. Butler dated July 23, 1998. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 1998.
10.14A	Employment Agreement between Textron and Lewis B. Campbell dated July 23, 1998. Incorporated by reference to Exhibit 10.3 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 1998.
10.14B	Retention Award granted to Lewis B. Campbell on December 14, 1995. Incorporated by reference to Exhibit 10.16B to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

10.14C	Retention Award granted to Lewis B. Campbell on June 1, 1999. Incorporated by Reference to Exhibit 10.13C to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2000.
10.14D	Retention Award granted to Lewis B. Campbell on January 1, 2001, and revision of vesting schedule for the Retention Award granted on June 1, 1999.
10.15A	Employment Agreement between Textron and Theodore R. French dated December 21, 2000.
10.15B	Retention Award granted to Theodore R. French on January 1, 2001.
10.16	Employment Agreement between Textron and Mary L. Howell dated July 23, 1998. Incorporated by reference to Exhibit 10.5 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 1998.
10.17	Employment Agreement between Textron and John A. Janitz dated May 25, 1999. Incorporated by reference to Exhibit 10.15 to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2000.
10.18	5-Year Credit Agreement dated as of April, 1998, among Textron, the Banks listed therein and Morgan Guaranty Trust Company of New York as Administrative Agent. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended April 4, 1998.
10.18A	Employment Agreement between Textron and Stephen L. Key dated July 23, 1998. Incorporated by reference to Exhibit 10.7 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 1998.
10.18B	Amendment dated December 21, 2000, to Employment Agreement between Textron and Stephen L. Key.
10.19	Employment Agreement between Textron and Terrence O'Donnell dated March 10, 2000. Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 1, 2000.
12.1	Computation of ratio of income to combined fixed charges and preferred stock dividends of Textron Manufacturing.
12.2	Computation of ratio of income to combined fixed charges and preferred stock dividends of Textron Inc. including all majority-owned subsidiaries.

13	A portion (pages 20 through 60) of Textron's 2000 Annual Report to Shareholders.
21	Certain subsidiaries of Textron. Other subsidiaries, which considered in the aggregate do not constitute a significant subsidiary, are omitted from such list.
23	Consent of Independent Auditors.
24.1	Power of attorney.
24.2	Certified copy of a resolution of the Board of Directors of Textron.

EXHIBIT 10.4

SUPPLEMENTAL BENEFITS PLAN FOR TEXTRON KEY EXECUTIVES

This Plan has been established for the benefit of designated Textron Key Executives to provide the benefits that would have been payable under Textron qualified plans except for limitations imposed under the Internal Revenue Code.

This Plan is restated and effective on and after January 1, 2000.

ARTICLE I - DEFINITIONS

In this document, the following terms shall have the meanings set forth in this Article, unless a contrary or different meaning is expressly provided:

1.01 "Benefits Committee" means the Benefits Committee of Textron.

1.02 "Board" means the Board of Directors of Textron.

1.03 "Compensation" means base salary, accrued annual incentive compensation, performance units, and performance share units, whether or not deferred under the Deferred Income Plan for Textron Key Executives. However, for any Key Executive who is first awarded performance share units after October 26, 1999, performance share units shall not be included in Compensation. For Key Executives who are members of the Textron Pension Plan for Cessna Employees, compensation shall mean "Final Average Monthly Salary" as defined in Section 2.01(a) of that plan. "Final Average Monthly Salary" shall include incentive compensation paid by Textron and shall exclude long-term incentive compensation and shall be calculated without regard to Statutory Limits or deferrals. Compensation does not include any award under the Textron Quality Management Plan.

1.04 "Deferral Plan" means the Deferred Income Plan for Textron Key Executives, as amended and restated from time to time.

1.05 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

1.06 "Included Plan" means a Textron defined benefit or defined contribution plan specifically designated by the Management Committee under Article V.

1.07 "Key Executive" means an employee of a Textron Company who has been and continues to be designated as a Key Executive under the Plan by Textron's Chief Executive Officer and Chief Human Resources Officer.

1.08 "Management Committee" means the Management Committee of Textron.

1.09 "Participant" means a Key Executive who is participating in this Plan pursuant to Article II and, unless the context clearly indicates to the contrary, a former Participant who is entitled to benefits under this Plan.

1.10 "Pension Plan" means the Bell Helicopter Textron Retirement Plan, the Textron Pension Plan for Cessna Employees, the Textron Master Retirement Plan or an Included Plan that is a defined benefit plan.

1.11 "Plan" means this Supplemental Benefits Plan for Textron Key Executives, as amended and restated from time to time.

1.12 "Savings Plan" means the Textron Savings Plan, as amended and restated from time to time.

1.13 "Statutory Limit" means any limit on benefits under, or annual additions to, qualified plans imposed by Section 401(a)(17) or 415 of the Internal Revenue Codes of 1954 or 1986, as amended from time to time.

1.14 "Supplemental Shares" means fictional shares of Textron common stock accumulated and accounted for under this Plan for the purpose of determining the cash value of distributions and transfers from a Participant's supplemental savings account.

1.15 "Textron" means Textron Inc., a Delaware corporation, and any successor of Textron Inc.

1.16 "Textron Company" means Textron or any company controlled by or under common control with Textron.

ARTICLE II - PARTICIPATION

2.01 A Key Executive shall participate in this Plan if (1) her benefits under a Pension Plan, or (2) the annual additions to her accounts under the Savings Plan or any Included Plan that is a defined contribution plan, or (3) both such benefits and such additions, are limited by one or more Statutory Limits. In addition, a Key Executive shall participate in this Plan if her receipt of any compensation is deferred under the Deferral Plan.

ARTICLE III - SUPPLEMENTAL PENSION BENEFITS

3.01 Textron shall pay on account of each Participant who begins to receive payments under one or more of the Pension Plans the amount, if any, by which (1) the normal, early or vested retirement pension that would have been payable on the Participant's account under the Pension Plans, using Compensation as defined in this Plan, exceeds (2) the normal, early or vested retirement pension calculated under the Pension Plans on the Participant's account.

3.02 Textron shall pay to the beneficiary designated by the Participant under each Pension Plan the amount, if any, by which (1) the death benefit that would have been payable under that Pension Plan on the Participant's account using Compensation as defined in this Plan exceeds (2) the death benefit which is actually payable under that Pension Plan on the Participant's account. For the purposes of this Section, the term "death benefit" shall include any period certain death benefit and any surviving spouse benefit provided by a Textron Company at its sole cost through a Pension Plan.

3.03 In the event Textron transfers the liability of a Pension Plan on account of a Participant to another qualified plan, the supplemental pension or death benefits under Sections 3.01 and 3.02, respectively, shall be determined as of such transfer, unless otherwise decided by Textron in its sole discretion.

ARTICLE IV - SUPPLEMENTAL SAVINGS BENEFITS

4.01 Textron shall maintain a supplemental savings account and a fixed income account for each Participant who participates in the Savings Plan for making credits, payments, and transfers described in this Article.

4.02 Textron shall, as of the end of each calendar month, credit Supplemental Shares to each supplemental savings account, equal to the lost employer contribution for the month divided by the average of the composite closing prices of Textron common stock, as reported in The Wall Street Journal for the month. The lost employer contribution for the month shall be equal to the Participant's Savings Plan eligible compensation for the month times the Participant's Savings Plan election percentage (not to exceed 10%) times 50%, less the employer contribution made to the Participant's Savings Plan account for the month.

4.03 Textron shall, in each calendar quarter, credit Supplemental Shares to a Participant's supplemental savings account equal in number to the number of shares of Textron common stock that would have been allocated on account of dividends to the Participant's supplemental savings account as of that date, based on the average of the composite closing prices of Textron common stock, as reported in The Wall Street Journal for the month in which the date of record occurs.

4.04 Amounts in the fixed income account shall earn the same rate of interest that is earned under the Savings Plan fixed income account, or as determined by the Benefits Committee.

4.05 A Participant who has terminated her Textron employment may, after a period of 30 days, subject to the provisions of Section 16 of the Securities Exchange Act of 1934, once each calendar quarter, elect to transfer, in 10% increments, effective the first calendar day of the month following the minimum notice of three business days, any amount in her supplemental savings account to her fixed income account. The cash value transferred will be determined by multiplying the current value of Textron common stock by the number of whole and fractional Supplemental Shares in her Supplemental Savings Account as of the end of the month in which the election is made times the percentage being transferred. If any portion of a Participant's accounts under the Savings Plan shall be forfeited, a proportionate part of the Participant's Supplemental Shares also shall be forfeited. The current value of a share of Textron common stock at any date shall be the average of the composite closing prices, as reported in The Wall Street Journal, for the first ten trading days of the effective month.

4.06 The number of Supplemental Shares credited to a Participant's account under this Article IV shall be adjusted, without receipt of any consideration by Textron, on account of any stock split, stock dividend or similar increase or decrease affecting Textron common stock, as if the Supplemental Shares were actually shares of Textron common stock.

ARTICLE V - SUPPLEMENTAL INCLUDED PLAN BENEFITS

5.01 The Management Committee may cause this Plan to provide supplemental benefits on account of an Included Plan by adopting a Schedule to this Plan. The Schedule shall specify any special terms or conditions upon which the supplemental benefits shall be provided. Except as specifically provided in a Schedule, all of the terms and conditions of this Plan shall apply to the Included Plan.

ARTICLE VI - UNFUNDED PLAN

6.01 Benefits to be provided under this Plan are unfunded obligations of Textron. Nothing contained in this Plan shall require Textron to segregate any monies from its general funds, to create any trust, to make any special deposits, or to purchase any policies of insurance with respect to such obligations. If Textron elects to purchase individual policies of insurance on one or more of the Participants to help finance its obligations under this Plan, such individual policies and the proceeds therefrom shall at all times remain the sole property of Textron and neither the Participants whose lives are insured nor their beneficiaries shall have any ownership rights in such policies of insurance.

6.02 This Plan is intended in part to provide benefits for a select group of management employees who are highly compensated, pursuant to Section 110 of ERISA and Labor Department Regulations Section 2520.104-23, and in part to be an excess benefit plan, pursuant to Section 3 (36) of ERISA.

6.03 No Participant shall be required or permitted to make contributions to this Plan.

ARTICLE VII - PLAN ADMINISTRATION

7.01 Textron shall be the plan administrator of this Plan and shall be solely responsible for its general administration and interpretation. Textron shall have all such powers as may be necessary to carry out the provisions hereof. Textron may from time to time establish rules for the administration of this Plan and the transaction of its business. Subject to Section 7.05, any action by Textron shall be final, conclusive and binding on each Participant and all persons claiming by, through or under any Participant. Textron (and any person or persons to whom it delegates any of its authority as plan administrator) shall have discretionary authority to determine eligibility for Plan benefits, to construe the terms of the Plan, and to determine all questions arising in the administration of the Plan, and shall make all such determinations and interpretations in a nondiscriminatory manner.

7.02(a) The payment of any benefit under Article III or the distribution of any account under Article IV or Article V shall be made at the same time, in the same manner, to the same persons and in the same proportions, as is made the payment or distribution under the related Pension Plan or Savings Plan, or otherwise as determined by the Benefits Committee in its sole discretion. Textron may withhold from benefits and accounts under this Plan, any taxes or other amounts required by law to be withheld. Notwithstanding any provision to the contrary, no benefit shall be paid to any Participant while employed by Textron.

(b) Notwithstanding Section 7.02(a), each benefit then computed under Article III and each amount then credited to the accounts under Article IV and Article V shall become due and payable to the respective Participants and beneficiaries immediately upon a Change in Control as defined in Section 8.03. For purposes of Section 7.02, the present value of a benefit computed under Article III shall be based on the appropriate actuarial assumptions and factors set forth in the related Pension Plan or Savings Plan and, if no interest rate assumption has been set forth for any purpose, an interest rate of six percent per year.

7.03 Textron may employ or engage such agents, accountants, actuaries, counsel, other experts and other persons as it deems necessary or desirable in connection with the interpretation and administration of this Plan. Textron shall be entitled to rely upon all certifications made by an accountant selected by Textron. Textron and its committees, officers, directors and employees shall not be liable for any action taken, suffered or omitted by them in good faith in reliance upon the advice or opinion of any such agent, accountant, actuary, counsel or other expert. All action so taken, suffered or omitted shall be conclusive upon each of them and upon all other persons interested in this Plan.

7.04 Textron may require proof of death or total disability of any Participant, former Participant or beneficiary and evidence of the right of any person to receive any Plan benefit.

7.05 Claims under this Plan shall be filed in writing with Textron. If a claim is denied wholly or in part, it shall be denied within a reasonable time after its filing in a writing delivered to the claimant with the reasons for the denial, citations to pertinent provisions of the Plan, a description of any additional material or information to be furnished by the claimant and the reasons therefor and an explanation of the Plan's claim review procedure. If the claimant wishes further consideration of his claim, he or his authorized representative shall submit to Textron, within 90 days after his claim has been denied, a written request for reconsideration. Such claimant or his authorized representative may review pertinent documents and submit issues and comments in writing. Within 60 days after receiving the request for reconsideration (120 days if additional time is required), Textron shall communicate its decision to the claimant in writing, stating the reasons for its decision and referring to pertinent Plan provisions.

ARTICLE VIII - MISCELLANEOUS

8.01 Unless a contrary or different meaning is expressly provided, each use in this Plan of the masculine or feminine gender shall include the other and each use of the singular number shall include the plural.

8.02 No amount payable at any time under this Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge or encumbrance of any kind unless specifically approved in writing in advance by the Benefits Committee or its designee. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any such benefit, whether presently or subsequently payable, shall be void unless so approved. Except as required by law, no benefit payable under this Plan shall in any manner be subject to garnishment, attachment, execution or other legal process, or be liable for or subject to the debts or liability of any Participant or beneficiary.

8.03 Notwithstanding any Plan provision to the contrary, the Board or its designee shall have the right to amend, modify, suspend or terminate this Plan at any time by written ratification of such action; provided, however, that no amendment, modification, suspension or termination:

(1) shall reduce an amount payable under Article III or credited to any supplemental account under Article IV or Article V of this Plan immediately before the effective date of the amendment, modification, suspension or termination; or

(2) shall be made to Section 7.02 or 8.03 following a Change in Control.

If after a Change in Control any claim is made or any litigation is brought by a Participant or beneficiary to enforce or interpret any provision contained in this Plan, Textron and the "person" or "group" described in the next following sentence shall be liable, jointly and severally, to indemnify the Participant or beneficiary for the Participant's or beneficiary's reasonable attorney's fees and disbursements incurred in any such claim or litigation and for prejudgment interest at the Bankers Trust Company prime interest rate on any money award or judgment obtained by the Participant or beneficiary.

For purposes of this Plan, a "Change in Control" shall occur if (i) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Act")) other than Textron, any trustee or other fiduciary holding Textron common stock under an employee benefit plan of Textron or a related company, or any corporation which is owned, directly or indirectly, by the stockholders of Textron in substantially the same proportions as their ownership of Textron common stock, is or becomes (other than by acquisition from Textron or a related company) the "beneficial owner" (as defined in Rule 13d-3 under

the Act) of more than 30% of the then outstanding voting stock of Textron, or
(ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board (and any new director whose election by the Board or whose nomination for election by Textron's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority thereof, or (iii) stockholders of Textron approve a merger or consolidation of Textron with any other corporation, other than a merger or consolidation which would result in the voting securities of Textron outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of Textron or such surviving entity outstanding immediately after such merger or consolidation, or (iv) the stockholders of Textron approve a plan of complete liquidation of Textron or an agreement for the sale or disposition by Textron of all or substantially all of Textron's assets.

8.04 This Plan shall be construed in accordance with the laws of the State of Delaware.

8.05 Nothing contained in this Plan shall be construed as a contract of employment between any Participant and any Textron Company, or to suggest or create a right in any Participant to be continued in employment as a Key Executive or other employee of any Textron Company.

8.06 Textron, the Chief Executive Officer and the Chief Human Resources Officer, and the Benefits Committee may impose such other lawful terms and conditions on participation in this Plan as deemed desirable. The Chief Executive Officer, the Chief Human Resources Officer and members of the Benefits Committee may participate in this Plan.

IN WITNESS WHEREOF, Textron Inc. has caused this restated Plan to be executed by its duly authorized officer to be effective as of January 1, 2000.

TEXTRON INC.

By: /s/ George Metzger

George Metzger
Vice President, Human Resources and Benefits

MARKET SQUARE PROFIT SHARING PLAN SCHEDULE

This Schedule to the Supplemental Benefits Plan for Textron Key Executives (the "Plan") is restated effective January 1, 2000 pursuant to Article V of the Plan.

1.01 "Market Square Plan" means The Market Square Profit Sharing Plan, as amended and restated from time to time.

1.02 Textron shall maintain a stock unit account and a general fund account for each Participant for making credits, payments and transfers described in this Schedule.

1.03 Textron shall, in each calendar quarter, credit Supplemental Shares to a Participant's stock unit account equal in number to the number of shares of Textron common stock that would have been allocated on account of dividends to the Participant's stock unit account as of that date, based on the average of the composite closing prices of Textron common stock, as reported in The Wall Street Journal for the month in which the date of record occurs.

1.04 The general fund account shall be credited with earnings as if it were invested in the George Putnam Fund of Boston.

1.05 A Participant who has terminated her Textron employment may, after a period of 30 days, subject to the provisions of Section 16 of the Securities Exchange Act of 1934, once each calendar quarter, elect to transfer, in 10% increments, effective the first calendar day of the month following the minimum notice of three business days, any amount in her stock unit account to her general fund account. The cash value transferred will be determined by multiplying the current value of Textron common stock by the number of whole and fractional Supplemental Shares in her stock unit account as of the end of the month in which the election is made times the percentage being transferred. The current value of a share of Textron common stock at any date shall be the average of the composite closing prices, as reported in The Wall Street Journal, for the first ten trading days of the effective month.

1.06 The number of Supplemental Shares credited to a Participant's account under this schedule shall be adjusted, without receipt of any consideration by Textron, on account of any stock split, stock dividend or similar increase or decrease affecting Textron common stock, as if the Supplemental Shares were actually shares of Textron common stock.

1.07 Benefits shall become payable upon the Participant's termination of Textron employment or such other time as determined by the Benefits Committee in its sole discretion. Textron, upon the written instructions of the Benefits Committee or its designee, shall distribute the benefits in accordance with any one or a combination of the following methods after considering any method of payment requested by the Participant or by the Beneficiaries entitled to receive the benefits:

(1) Payment in a single sum

(2) Payment in a number of annual installments, each payable as soon as practicable after the end of each successive calendar year, over a period not exceeding the life expectancy of the payee or his primary Beneficiary (whichever is greater) determined as of the date on which the benefits first became payable. The annual installments shall be calculated each year by dividing

the unpaid amount of the benefits as of January 1 of that year by the remaining number of unpaid installments.

1.08 Plan benefits payable under Section 1.07 shall begin to be paid not later than April 1 of the calendar year that begins after the date the Participant attains or would have attained age 70 1/2.

IN WITNESS WHEREOF, Textron Inc. has caused this restated Plan to be executed by its duly authorized officer to be effective as of January 1, 2000.

TEXTRON INC.

By: /s/ George Metzger

George Metzger
Vice President, Human Resources and Benefits

EXHIBIT 10.14D

Lewis B. Campbell
Restricted Stock Awards
January 1, 2001

The Board of Directors approved (1) an award of 100,000 shares of restricted stock to Lewis B. Campbell (the "Executive") under the 1999 Long-Term Incentive Plan and (2) a revision to the vesting schedule for the 200,000 shares of restricted stock granted to Lewis B. Campbell on June 1, 1999. The terms of the awards are as follows:

- The Executive will be granted restricted shares of Textron common stock provided he is still employed by Textron in accordance with the following schedule and EPS from continuing operations increases at an average annual growth rate of 8% or more over the vesting period using 1998 EPS of $2.68 as the base amount.

Restricted Shares	Vest Dates	Age at Vest Dates
50,000	5/18/02	56
50,000	5/18/03	57
40,000	5/18/04	58
40,000	5/18/05	59
30,000	5/18/06	60
30,000	5/18/07	61
30,000	5/18/08	62
30,000	5/18/11	65
300,000		

- Textron shall retain the certificates representing the shares of restricted stock in its possession until such time as all restrictions applicable to such shares have lapsed.

- Except as otherwise provided herein, the Executive shall not be entitled to receive the restricted shares if the EPS performance objective for the respective shares is not achieved or if his employment with Textron ends for any reason prior to the respective vesting date, provided that if the Executive's employment ends prior to such date because of his death, "Disability" (Attachment A), his involuntary termination by Textron without "Cause" (Attachment A) or by the Executive for "Good Reason" (Attachment A), the shares shall immediately become fully vested. In the event of such termination, the shares shall be issued within 30 days following termination of employment.

- Notwithstanding the above, all unvested shares shall immediately vest upon a "Change in Control" (Attachment A).

- Dividends shall be credited to the Executive and such dividends are to be accounted for as if reinvested in actual Textron common stock. Such dividends will vest immediately but payment will be deferred until the earlier of the restricted shares vest date or termination of employment.

- The number of restricted shares awarded to the Executive hereunder shall be proportionately adjusted for any increase or decrease in the number of issued shares of Textron common stock resulting from a stock split, stock dividend or any other increase or decrease in such shares effective without receipt of consideration by Textron.

- With respect to withholding required upon the lapse of restrictions on the restricted stock, the Executive may elect, subject to the approval of the Board, to satisfy the withholding requirement, in whole or in part, by having Textron withhold shares having a fair market value on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction. Such election shall be irrevocable, made in writing, signed by the Executive, and shall be subject to any restrictions or limitations that the Board in its sole discretion, deems appropriate.

/s/ John D. Butler	*12/15/00*
John D. Butler	*Date*

ATTACHMENT A

Lewis B. Campbell
Restricted Stock Awards
January 1, 2001

"DISABILITY"

"Disability" shall mean, for purposes of this award, the inability of the Executive, due to injury, illness, disease or bodily or mental infirmity, to engage in the performance of his material duties of employment with the Company for a period of more than one hundred eighty (180) consecutive days or for a period that is reasonably expected to exist for a period of more than one hundred eighty (180) consecutive days, provided that interim returns to work of less than ten (10) consecutive business days in duration shall not be deemed to interfere with a determination of consecutive absent days if the reason for absence before and after the interim return are the same. The existence or non-existence of a Disability shall be determined by a physician agreed upon a good faith by the Executive (or his representatives) and Textron.

"CAUSE"

"Cause" shall mean: (i) an act or acts of willful misrepresentation, fraud or willful dishonesty (other than good faith expense account disputes) by the Executive which in any case is intended to result in his or another person or entity's substantial personal enrichment at the expense of the Company; (ii) any willful misconduct by the Executive with regard to the Company, its business, assets or employees that has, or was intended to have, a material adverse impact (economic or otherwise) on the Company;
(iii) any material, willful and knowing violation by the Executive of (x) the Company's Business Conduct Guidelines, or (y) any of his fiduciary duties to the Company which in either case has, or was intended to have, a material adverse impact (economic or otherwise) on the Company; (iv) the willful or reckless behavior of the Executive with regard to a matter of a material nature which has a material adverse impact (economic or otherwise) on the Company; (v) the executive's willful failure to attempt to perform his duties or his willful failure to attempt to follow the legal written direction of the Board, which in either case is not remedied within ten
(10) days after receipt by the Executive of a written notice from the Company specifying the details thereof; or (vi) the Executive's conviction of, or pleading NOLO CONTENDERE or guilty to, a felony (other than (x) a traffic infraction or (y) vicarious liability solely as a result of his position provided the Executive did not have actual knowledge of the actions or inactions creating the violation of the law or the Executive relied in good faith on the advice of counsel with regard to the legality of such action or inaction (or the advice of other specifically qualified professionals as to the appropriate or proper action or inaction to take with regard to matters which are not matters of legal interpretation); No action or inaction should be deemed willful if not demonstrably willful and if taken or not taken by the Executive in good faith as not being adverse to the best interests of the Company. Reference in this paragraph to the Company shall also include direct and indirect subsidiaries of the Company, and materiality and material adverse impact shall be measured based on the action or inaction and the impact upon, and not the size of, the Company taken as a whole, provided that after a Change in Control, the size of the Company, taken as a whole, shall be a relevant factor in determining materiality and material adverse impact.

"GOOD REASON"

"Good Reason" shall mean, without the Executive's express written consent, the occurrence of any one or more of the following: (i) the assignment to the Executive of duties materially inconsistent with the Executive's then authorities, duties, responsibilities, and status (including offices, titles, and reporting requirements), or any reduction in the Executive's then title, position, reporting lines or a material reduction (other than temporarily while Disabled or otherwise incapacitated) in his then status, authorities, duties, or responsibilities or, if then a director of the Company, failure to be nominated or reelected as a director of the Company or removal as such; (ii) relocation of the Executive from the principal office of the Company (excluding reasonable travel on the Company's business to an extent substantially consistent with the Executive's business obligations) or relocation of the principal office of the Company to a location which is at least fifty (50) miles from the Company's current headquarters, provided, however, if the Executive at the time of the relocation is not located at the principal office, such relocation provision shall apply based on his then location but shall not cover a relocation to the principal office prior to a Change in Control; (iii) a reduction by the Company in the Executive's Base Salary; (iv) a reduction in the Executive's aggregate level of participation in any of the Company's short and/or long-term incentive compensation plans, or employee benefit or retirement plans, policies, practices, or arrangements in which the Executive participated as of the Effective Date, or, after a Change in Control, participated immediately prior to the Change in Control; (v) the failure of the Company to obtain and deliver to the Executive a satisfactory written agreement from any successor to the Company to assume and agree to perform this Agreement; or (vi) any other material breach by the Company of this Agreement.

"CHANGE IN CONTROL"

A "Change in Control" of the Company shall be deemed to have occurred as of the first day any one or more of the following conditions shall have been satisfied:

(a) Any "person" or "group" (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) other than the Company, any trustee or other fiduciary holding Company common stock under an employee benefit plan of the Company or a related company, or any corporation which is owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the Company's common stock, is or becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of more than thirty percent (30%) of the then outstanding voting stock;

(b) During any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two year period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board;

(c) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or

(d) The approval of the stockholders of the Company of a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of its assets.

EXHIBIT 10.15A

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, is entered into as of the 21st day of December, 2000 by and between Textron Inc. (the "Company"), a Delaware corporation having its principal office at 40 Westminster Street, Providence, Rhode Island 02903 and Theodore R. French residing at 611 East Woodland Road, Lake Forest, Illinois, 60045 (the "Executive").

W I T N E S S E T H:

WHEREAS, the Company desires to employ the Executive and the Executive is willing to be employed by the Company; and

WHEREAS, the Company and the Executive desire to set forth the terms and conditions of such employment.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements of the parties set forth in this Agreement, and of other good and valuable consideration, the adequacy and receipt of which is acknowledged, the parties hereto agree as follows:

1. TERM OF EMPLOYMENT

The Company hereby agrees to employ the Executive and the Executive hereby accepts employment, in accordance with the terms and conditions set forth herein, for a term (the "Employment Term") commencing on the date hereof (the "Effective Date") and terminating, unless otherwise terminated earlier in accordance with Section 5 hereof, on the third anniversary of the Effective Date (the "Original Employment Term"), provided that the Employment Term shall be automatically extended, subject to earlier termination as provided in Section 5 hereof, for successive additional one (1) year periods (the "Additional Terms"), unless, at least ninety (90) days prior to the end of the Original Employment Term or the then Additional Term, the Company or the Executive has notified the other in writing that the Employment Term shall terminate at the end of the then current term.

2. POSITION AND RESPONSIBILITIES

During the Employment Term, the Executive shall serve as the Executive Vice President and Chief Financial Officer of the Company or in such higher capacity as agreed by the Company and the Executive, and shall be a member of the Management Committee and the Executive Leadership Team or any successor body thereto ("ELT"). The Executive shall report exclusively to the Chief Executive Officer and the Board of Directors of the Company (the "Board"). The Executive shall, to the extent appointed or elected, serve on the Board as a director and as a member of any committee of the Board, in each case, without additional compensation. The Executive shall, to the extent appointed or elected, serve as a director or as a member of any committee of the board (or the equivalent bodies in a non-corporate subsidiary or affiliate) of any of the Company's subsidiaries or affiliates and as an officer or employee (in a capacity commensurate with his position with the Company) of any such subsidiaries or affiliates, in all cases, without additional compensation or benefits, and any compensation paid to the Executive, or benefits provided to the Executive, in such capacities shall be a credit with regard to the amounts due hereunder from the Company. The Executive shall have duties, authorities and responsibilities generally commensurate with the duties, authorities and responsibilities of persons in similar capacities in similarly sized companies, subject to the By-laws and organizational structure of the Company. The Executive shall devote substantially all of his business time, attention and energies to the performance of his duties hereunder, provided the foregoing will not prevent the Executive from participating in charitable, community or industry affairs, from managing his and his family's personal passive investments, and (with the consent of the Chief Executive Officer or the Organization and Compensation Committee (or its successor) of the Board (the "O&C Committee"), which consent will not be unreasonably withheld, conditioned or delayed) serving on the board of directors of other companies, provided that these activities do not materially interfere with the performance of his duties hereunder or create a potential business conflict or the appearance thereof.

The Executive may retain any compensation or benefits received as a result of consented to service as a director of entities not related to the Company.

The Executive may perform his duties hereunder, when practical, at his office in Illinois or at such other location where Executive may reside in the future, provided the performance of his duties at a location other than the Company's headquarters does not materially interfere with Executive's performance of duties hereunder, as determined in good faith by the Chief Executive Officer.

3. COMPENSATION AND BENEFITS

During the Employment Term, the Company shall pay and provide the Executive the following:

3.1 BASE SALARY. The Company shall pay the Executive an initial base salary (the "Base Salary") at a rate of $550,000. Base Salary shall be paid to the Executive in accordance with the Company's normal payroll practices for executives. Base Salary shall be reviewed at least annually by the O&C Committee (or as otherwise designated by the Board) to ascertain whether, in the judgment of the reviewing committee, such Base Salary should be increased. If so increased, Base Salary shall not be thereafter decreased and shall thereafter, as increased, be the Base Salary hereunder.

3.2 ANNUAL BONUS. The Company shall provide the Executive with the opportunity to earn an annual cash bonus under the Company's current annual incentive compensation plan for executives or a replacement plan therefor at a level commensurate with his position, provided, however, that the minimum annual target award payable upon the achievement of reasonably attainable objective performance goals shall be at least sixty percent (60%) of Base Salary, with a maximum payment of two hundred percent (200%) of Executive's target. Executive shall receive a guaranteed minimum 2001 annual bonus of $330,000, payable in 2002 in accordance with the provisions of the Company's annual incentive compensation plan. For (a) 2001 and (b) each year thereafter, if members of the Management Committee are eligible therefor, the Executive will have the opportunity to earn an additional cash bonus under the

Textron Quality Management ("TQM") bonus program of up to fifty percent (50%) of his annual target incentive.

3.3 HIRING BONUS. The Company shall pay the Executive a hiring bonus of $100,000 within five (5) days after the Effective Date.

3.4 LONG-TERM INCENTIVES. The Company shall provide the Executive the opportunity to earn long-term incentive awards under the current equity and cash based plans and programs or replacements therefore including the following awards:

(a) OPTIONS. On the Effective Date the Company shall grant the Executive stock options under the Textron Long-Term Incentive Plan (the "Long-Term Incentive Plan") to purchase seventy thousand (70,000) shares of the Company's common stock at an exercise price equal to fair market value at the time of grant (the "Stock Options"). Fifty percent (50%) of the Stock Options shall vest on the one year anniversary of the Effective Date and the remainder shall vest on the second anniversary of the Effective Date, provided in each case the Executive is then employed by the Company. The Stock Options shall terminate on the tenth anniversary of the date of grant. The Stock Options will be granted pursuant to Non-Qualified Stock Option Award Agreements or Incentive Stock Option Award Agreements, as applicable and in each case shall be in all respects subject to the provisions of such agreements and the Company's Long-Term Incentive Plan except as otherwise expressly provided for herein.

(b) PERFORMANCE SHARE UNITS. The Company shall grant the Executive performance share units ("PSUs") under the Company's Long-Term Incentive Plan as follows: six thousand (6,000) PSUs for a one (1) year award period ending December, 2001; seven thousand (7,000) PSUs for a two (2) year award period ending December, 2002; and fifteen thousand (15,000) PSUs for a three (3) year award period ending December, 2003. Commencing with award periods ending in 2002, Executive shall also have the opportunity to earn up to an additional one hundred percent (100%) of the value of the PSUs upon achieving outstanding performance under a special long-term incentive program (the "Special PSU Program").

(c) RESTRICTED STOCK. On the Effective Date the Company shall grant the Executive one hundred thousand (100,000) shares of the Company's common stock (which shall be dividend bearing), subject to the following vesting schedule: twenty thousand (20,000) shares shall vest annually commencing January 1, 2002 and each anniversary thereafter provided Executive is then employed by the Company (the "Restricted Stock").

3.5 EMPLOYEE BENEFITS. (a) The Executive shall, to the extent eligible, be entitled to participate at a level commensurate with his position in all employee benefit welfare and retirement plans and programs, as well as equity plans, generally provided by the Company to its senior executives in accordance with the terms thereof as in effect from time to time. Such plans and programs currently include the Key Executive Benefits Program (including the Deferred Income Plan, the Supplemental Benefits Plan (the "SBP"), the Survivor Benefit Plan, an executive automobile, club membership and financial planning and tax preparation), the Company's savings and pension plan and medical and life insurance.

(b) The Executive shall also participate in the Supplemental Retirement Plan for Textron, Inc. Key Executives (the "SERP"). Under the SERP as currently in effect, the Executive shall be entitled to receive a single life annuity upon his retirement from the Company at or after his reaching age sixty-five (65) equal to fifty percent (50%) of his highest consecutive five (5) year average compensation. A reduced benefit is available if the Executive retires from the Company at or after age sixty (60) and prior to age 65. The cash value of the PSUs actually paid under the Long-Term Incentive Plan (but not under the Special PSU Program) shall be treated as compensation in the year paid for purposes of calculating the Executive's SERP benefit. The SERP benefit shall be reduced by any amounts payable to Executive under any other Company or prior employer defined benefit pension arrangement.

3.6 VACATION. The Executive shall be entitled to paid vacation in accordance with the standard written policies of the Company with regard to vacations of executives, but in no event less than four (4) weeks per calendar year.

3.7 PERQUISITES. The Company shall provide to the Executive, at the Company's cost, all perquisites to which other senior executives of the Company are generally entitled to receive and such other perquisites which are suitable to the character of the Executive's position with the Company and adequate for the performance of his duties hereunder. To the extent legally permissible, the Company shall not treat such amounts as income to the Executive. The Executive shall also be entitled to the following special perquisites (the "Special Perquisites"):

(a) USE OF COMPANY AIRCRAFT. The Company shall make good faith efforts to provide the Executive upon his reasonable request with use of a Company aircraft for the following travel: (i) commuting to and from the Executive's primary residence and the Company's headquarters or other facilities, (ii) business travel to perform the Executive's duties hereunder and (iii) personal travel with the Executive's immediate family, provided, however, that, the Executive must accompany his family unless the Executive's absence is otherwise approved by the Chief Executive Officer. If the Company aircraft is unavailable, the Company shall pay the cost of first-class commercial airline tickets for the Executive. To the extent any expenses under
(i) above result in imputed income to the Executive, the Company shall fully gross-up reimbursement to the Executive such that the Executive has no after tax cost for such aircraft travel. All other personal travel will be charged to the Executive as imputed income in accordance with the Company's standard operating procedures. The parties recognize that in light of the Executive's position the use of the Company aircraft for personal and family travel is desirable for security reasons.

(b) LIVING EXPENSES. The Company shall pay the Executive's living expenses in Providence, Rhode Island, through December 31, 2001. The expenses must be approved by the Chief Executive Officer (which approval shall not be unreasonably withheld) and are limited to reasonable costs commensurate with those expenses customarily associated with a member of the ELT. To the extent the Company's payment of such living expenses result in imputed income to the

Executive, the Company shall fully gross-up the Executive such that the Executive has no after tax cost.

(c) RELOCATION. The Company shall pay the Executive's one (1) time relocation costs, provided that the Company and Executive mutually agree, in good faith, that such relocation will allow the Executive to more efficiently and effectively perform his duties hereunder. The payment of such relocation expenses shall be made in accordance with the Company's relocation policy for comparable executive level expenditures and shall include a home purchase program and full gross-up for all taxes related to the relocation expenses regardless of whether any such expenses qualify for tax deductibility.

3.8 RIGHT TO CHANGE PLANS. The Company shall not be obligated by reason of this Section 3 to institute, maintain, or refrain from changing, amending, or discontinuing any benefit plan, program, or perquisite, so long as such changes are similarly applicable to senior executive employees generally, provided, however, the right to change such plans, programs or perquisites shall not in any way limit Executive's right to claim a Good Reason termination pursuant to Section 5(f)(v) as a result of any such change. Notwithstanding the foregoing, the Company shall not terminate, decrease or alter the Special Perquisites provided in Section 3.7(a) through (c) without Executive's prior written consent.

4. EXPENSES

Upon submission of appropriate documentation, in accordance with its policies in effect from time to time, the Company shall pay for all ordinary and necessary expenses, in a reasonable amount, which the Executive incurs in performing his duties under this Agreement including travel, entertainment, professional dues and subscriptions, and all dues, fees, and expenses associated with membership in various professional, business, and civic associations and societies in which the Executive participates in accordance with the Company's policies in effect from time to time.

5. TERMINATION OF EMPLOYMENT

The Executive's employment with the Company (including but not limited to any subsidiary or affiliate or the Company) and the Employment Term shall terminate upon the occurrence of the first of the following events:

(a) Automatically on the date of the Executive's death.

(b) Upon thirty (30) days written notice by the Company to the Executive of a termination due to Disability, provided such notice is delivered during the period of Disability. The term "Disability" shall mean, for purposes of this Agreement, the inability of the Executive, due to injury, illness, disease or bodily or mental infirmity, to engage in the performance of his material duties of employment with the Company as contemplated by Section 2 herein for a period of more than one hundred eighty (180) consecutive days or for a period that is reasonably expected to exist for a period of more than one hundred eighty (180) consecutive days, provided that interim returns to work of less than ten (10) consecutive business days in duration shall not be deemed to interfere with a determination of consecutive absent days if the reason for absence before and after the interim return are the same. The existence or non-existence of a Disability shall be determined by a physician agreed upon in good faith by the Executive (or his representatives) and the Company. It is expressly understood that the Disability of the Executive for a period of one hundred eighty (180) consecutive days or less shall not constitute a failure by him to perform his duties hereunder and shall not be deemed a breach or default and the Executive shall receive full compensation for any such period of Disability or for any other temporary illness or incapacity during the term of this Agreement.

(c) Immediately upon written notice by the Company to the Executive of a termination due to his retirement at or after the Executive's attainment of age sixty-five (65).

(d) Immediately upon written notice by the Company to the Executive of a termination for Cause, provided such notice is given within ninety (90) days after the discovery by the Board or the Chief Executive Officer of the Cause event and has been approved by the O&C Committee at a meeting at which the Executive and his counsel had the right to appear and address such meeting after receiving at least ten (10) business days written notice of the meeting and reasonable detail of the facts and circumstances claimed to provide a basis for such termination. The term "Cause" shall mean, for purposes of this Agreement: (i) an act or acts of willful misrepresentation, fraud or willful dishonesty (other than good faith expense account disputes) by the Executive which in any case is intended to result in his or another person or entity's substantial personal enrichment at the expense of the Company; (ii) any willful misconduct by the Executive with regard to the Company, its business, assets or employees that has, or was intended to have, a material adverse impact (economic or otherwise) on the Company; (iii) any material, willful and knowing violation by the Executive of (x) the Company's Business Conduct Guidelines, or (y) any of his fiduciary duties to the Company which in either case has, or was intended to have, a material adverse impact (economic or otherwise) on the Company; (iv) the willful or reckless behavior of the Executive with regard to a matter of a material nature which has a material adverse impact (economic or otherwise) on the Company; (v) the Executive's willful failure to attempt to perform his duties under Section 2 hereof or his willful failure to attempt to follow the legal written direction of the Board, which in either case is not remedied within ten (10) days after receipt by the Executive of a written notice from the Company specifying the details thereof; (vi) the Executive's conviction of, or pleading nolo contendere or guilty to, a felony (other than (x) a traffic infraction or (y) vicarious liability solely as a result of his position provided the Executive did not have actual knowledge of the actions or inactions creating the violation of the law or the Executive relied in good faith on the advice of counsel with regard to the legality of such action or inaction (or the advice of other specifically qualified professionals as to the appropriate or proper action or inaction to take with regard to matters which are not matters of legal interpretation)); or (vii) any other material breach by the Executive of this Agreement that is not cured by the Executive within twenty (20) days after receipt by the Executive of a written notice from the Company of such breach specifying the details thereof. No action or inaction should be deemed willful if not demonstrably willful and if taken or not taken by the Executive in good faith as not being adverse to the best interests of the Company. Reference in this paragraph (d) to the Company shall also include direct and indirect subsidiaries of the Company, and materiality and material adverse impact shall be measured based on the action or inaction and the impact upon, and not the size of, the Company taken as a whole, provided that after a Change in Control, the size of the Company taken as a whole, shall be a relevant factor in determining materiality and material adverse impact.

(e) Upon written notice by the Company to the Executive of an involuntary termination without Cause. A notice by the Company of non-renewal of the Employment Term pursuant to Section 1 above shall be deemed an involuntary termination of the Executive by the Company without Cause as of the end of the Employment Term, but the Executive may terminate at any time after the receipt of such notice and shall be treated as if he was terminated without Cause as of such date.

(f) Upon twenty (20) days written notice by the Executive to the Company of a termination for Good Reason (which notice sets forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination) unless the Good Reason event is cured within such twenty (20) day period. The term "Good Reason" shall mean, for purposes of this Agreement, without the Executive's express written consent, the occurrence of any one or more of the following:
(i) the assignment to the Executive (other than temporarily while Disabled or otherwise incapacitated) of duties materially inconsistent with the Executive's then position, authorities, duties, responsibilities, and status (including offices, titles, and reporting requirements); (ii) any material reduction in the Executive's then title, position, reporting lines or a material reduction (other than temporarily while Disabled or otherwise incapacitated) in his then status, authority, duties or responsibilities (it being acknowledged by the parties that a material reduction will occur in the event of a transaction in which the Company is acquired directly or indirectly by another entity in such manner that the Company is no longer a "reporting company" under the Securities Exchange Act of 1934 based on its common stock being publicly traded, unless Executive becomes Chief Financial Officer of the ultimate parent entity) or, if then a director of the Company, failure to be nominated or reelected as a director of the Company or removal as such, provided, however, that it is not intended hereby that any incidental reallocation or reassignment of personnel or minor changes in the areas reporting to the Executive (so long as such changes are not core functions of Executive's responsibilities) shall constitute Good Reason for the Executive's resignation unless the cumulative result of such actions is to so modify the Executive's role so as to make it materially different from such role immediately prior to such actions; (iii) relocation (A) of the Executive from the principal office of the Company (excluding reasonable travel on the Company's business to an extent substantially consistent with the Executive's business obligations) or (B) of the principal office of the Company to a location which is at least fifty (50) miles from the Company's current headquarters, provided, however, in the case of clause (B), if

the Executive at the time of such relocation is not located at the principal office of the Company, such relocation provision shall apply based on his then location but shall not cover a relocation to the principal office prior to a Change in Control; (iv) a reduction by the Company in the Executive's Base Salary; (v) a reduction in the Executive's aggregate level of participation in any of the Company's short and/or long-term incentive compensation plans, or employee benefit or retirement plans, policies, practices, or arrangements in which the Executive participated as of the Effective Date, or, after a Change in Control, participated immediately prior to the Change in Control that in either case has a disproportionate adverse aggregate impact on the Executive as compared to other similarly situated executives; (vi) Executive's voluntary termination of employment for any reason during the thirty (30) day period following the one (1) year anniversary of a Change in Control; (vii) the failure of the Company to obtain and deliver to the Executive a satisfactory written agreement from any successor to the Company to assume and agree to perform this Agreement; or (viii) any other material breach by the Company of this Agreement.

(g) Upon written notice by the Executive to the Company of the Executive's voluntary termination of employment without Good Reason (which the Company may, in its sole discretion, make effective earlier than any termination date indicated in the Executive's notice). A notice by the Executive of non-renewal of the Employment Term pursuant to Section 1 above shall be deemed a voluntary termination by the Executive without Good Reason as of the end of the Employment Term.

6. CONSEQUENCES OF A TERMINATION OF EMPLOYMENT

6.1 TERMINATION DUE TO DEATH OR RETIREMENT. If the Employment Term ends on account of the Executive's termination due to death pursuant to Section 5(a) above or retirement pursuant to Section 5(c) above, the Executive (or the Executive's surviving spouse, or other beneficiary as so designated by the Executive during his lifetime, or to the Executive's estate, as appropriate) shall be entitled, in lieu of any other payments or benefits, to (i) payment promptly of any unpaid Base Salary, unpaid annual incentive compensation (for the preceding fiscal year) and any accrued vacation, (ii) reimbursement for any unreimbursed business expenses incurred prior to the date of termination, (iii) any amounts, benefits or fringes due under any equity, benefit or fringe plan, grant or program in accordance with the terms of said plan, grant or program but without duplication (collectively, the "Accrued Obligations") and (iv) a pro-rata portion of the annual incentive compensation for the year of Executive's termination calculated as follows: the product of (x) the Executive's prior year bonus (or, if a termination occurs prior to the determination of the 2001 year bonus, the target bonus for 2001), multiplied by
(y) a fraction, the numerator of which is the number of days of the current fiscal year during which Executive was employed by the Company, and the denominator of which is 365, provided, however, Executive shall only receive such pro-rata bonus if other senior executives remaining employed by the Company through the end of such year receive an annual bonus with respect to such year (a "Pro Rata Bonus"). In addition, Executive shall be fully vested in the Stock Options and the Restricted Stock (the "Special Vesting") and the Company shall pay the COBRA premiums for eighteen (18) months (or if earlier, until termination of COBRA coverage for Executive's dependents ("COBRA Coverage").

6.2 TERMINATION DUE TO DISABILITY. If the Employment Term ends as a result of Disability pursuant to Section 5(b) above, the Executive shall be entitled, in lieu of any other payments or benefits, to any Accrued Obligations and the following:

(a) The Pro Rata Bonus.

(b) The Special Vesting.

(c) COBRA Coverage for Executive and his dependents.

(d) The Executive shall be deemed to have satisfied the definition of "total disability" under the 1994 Long-Term Incentive Plan or the equivalent definition under any successor plan thereto.

6.3 INVOLUNTARY TERMINATION BY THE COMPANY WITHOUT CAUSE OR TERMINATION BY THE EXECUTIVE FOR GOOD REASON. If the Executive is involuntarily terminated by the Company without Cause in accordance with Section 5(e) above or the Executive terminates his employment for Good Reason in accordance with Section 5(f) above, the Executive shall be entitled, in lieu of any other payments or benefits, subject to Section 7(b) hereof, to any Accrued Obligations and the following:

(a) A Pro Rata Bonus.

(b) Continued payment off payroll for two (2) years (in approximately equal monthly installments) of an amount equal to two (2) times the sum of (i) the Executive's Base Salary and (ii) the higher of (x) the Executive's target incentive compensation established for the fiscal year in which the Executive's termination occurs or (y) a multiple thereof equal to the product of such target amount and the multiple of target earned by the Executive for the prior fiscal year (whether or not deferred).

(c) To the extent eligible at such time or, if the Executive would be eligible with credit for an additional two (2) years of age and service credit, coverage under all applicable retiree health and other retiree welfare plans for the Executive and his dependents (including, if he is only eligible because of the extra age and service credit, an adjustment, to the extent necessary, to put the Executive in the same after-tax position as if he had been eligible for such coverage) and, if not eligible for continued health coverage under the retiree health plan, payment of the Executive's and Executive's eligible dependents' COBRA continuation health coverage premiums for the Company's health insurance plan that generally applies to senior executives for the two
(2) year period following the date of termination or, if earlier, until the Executive and Executive's dependents cease to be eligible for such coverage, provided that, if COBRA coverage cannot be provided for the full period, any excess period shall be covered under (d) below (and further provided that, if such premiums are taxable to the Executive, an adjustment such that the Executive has no after tax cost for the providing of such COBRA coverage).

(d) To the extent eligible on the date of termination, continued participation, at no additional after tax cost to the Executive than the Executive would have as an employee, in all welfare plans (other than medical plans covered under (c) above), until two (2) years after the date of termination; provided, however, that in the event the Executive obtains other employment that offers substantially similar or improved benefits, as to any particular welfare plan, such continuation of coverage by the Company for such benefits under such plan shall immediately cease. To the extent such coverage cannot be provided under the Company's welfare benefit plans without jeopardizing the tax status of such plans, for underwriting reasons or because of the tax impact on the Executive, the Company shall pay the Executive an amount such that the Executive can purchase such benefits separately at no greater after tax cost to the Executive than the Executive would have had if the benefits were provided to the Executive as an employee.

(e) Immediate full vesting of the Stock Options, the Restricted Stock and any outstanding stock options or other equity award that would vest within two (2) years after such termination of employment as if the Executive had continued employment for such two (2) year period, to the extent permitted under the plan or grant, or if such vesting is not permitted, a cash payment equal to the difference between the fair market value of the shares covered by the unvested options and the exercise price of such unvested options (the "Spread") on the date of termination, or, in the case of Restricted Stock and other non-option equity grants that would have vested if permitted, the fair market value of such Restricted Stock or other non-option equity as of the date of termination. In addition, to the extent the Stock Options or any other options are exercisable for less than two and three- quarters (2-3/4) years after the Executive's termination, the Executive also shall receive promptly following his termination a cash payment equal to the estimated cash value of such options for the lesser of two and three-quarters (2-3/4) years or the remainder of the respective terms of such options (calculated in accordance with the same Black-Scholes methodology used for the Company's then latest distributed proxy statement or, if not so used, for internal valuation of the last stock option grants made by the Company prior to the termination). The terms of the Executive's outstanding options are deemed to be modified to the extent required by this Section 6.3 (g).

(f) Payment when it would otherwise be paid in accordance with the 1994 Long-Term Incentive Plan of any amount due with regard to performance share units outstanding on the date of termination to the extent permitted under such plan, plus, outside of such plan, when it would otherwise have been paid, an amount equal to the amount the Executive would have received with regard to any performance share units outstanding at the time of termination that could not be so paid. For purposes of calculating the foregoing amounts, all discretionary performance targets relating to the Executive's individual performance will be deemed to be fully achieved and the actual level of achievement of all financial performance targets will be determined as if the Executive continued to be employed through the end of the applicable measuring period.

(g) Immediate full vesting of the Executive's accounts under the Deferred Income Plan, and to the extent not permitted under such plan, a cash payment outside of the plan equal to the value of the amount that would have vested under the plan.

(h) Continuation of participation for two (2) years in the Company's programs with regard to tax preparation assistance and financial planning assistance, club dues and automobile (but based on the automobile then being used and no new one), in accordance with the Company's programs in effect at the time of the termination.

(i) To the extent that with regard to any particular item, the Executive would receive better treatment under the applicable Company plan or program, such better treatment shall apply.

6.4 TERMINATION BY THE COMPANY FOR CAUSE OR TERMINATION BY THE EXECUTIVE WITHOUT GOOD REASON. If the Executive is terminated by the Company for Cause or the Executive terminates his employment without Good Reason, the Executive shall be entitled to receive all Accrued Obligations.

7. NO MITIGATION/NO OFFSET/RELEASE

(a) In the event of any termination of employment hereunder, the Executive shall be under no obligation to seek other employment and there shall be no offset against any amounts due the Executive under this Agreement on account of any remuneration attributable to any subsequent employment that the Executive may obtain. The amounts payable hereunder shall not be subject to setoff, counterclaim, recoupment, defense or other right which the Company may have against the Executive or others, except as specifically set forth in Section 9 hereof or upon obtaining by the Company of a final unappealable judgement against the Executive.

(b) Any amounts payable and benefits or additional rights provided pursuant to Section 6.2, 6.3 or Section 8.1 beyond Accrued Obligations and amounts or rights due under law, and, in the case of Section 6.3 and Section 8.1 beyond the sum of any amounts due (without execution of a release) under the Company severance program then in effect, or, if greater, three (3) months Base Salary as severance, shall only be payable if the Executive delivers to the Company a release of all claims of the Executive (other than those specifically payable or providable hereunder on or upon the applicable type of termination and any rights of indemnification under the Company's organizational documents) with regard to the Company, its subsidiaries and related entities and their respective past or present officers, directors and employees in such form as reasonably requested by the Company (for clarification, the parties intend that (i) any such release not go beyond a release and the provisions necessary to make it effective but
(ii) this parenthetical clause not be construed as substantively modifying the text of this subsection).

(c) Upon any termination of employment, upon the request of the Company, the Executive shall deliver to the Company a resignation from all offices and directorships and fiduciary positions of the Executive in which the Executive is serving with, or at the request of, the Company or its subsidiaries, affiliates or benefit plans.

(d) The amounts and benefits provided under Sections 6 and 8 hereof are intended to be inclusive and not duplicative of the amounts and benefits due under the Company's employee benefit plans and programs to the extent they are duplicative.

8. CHANGE IN CONTROL

8.1 EMPLOYMENT TERMINATION IN CONNECTION WITH A CHANGE IN CONTROL. In the event of a Qualifying Termination (as defined below) during the period commencing one-hundred eighty (180) days prior to the effective date of a Change in Control and terminating on the second anniversary of the effective date of a Change in Control (the "Change in Control Protection Period"), then in lieu of the benefits provided to the Executive under Section 6.3 of this Agreement, the Company shall pay the Executive the following amounts within (except as otherwise provided) thirty (30) business days following the Qualifying Termination (or, if later, the effective date of the Change in Control; in which case any amounts or benefits previously paid, pursuant to Section 6 shall be setoff against those under this Section 8) and provide the following benefits:

(a) Any Accrued Obligations.

(b) A lump-sum cash payment equal to three (3) times the highest rate of the Executive's Base Salary rate in effect at any time up to and including the date of the Executive's termination.

(c) A lump-sum cash payment equal to the Prorated Portion of the greater of: (i) the Executive's target annual incentive compensation award established for the fiscal year during which the Executive's award termination occurs, or (ii) the Executive's earned annual incentive award for the fiscal year prior to the fiscal year in which the earlier of the Change in Control or the Qualifying Termination occurs (whether or not deferred).

The "Prorated Portion" of the foregoing amount shall be determined by multiplying such amount by a fraction, the numerator of which is the number of days during the fiscal year of termination that the Executive is employed by the Company, and the denominator of which is, three hundred sixty-five (365).

(d) A lump-sum cash payment equal to three (3) times the greater of: (i) the Executive's highest annual incentive compensation earned over the three (3) fiscal years ending prior to the earlier of the Change in Control or the Qualifying Termination (whether or not deferred); or
(ii) the Executive's target incentive compensation established for the fiscal year in which the Executive's date of termination occurs.

(e) To the extent the Executive is eligible, was eligible prior or after the Change in Control (or, if earlier, the Qualifying Termination) or if the Executive would be eligible with credit for an additional three
(3) years of age and service credit, coverage under all applicable retiree health and other retiree welfare plans for the Executive and the Executive's eligible dependents (including an adjustment to the

extent necessary to put the Executive on the same after tax basis as if the Executive had been eligible for such coverage).

(f) To the extent eligible prior or after the Change in Control (or, if earlier, the Qualifying Termination), continued participation, (coordinated with (e) above to the extent duplicative), at no additional after tax cost to the Executive than the Executive would have as an employee, in all welfare plans, until three (3) years after the date of termination, provided, however, that in the event the Executive obtains other employment that offers substantially similar or improved benefits, as to any particular welfare plan, such continuation of coverage by the Company for such similar or improved benefit under such plan shall immediately cease. To the extent such coverage cannot be provided under the Company's welfare benefit plans without jeopardizing the tax status of such plans, for underwriting reasons or because of the tax impact on the Executive, the Company shall pay the Executive an amount such that the Executive can purchase such benefits separately at no greater after tax cost to him than he would have had if the benefits were provided to him as an employee.

(g) A lump-sum cash payment of the actuarial present value equivalent (as determined in accordance with the most favorable (to the Executive) overall actuarial assumptions and subsidies in any of the Company's tax-qualified or nonqualified type defined benefit pension plans in which the Executive then participates) of the accrued benefits accrued by the Executive as of the date of termination under the terms of any nonqualified defined benefit type retirement plan, including but not limited to, the Amended and Restated Supplemental Executive Retirement Plan for Textron Inc. Key Executives and the Supplemental Benefits Plan and assuming the benefit was fully vested without regard to any minimum age or service requirements. For this purpose, such benefits shall be calculated under the assumption that the Executive's employment continued following the date of termination for three (3) full years (i.e., three (3) additional years of age (including, but not limited to, for purposes of determining the actuarial present value), compensation and service credits shall be added).

(h) Three (3) times the amount of the maximum Company contribution or match to any defined contribution type plan in which the Executive participates.

(i) A lump-sum cash payment of the product of (i) the Interest Factor (as determined in the next sentence) multiplied by (ii) the Executive's entire account balance under the Deferred Income Plan (or any replacement therefor), plus an additional amount equal to three (3) times the match which the Company made for the Executive to such plan for the fiscal year ending immediately prior to the earlier of the Change in Control or the Qualifying Termination. The "Interest Factor" shall be equal to one (1) plus three (3) times the rate of earnings of the Executive's account under such plan for the fiscal year ending immediately prior to his termination.

(j) Immediate full vesting of any outstanding stock options, performance share units and other equity awards (and lapse of any forfeiture provisions) to the extent permitted under the plan or grant, or if full vesting is not permitted with regard to stock options, a cash payment equal to the difference between the fair market value of the shares covered by the unvested options and the exercise price of such unvested options on such unvested options on the date of termination (or, if later, the date of the Change in Control) or, in the case of Restricted Stock and other non-option equity grants that would have vested if permitted, the fair market value of such Restricted Stock or other non-option equity as of the date of termination. In addition, to the extent any stock options are exercisable for less than three (3) years after the Executive's termination (or, if less, the remainder of the respective terms of such options, including any termination of exercisability of all Company stock options in connection with the Change in Control or a merger related thereto), the Executive also shall receive, promptly following his termination, a cash payment equal to the estimated future value of such options for the lesser of three (3) years or the remainder of the respective terms of such options (calculated in accordance with the same Black-Scholes methodology used for the Company's then latest distributed proxy statement or, if not so used, for internal valuation of the last stock option grants made by the Company prior to the earlier of the Qualifying Termination or the Change in Control).

(k) Outplacement services at a level commensurate with the Executive's position, including use of an executive office and secretary, for a period of one (1) year commencing on the date of termination but in no event extending beyond the date on which the Executive commences other full time employment.

(l) Continuation of participation for three (3) additional years in the Company's programs with regard to tax preparation assistance and financial planning assistance, club dues and automobile (but based on the automobile then being used and no new one), in accordance with the Company's programs in effect at the time of the Change in Control.

(m) To the extent that with regard to any particular item, the Executive would receive better treatment under the applicable Company plan or program, such better treatment shall apply.

For purposes of this Section 8, a Qualifying Termination shall mean any termination of the Executive's employment (i) by the Company without Cause, or
(ii) by the Executive for Good Reason.

8.2 DEFINITION OF "CHANGE IN CONTROL." A Change in Control of the Company shall be deemed to have occurred as of the first day any one or more of the following conditions shall have been satisfied:

(a) Any "person" or "group" (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) other than the Company, any trustee or other fiduciary holding Company common stock under an employee benefit plan of the Company or a related company, or any corporation which is owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the

Company's common stock, is or becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of more than thirty percent (30%) of the then outstanding voting stock;

(b) During any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two year period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board;

(c) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or

(d) The approval of the stockholders of the Company of a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of its assets.

8.3 EXCISE TAX EQUALIZATION PAYMENT. In the event that the Executive becomes entitled to payments and/or benefits which would constitute "parachute payments" within the meaning of Section 280G(b)(2) of the Code, the provisions of Exhibit A will apply.

9. NONCOMPETITION, CONFIDENTIALITY AND NONDISPARAGEMENT

9.1 AGREEMENT NOT TO COMPETE.

(a) The Executive agrees that for a period of two (2) years after the termination of the Executive's employment (the "Non-Compete Period"), the Executive will not engage in Competition with the Company with the Listed Companies, including, but not limited to, (i) soliciting customers, business or orders for, or selling any products and services in, Competition with the Company for such Listed Companies or (ii) diverting, enticing, or otherwise taking away customers, business or orders of the Company, or attempting to do so, in either case in Competition with the Company for such Listed Companies. The Listed Companies are United Technologies Corporation, General Dynamics Corporation, Daniher Corporation, Emerson and Tyco International Ltd. The Listed Companies may not be amended or added to without the prior written consent of both parties hereto.

(b) The Executive agrees that the restrictions contained in this Section 9 are necessary for the protection of the business and goodwill of the Company because of the trade secrets within the Executive's knowledge and are considered by the Executive to be reasonable for such purpose.

9.2 DEFINITIONS.

(a) "Competition" shall mean engaging in, as an employee, director, partner, principal, shareholder, consultant, advisor, independent contractor or similar capacity, with the Listed Companies. Notwithstanding anything else in this Section 9, Competition shall not include: (i) holding five percent (5%) or less of an interest in the equity or debt of any publicly traded company, (ii) engaging in any activity with the prior written approval of the Chief Executive Officer or the O&C Committee, (iii) the providing of accounting/auditing services in an accounting firm that audits or provides services to Listed Companies, provided that the Executive does not personally represent such Listed Companies, or (iv) the employment by, or provision of services to, an investment banking firm or consulting firm that provides services to Listed Companies, provided that the Executive does not personally represent or provide services to such Listed Companies.

(b) For purposes of this Section 9, "Company" shall mean the Company and its subsidiaries and affiliates.

9.3 AGREEMENT NOT TO ENGAGE IN CERTAIN SOLICITATION. The Executive agrees that the Executive will not, during the Executive's employment with the Company or during the two (2) year period thereafter, directly or indirectly, solicit or induce, or attempt to solicit or induce, any non-clerical employee(s), sales representative(s), agent(s), or consultant(s) of the Company to terminate such person's employment, representation or other association with the Company for the purpose of affiliating with any entity with which the Executive is associated ("Solicitation").

9.4 CONFIDENTIAL INFORMATION.

(a) The Executive specifically acknowledges that any trade secrets or confidential business and technical information of the Company or its vendors, suppliers or customers, whether reduced to writing, maintained on any form of electronic media, or maintained in mind or memory and whether compiled by the Executive or the Company (collectively, "Confidential Information"), derives independent economic value from not being readily known to or ascertainable by proper means by others; that reasonable efforts have been made by the Company to maintain the secrecy of such information; that such information is the sole property of the Company or its vendors, suppliers, or customers and that any retention, use or disclosure of such information by the Executive during the Employment Term (except in the course of performing duties and obligations of employment with the Company) or any time after termination thereof, shall constitute misappropriation of the trade secrets of the Company or its vendors, suppliers, or customers, provided that Confidential Information shall not include: (i) information that is at the time of disclosure public knowledge or generally known within the industry, (ii) information deemed in good faith by the Executive, while employed by the Company, desirable to disclose in the course of performing the Executive's duties, (iii) information the disclosure of which the Executive in good faith deems necessary in defense of the Executive's rights provided such disclosure by the

Executive is limited to only disclose as necessary for such purpose, or (iv) information disclosed by the Executive to comply with a court, or other lawful compulsory, order compelling him to do so, provided the Executive gives the Company prompt notice of the receipt of such order and the disclosure by the Executive is limited to only disclosure necessary for such purpose.

(b) The Executive acknowledges that the Company from time to time may have agreements with other persons or with the United States Government, or agencies thereof, that impose obligations or restrictions on the Company regarding inventions made during the course of work under such agreements or regarding the confidential nature of such work. If the Executive's duties hereunder will require disclosures to be made to him subject to such obligations and restrictions, the Executive agrees to be bound by them.

9.5 SCOPE OF RESTRICTIONS. If, at the time of enforcement of this Section 9, a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law.

9.6 REMEDIES.

(a) In the event of a material breach or threatened material breach of Section 9.1(a), Section 9.3, Section 9.4 or Section 9.10, the Company, in addition to its other remedies at law or in equity, shall be entitled to injunctive or other equitable relief in order to enforce or prevent any violations of the provisions of this Section 9. Except as specifically provided with regard to Listed Companies, the Company agrees that it will not assert to enjoin or otherwise limit the Executive's activities based on an argument of inevitable disclosure of confidential information.

(b) Upon written request of the Executive, the Chief Executive Officer of the Company shall consider, in good faith, and within ten (10) days after receipt of the latter of (i) such written notice and (ii) any information reasonably requested in accordance with the last sentence of this subsection, notify the Executive in writing whether or not the Company will waive the limitation prohibiting the Executive from working for a Listed Company during the Non-Compete Period, provided, however, that if the Company does not reply within ten (10) days, the Company shall be deemed to have waived such limitation. The Executive shall promptly provide the Company with such information as it may reasonably request to evaluate whether or not it should waive such limitation.

(c) In the event the Executive breaches Section 9.1(a), the Company may immediately cease payment to the Executive of all future amounts due under Section 6.3(b), as well as otherwise specifically provided in any other plan, grant or program.

9.7 UNIFORMITY. In no event shall any definitions of Competition or Solicitation (or a similar provision) as it applies to the Executive with regard to any plan of program or grant of the Company be interpreted to be any broader than as set forth in this Section 9.

9.8 DELIVERY OF DOCUMENTS. Upon termination of this Agreement or at any other time upon request by the Company, the Executive shall promptly deliver to the Company all records, files, memoranda, notes, designs, data, reports, price lists, customer lists, drawings, plans, computer programs, software, software documentation, sketches, laboratory and research notebooks and other documents (and all copies or reproductions of such materials in his possession or control) belonging to the Company. Notwithstanding the foregoing, the Executive may retain his rolodex and similar phone directories.

9.9 NONDISPARAGEMENT.

(a) During the Employment Term and thereafter, the Executive shall not with willful intent to damage economically or as to reputation or vindictively disparage the Company, its subsidiaries or their past or present respective officers, directors or employees (the "Protected Group"), provided that the foregoing shall not apply to (i) actions or statements taken or made by the Executive while employed by the Company in good faith as fulfilling the Executive's duties with the Company or otherwise at the request of the Company, (ii) statements the Executive believes to be truthful that are made in compliance with legal process or governmental inquiry, (iii) as the Executive in good faith deems necessary to rebut any untrue or misleading public statements made about him or any other member of the Protected Group, (iv) statements made in good faith by the Executive to rebut untrue or misleading statements made about him or any other member of the Protected Group by any member of the Protected Group, and (v) normal commercial puffery in a competitive business situation. No member of the Protected Group shall be a third party beneficiary of this Section 9.9(a).

(b) During the Employment Term and thereafter, neither the Company officially nor any then member of the Executive Leadership Team (or the equivalent) of the Company, as such term is currently used within the Company, shall with willful intent to damage the Executive economically or as to reputation or otherwise vindictively disparage the Executive, provided the foregoing shall not apply to (i) actions or statements taken or made in good faith within the Company in fulfilling duties with the Company, (ii) truthful statements made in compliance with legal process, governmental inquiry or as required by legal filing or disclosure requirements, (iii) as in good faith deemed necessary to rebut any untrue or misleading statements by the Executive as to any member of the Protected Group, or (iv) normal commercial puffery in a competitive business situation.

(c) In the event of a material breach or threatened material breach of clauses (a) or (b) above, the Company or the Executive, as the case may be, in addition to its or the Executive's other remedies at law or in equity, shall be entitled to injunctive or other equitable relief in order to enforce or prevent any violations of this Section 9.9.

9.10 POOLING OF INTERESTS. If the Company is involved in any proposed business combination that is contemplated to be accounted for as a pooling of interests, the Executive agrees to cooperate with the reasonable requests of the Company with regard to the exercise of stock options, the sale of Company stock or other matters that could affect the ability of the combination to be accounted for as a pooling of interests.

10. LIABILITY INSURANCE AND INDEMNIFICATION

The Company shall cover the Executive under directors and officers liability insurance both during and, while potential liability exists, after the Employment Term in the same amount and to the same extent, if any, as the Company covers its other officers and directors.

11. ASSIGNMENT

11.1 ASSIGNMENT BY THE COMPANY. This Agreement may and shall be assigned or transferred to, and shall be binding upon and shall inure to the benefit of, any successor of the Company, and any such successor shall be deemed substituted for all purposes of the "Company" under the terms of this Agreement. As used in this Agreement, the term "successor" shall mean any person, firm, corporation or business entity which at any time, whether by merger, purchase, or otherwise, acquires all or substantially all of the assets of the Company. Notwithstanding such assignment, the Company shall remain, with such successor, jointly and severally liable for all its obligations hereunder. Except as herein provided, this Agreement may not otherwise be assigned by the Company.

11.2 ASSIGNMENT BY THE EXECUTIVE. This Agreement is not assignable by the Executive. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, and administrators, successors, heirs, distributees, devisees, and legatees. If the Executive should die while any amounts payable to the Executive hereunder remain outstanding, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee, or other designee or, in the absence of such designee, to the Executive's estate.

12. LEGAL REMEDIES

12.1 PAYMENT OF LEGAL FEES. The Company shall pay the Executive's reasonable legal fees and costs associated with entering into this Agreement. To the fullest extent permitted by law, the Company shall promptly pay upon submission of statements all legal and other professional fees, costs of litigation, prejudgment interest, and other expenses incurred in connection with any dispute arising hereunder; provided, however, the Company shall be reimbursed by the Executive for (i) the fees and expenses advanced in the event the Executive's claim is in a material manner in bad faith or frivolous and the arbitrator or court, as applicable, determines that the reimbursement of such fees and expenses is appropriate, or (ii) to the extent that the arbitrator or court, as appropriate, determines that such legal and other professional fees are clearly and demonstrably unreasonable.

12.2 ARBITRATION. All disputes and controversies arising under or in connection with this Agreement, other than the seeking of injunctive or other equitable relief pursuant to Section 9 hereof, shall be settled by arbitration conducted before a panel of three (3) arbitrators sitting in New York City, New York, or such other location agreed by the parties hereto, in accordance with the rules for expedited resolution of commercial disputes of the American Arbitration Association then in effect. The determination of the majority of the arbitrators shall be final and binding on the parties. Judgment may be entered on the award of the arbitrator in any court having proper jurisdiction. All expenses of such arbitration, including the fees and expenses of the counsel of the Executive, shall be borne by the Company and the Executive shall be entitled to reimbursement of his expenses as provided in Section 12.1 hereof.

12.3 NOTICE. Any notices, requests, demands, or other communications provided for by this Agreement shall be sufficient if in writing and if delivered personally, sent by telecopier, sent by an overnight service or sent by registered or certified mail. Notice to the Executive not delivered personally (or by telecopy where the Executive is known to be) shall be sent to the last address on the books of the Company, and notice to the Company not delivered personally (or by telecopy to the known personal telecopy of the person it is being sent to) shall be sent to it at its principal office. All notices to the Company shall be delivered to the Chief Executive Officer with a copy to the senior legal officer. Delivery shall be deemed to occur on the earlier of actual receipt or tender and rejection by the intended recipient.

12.4 CONTINUED PAYMENTS. In the event after a Change in Control either party files for arbitration to resolve any dispute as to whether a termination is for Cause or Good Reason, until such dispute is determined by the arbitrators, the Executive shall continue to be treated economically and benefit wise in the manner asserted by him in the arbitration effective as of the date of the filing of the arbitration, subject to the Executive promptly refunding any amounts paid to him, paying the cost of any benefits provided to him and paying to the Company the profits in any stock option or other equity awards exercised or otherwise realized by him during the pendency of the arbitration which he is ultimately held not to be entitled to; provided the arbitrators may terminate such payments and benefits in the event that they determine at any point that the Executive is intentionally delaying conclusion of the arbitration.

13. MISCELLANEOUS

13.1 ENTIRE AGREEMENT. This Agreement, except to the extent specifically provided otherwise herein, supersedes any prior agreements or understandings, oral or written, between the parties hereto or between the Executive and the Company, with respect to the subject matter hereof and constitutes the entire Agreement of the parties with respect to the subject matter hereof. To the extent any severance plan or program of the Company that would apply to the Executive is more generous to the Executive than the provisions hereof, the Executive shall be entitled to any additional payments or benefits which are not duplicative, but shall otherwise not be eligible for such plan or program.

13.2 MODIFICATION. This Agreement shall not be varied, altered, modified, canceled, changed, or in any way amended, nor any provision hereof waived, except by mutual agreement of the parties in a written instrument executed by the parties hereto or their legal representatives.

13.3 SEVERABILITY. In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

13.4 COUNTERPARTS. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

13.5 TAX WITHHOLDING. The Company may withhold from any benefits payable under this Agreement all federal, state, city, or other taxes as may be required pursuant to any law or governmental regulation or ruling.

13.6 BENEFICIARIES. The Executive may designate one or more persons or entities as the primary and/or contingent beneficiaries of any amounts to be received under this Agreement. Such designation must be in the form of a signed writing acceptable to the Board or the Board's designee. The Executive may make or change such designation at any time.

13.7 REPRESENTATION. The Executive represents that the Executive's employment by the Company and the performance by the Executive of his obligations under this Agreement do not, and shall not, breach any agreement that obligates him to keep in confidence any trade secrets or confidential or proprietary information of his or of any other party, to write or consult to any other party or to refrain from competing, directly or indirectly, with the business of any other party. The Executive shall not disclose to the Company, and the Company shall not request that the Executive disclose, any trade secrets or confidential or proprietary information of any other party.

13.8 CONSTRUCTION. No provision of this Agreement shall be interpreted or construed against any party because that party or its legal representative drafted that provision. The captions and headings of the Sections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement. Unless the context of this Agreement clearly requires otherwise: (a) references to the plural include the singular, the singular the plural, and the part the whole, (b) references to one gender include all genders, (c) "or" has the inclusive meaning frequently identified with the phrase "and/or," (d) "including" has the inclusive meaning frequently identified with the phrase "including but not limited to" or "including without limitation," (e) references to "hereunder," "herein" or "hereof" relate to this Agreement as a whole, and (f) the terms "dollars" and "$" refer to United States dollars. Section, subsection, exhibit and schedule references are to this Agreement as originally executed unless otherwise specified. Any reference herein to any agreement, including this Agreement, shall be deemed to include such agreement as it may be modified, varied, amended or supplemented from time to time. Any reference herein to any statute, rule or regulation shall be deemed to include such statute, rule or regulation as it may be modified, varied, amended or supplemented from time to time. Any reference herein to any person shall be deemed to include the heirs, personal representatives, successors and permitted assigns of such person.

14. GOVERNING LAW

The provisions of this Agreement shall be construed and enforced in accordance with the laws of the state of Delaware, without regard to any otherwise applicable principles of conflicts of laws.

IN WITNESS WHEREOF, the Executive and the Company have executed this Agreement, as of the day and year first above written.

/s/ Theodore R. French

THEODORE R. FRENCH

TEXTRON INC.

By: /s/ Terrence O'Donnell

Name: Terrence O'Donnell
Title: Executive Vice President
and General Counsel

EXHIBIT A
PARACHUTE GROSS UP

(a) In the event that the Executive shall become entitled to payments and/or benefits provided by this Agreement or any other amounts in the "nature of compensation" (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any person whose actions result in a change of ownership or effective control covered by Section 280G(b)(2) of the Code or any person affiliated with the Company or such person) as a result of such change in ownership or effective control (collectively the "Company Payments"), and such Company Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code (and any similar tax that may hereafter be imposed by any taxing authority) the Company shall pay to the Executive at the time specified in subsection (d) below: (i) an additional amount (the "Gross-up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Company Payments and any U.S. federal, state, and for local income or payroll tax upon the Gross-up Payment provided for by this paragraph (a), but before deduction for any U.S. federal, state, and local income or payroll tax on the Company Payments, shall be equal to the Company Payments and (ii) an amount equal to the product of any deductions disallowed for federal, state or local income tax purposes because of the inclusion of the Gross-Up Payment in the Executive's adjusted gross income multiplied by the highest applicable marginal rate of federal, state or local income taxation, respectively, for the calendar year in which the Gross-Up Payment is to be made.

(b) For purposes of determining whether any of the Company Payments and Gross-up Payments (collectively the "Total Payments") will be subject to the Excise Tax and the amount of such Excise Tax, (x) the Total Payments shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "parachute payments" in excess of the "base amount" (as defined under Section 280G(b)(3) of the Code) shall be treated as subject to the Excise Tax, unless and except to the extent that, in the opinion of the Company's independent certified public accountants appointed prior to any change in ownership (as defined under Code Section 280G(b)(2)) or tax counsel selected by such accountants (the "Accountants") such Total Payments (in whole or in part) either do not constitute "parachute payments," represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the "base amount" or are otherwise not subject to the Excise Tax, and (y) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Accountants in accordance with the principles of Section 280G of the Code.

(c) For purposes of determining the amount of the Gross-up Payment, the Executive shall be deemed to pay U.S. federal income taxes at the highest marginal rate of U.S. federal income taxation in the calendar year in which the Gross-up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence for the calendar year in which the Company Payment is to be made, net of the maximum reduction in U.S. federal income taxes which could be obtained from deduction of such state and local taxes if paid in such year. In the event that the Excise Tax is subsequently determined by the Accountants (or by the Internal Revenue Service or other taxing authority) to be less than the amount taken into account hereunder at the time the Gross-up Payment is made, the Executive shall repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the prior Gross-up Payment attributable to such reduction (plus the portion of the Gross-up Payment attributable to the Excise Tax and U.S. federal, state and local income tax imposed on the portion of the Gross-up Payment being repaid by the Executive if such repayment results in a reduction in Excise Tax or a U.S. federal, state and local income tax deduction), plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. Notwithstanding the foregoing, in the event any portion of the Gross-up Payment to be refunded to the Company has been paid to any U.S. federal, state and local tax authority, repayment thereof (and related amounts) shall not be required until actual refund or credit of such portion has been made to the Executive, and interest payable to the Company shall not exceed the interest received or credited to the Executive by such tax authority for the period it held such portion. The Executive and the Company shall mutually agree upon the course of action to be pursued (and the method of allocating the expense thereof) if the Executive's claim for refund or credit is denied.

In the event that the Excise Tax is later determined by the Accountants (or the Internal Revenue Service or other taxing authority) to exceed the amount taken into account hereunder at the time the Gross-up Payment is made (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-up Payment), the Company shall make an additional Gross-up Payment in respect of such excess (plus any interest or penalties payable with respect to such excess) at the time that the amount of such excess is finally determined.

(d) The Gross-up Payment or portion thereof provided for in subsection (c) above shall be paid not later than the thirtieth (30th) day following an event occurring which subjects the Executive to the Excise Tax; provided, however, that if the amount of such Gross-up Payment or portion thereof cannot be finally determined on or before such day, the Company shall pay to the Executive on such day an estimate, as determined in good faith by the Accountants, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code), subject to further payments pursuant to subsection (c) hereof, as soon as the amount thereof can reasonably be determined, but in no event later than the ninetieth day after the occurrence of the event subjecting the Executive to the Excise Tax. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the fifth day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

(e) In the event of any controversy with the Internal Revenue Service (or other taxing authority) with regard to the Excise Tax, the Executive shall permit the Company to control issues related to the Excise Tax (at its expense), provided that such issues do not potentially materially adversely affect the Executive, but the Executive shall control any other issues. In the event the issues are interrelated, the Executive and the Company shall in good faith cooperate so as not to jeopardize resolution of any such issues, but if the parties cannot agree the Executive shall make the final determination with regard to the issues. In the event of any conference with any taxing authority as to the Excise Tax or associated income taxes, the Executive shall permit the representative of the Company to accompany the Executive, and the Executive and the Executive's representative shall cooperate with the Company and its representative.

(f) The Company shall be responsible for all charges of the Accountants.

(g) The Company and the Executive shall promptly deliver to each other copies of any written communications, and summaries of any verbal communications, with any taxing authority regarding the Excise Tax covered by this Exhibit A.

EXHIBIT 10.15B

Theodore R. French
Restricted Stock Awards
January 1, 2001

The Organization and Compensation Committee approved an award of 100,000 shares of restricted stock to Theodore R. French (the "Executive"). The terms of the awards are as follows:

- The Executive will be granted restricted shares of Textron common stock provided he is still employed by Textron in accordance with the following schedule:

Restricted Shares	Vest Dates
20,000	1/1/02
20,000	1/1/03
20,000	1/1/04
20,000	1/1/05
20,000	1/1/06
100,000	

- Textron shall retain the certificates representing the shares of restricted stock in its possession until such time as the shares have vested.

- Except as otherwise provided herein, the Executive shall not be entitled to receive the restricted shares if his employment with Textron ends for any reason prior to the respective vesting date, provided that if the Executive's employment ends prior to such date because of his death, "Disability" (Attachment A), his involuntary termination by Textron without "Cause" (Attachment A) or by the Executive for "Good Reason" (Attachment A), the shares shall immediately become fully vested. In the event of such termination, the shares shall be issued within 30 days following termination of employment.

- Notwithstanding the above, all unvested shares shall immediately vest upon a "Change in Control" (Attachment A).

- Dividends shall be credited to the Executive and such dividends are to be accounted for as if reinvested in actual Textron common stock. Such dividends will vest immediately but payment will be deferred until the earlier of the restricted shares vest date or termination of employment.

- The number of restricted shares awarded to the Executive hereunder shall be proportionately adjusted for any increase or decrease in the number of issued shares of Textron common stock resulting from a stock split, stock dividend or any other increase or decrease in such shares effective without receipt of consideration by Textron.

- With respect to withholding required upon the lapse of restrictions on the restricted stock, the Executive may elect, subject to the approval of the Board, to satisfy the withholding requirement, in whole or in part, by having Textron withhold shares having a fair market value on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction. Such election shall be irrevocable, made in writing, signed by the Executive, and shall be subject to any restrictions or limitations that the Board in its sole discretion, deems appropriate.

/s/ John D. Butler	*12/20/00*
John D. Butler	*Date*

ATTACHMENT A

Theodore R. French
Restricted Stock Awards
January 1, 2001

"DISABILITY"

"Disability" shall mean, for purposes of this award, the inability of the Executive, due to injury, illness, disease or bodily or mental infirmity, to engage in the performance of his material duties of employment with the Company for a period of more than one hundred eighty (180) consecutive days or for a period that is reasonably expected to exist for a period of more than one hundred eighty (180) consecutive days, provided that interim returns to work of less than ten (10) consecutive business days in duration shall not be deemed to interfere with a determination of consecutive absent days if the reason for absence before and after the interim return are the same. The existence or non-existence of a Disability shall be determined by a physician agreed upon a good faith by the Executive (or his representatives) and Textron.

"CAUSE"

"Cause" shall mean: (i) an act or acts of willful misrepresentation, fraud or willful dishonesty (other than good faith expense account disputes) by the Executive which in any case is intended to result in his or another person or entity's substantial personal enrichment at the expense of the Company; (ii) any willful misconduct by the Executive with regard to the Company, its business, assets or employees that has, or was intended to have, a material adverse impact (economic or otherwise) on the Company;
(iii) any material, willful and knowing violation by the Executive of (x) the Company's Business Conduct Guidelines, or (y) any of his fiduciary duties to the Company which in either case has, or was intended to have, a material adverse impact (economic or otherwise) on the Company; (iv) the willful or reckless behavior of the Executive with regard to a matter of a material nature which has a material adverse impact (economic or otherwise) on the Company; (v) the executive's willful failure to attempt to perform his duties or his willful failure to attempt to follow the legal written direction of the Board, which in either case is not remedied within ten
(10) days after receipt by the Executive of a written notice from the Company specifying the details thereof; or (vi) the Executive's conviction of, or pleading NOLO CONTENDERE or guilty to, a felony (other than (x) a traffic infraction or (y) vicarious liability solely as a result of his position provided the Executive did not have actual knowledge of the actions or inactions creating the violation of the law or the Executive relied in good faith on the advice of counsel with regard to the legality of such action or inaction (or the advice of other specifically qualified professionals as to the appropriate or proper action or inaction to take with regard to matters which are not matters of legal interpretation); No action or inaction should be deemed willful if not demonstrably willful and if taken or not taken by the Executive in good faith as not being adverse to the best interests of the Company. Reference in this paragraph to the Company shall also include direct and indirect subsidiaries of the Company, and materiality and material adverse impact shall be measured based on the action or inaction and the impact upon, and not the size of, the Company taken as a whole, provided that after a Change in Control, the size of the Company, taken as a whole, shall be a relevant factor in determining materiality and material adverse impact.

"GOOD REASON"

"Good Reason" shall mean, without the Executive's express written consent, the occurrence of any one or more of the following: (i) the assignment to the Executive of duties materially inconsistent with the Executive's then authorities, duties, responsibilities, and status (including offices, titles, and reporting requirements), or any reduction in the Executive's then title, position, reporting lines or a material reduction (other than temporarily while Disabled or otherwise incapacitated) in his then status, authorities, duties, or responsibilities or, if then a director of the Company, failure to be nominated or reelected as a director of the Company or removal as such; (ii) relocation of the Executive from the principal office of the Company (excluding reasonable travel on the Company's business to an extent substantially consistent with the Executive's business obligations) or relocation of the principal office of the Company to a location which is at least fifty (50) miles from the Company's current headquarters, provided, however, if the Executive at the time of the relocation is not located at the principal office, such relocation provision shall apply based on his then location but shall not cover a relocation to the principal office prior to a Change in Control; (iii) a reduction by the Company in the Executive's Base Salary; (iv) a reduction in the Executive's aggregate level of participation in any of the Company's short and/or long-term incentive compensation plans, or employee benefit or retirement plans, policies, practices, or arrangements in which the Executive participated as of the Effective Date, or, after a Change in Control, participated immediately prior to the Change in Control; (v) the failure of the Company to obtain and deliver to the Executive a satisfactory written agreement from any successor to the Company to assume and agree to perform this Agreement; or (vi) any other material breach by the Company of this Agreement.

"CHANGE IN CONTROL"

A "Change in Control" of the Company shall be deemed to have occurred as of the first day any one or more of the following conditions shall have been satisfied:

(a) Any "person" or "group" (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) other than the Company, any trustee or other fiduciary holding Company common stock under an employee benefit plan of the Company or a related company, or any corporation which is owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the Company's common stock, is or becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of more than thirty percent (30%) of the then outstanding voting stock;

(b) During any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two year period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board;

(c) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or

(d) The approval of the stockholders of the Company of a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of its assets.

EXHIBIT 10.18B

FIRST AMENDMENT

FIRST AMENDMENT (the "First Amendment"), dated as of the 21st day of December, 2000, to the Employment Agreement dated as of the 23rd day of July, 1998, by and between Stephen L. Key ("Key") and Textron, Inc. (the "Company") (the "Original Employment Agreement" and, as amended by this First Amendment, the "Employment Agreement").

W I T N E S S E T H:

WHEREAS, Key and the Company entered into the Original Employment Agreement pursuant to which Key served the Company as, among other things, Executive Vice President ("EVP") and Chief Financial Officer ("CFO");

WHEREAS, Key has indicated to the Company his desire to retire from employment with the Company, and the Company wishes to accommodate Key's desire; and

WHEREAS, the Company appointed a new CFO effective as of December 22, 2000 (the "CFO Transition Date");

WHEREAS, Key is willing to remain employed by the Company as EVP and CFO until the CFO Transition Date and, at the Company's option, as EVP of the Company ("Transition Position") until January 31, 2001 (the "Normal Termination Date");

WHEREAS, Key and the Company desire to amend the Original Employment Agreement: (a) to provide Key with certain additional severance benefits so as to encourage his retention as EVP and CFO until the CFO Transition Date, his retention in a Transition Position until the Normal Termination Date and his continuing retention in a Transition Position beyond the

Normal Transition Date should a Contingent Event (as defined in Exhibit A to the Employment Agreement) occur, and (b) to document Key's waiver of certain rights, if any, arising with respect to Key's employment to the date hereof.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements of the parties set forth in the Original Employment Agreement and this First Amendment, and of other good and valuable consideration, the adequacy and receipt of which is acknowledged, the parties hereto agree as follows:

1. All terms used herein, except as otherwise specifically defined herein, shall have the same meaning as in the Original Employment Agreement. For purposes of the First Amendment and the Employment Agreement the term "Good Reason" shall mean only an event of the type described in such definition in Section 5(f) of the Original Employment Agreement that occurs from and after the date hereof and shall not include any such event occurring prior to the date hereof, each of which such earlier events, if any, are hereby waived by Key as the basis for any termination pursuant to Section 5(f) of the Employment Agreement. The term "Agreement" as used in the Employment Agreement shall have the same meaning as "Employment Agreement."

2. Exhibit A to the Employment Agreement is amended to read as follows:

"1. Pursuant to a letter dated March 21, 1995 (the "Letter"), the Executive is entitled to the cash equivalent of 20,000 shares of the Company's common stock (40,000 shares post split) following his retirement provided he retires from the Company at or after age 60. The number of shares shall be proportionally adjusted for any increase or decrease in the number of issued shares of the Company's common stock resulting from a stock split, stock dividend or any other increase or decrease in such shares effected without receipt of consideration by the Company. The cash equivalent will be based on the average of the composite closing price (as reported on the New York Stock Exchange consolidated tape) of the Company's common stock for the ten (10) trading days (November 14, 2000 through November 28, 2000 ($52.25)) immediately preceding the "Trigger Date" (November 29, 2000) or the ten (10) trading day period starting February 13, 2001 and ending February 27, 2001, whichever provides the Executive with the greater amount, and payment shall be made after the end of the second measuring period, and FURTHER PROVIDED that, in the event of a Change in Control, if a Qualified Termination occurs within the protected period under Section 8 of the Employment Agreement, the price, if higher, shall be the highest closing price per share of the Company's common stock (as reported on the New York Stock Exchange consolidated tape) during the 30 day period ending on the date of such Change in Control.

2. Notwithstanding the foregoing age 60 requirement, the payment provided for in Section 1 of this EXHIBIT A shall vest upon the effective date of the Executive's termination of employment at any age after the date hereof as a result of: (a) death (pursuant to Section 5(a) of the Employment Agreement), (b) Disability (pursuant to Section 5(b) of the Employment Agreement), (c) a termination of Executive's employment by the Company without Cause (pursuant to Section 5(e) of the Employment Agreement), (d) a resignation by the Executive for Good Reason (pursuant to
Section 5(f) of the Employment Agreement), or (e) any termination by Executive (whether or not for Good Reason) after January 31, 2001 (the "Normal Termination Date"), PROVIDED, HOWEVER, that if a vacancy occurs in the CFO position ("Contingent Event") on or prior to the Normal Termination Date, the term "the earlier of (i) June 1, 2001, and (ii) the appointment of a new CFO" shall be substituted for "January 31, 2001" in this CLAUSE
(e). Once vested, such payment shall be paid out in a lump sum as provided for in Section 1 of this EXHIBIT A.

3. Upon a Change in Control the Executive's right to the cash payment contemplated in Section 1 of this EXHIBIT A shall immediately vest, but such payment shall not be made until the earlier of (a) a termination of the Executive's employment thereafter for a reason contemplated by Section 2 of this EXHIBIT A or (b) a Qualifying Termination within the protected period provided for in Section 8 of the Employment Agreement.

4. The foregoing award shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, garnishment, execution or levy of any kind, and any attempt to do so shall not be recognized."

3. Section 6 of the Employment Agreement is amended by the addition of a new Section 6.5 at the end thereof to read as follows:

"6.5 SPECIAL TERMINATION RULES. (a) In the event Section 6.3 or
Section 8.1 of this Employment Agreement becomes applicable to Executive, for purposes of the SERP and any other pension or welfare benefit plan of the Company, the Executive shall be deemed to have satisfied all age and service requirements for the benefit, shall be treated as if he was the greatest of his actual age, the minimum required age

for such benefit or his "Deemed Age" (as defined below) and had service equal to the greater of his actual service or the minimum required service for each such benefit, and shall, if Section 8.1 is applicable, be entitled to immediately commence benefits thereunder, or if Section 6.3 is applicable, be entitled to commence benefits thereunder at the earlier of
(x) when he otherwise would under the terms of the applicable plan be entitled to commence such benefit, or (y) upon the ceasing of the payment of the amounts payable pursuant to Section 6.3(b). Executive's "Deemed Age" shall be 62 plus one month for each month that Key remains employed as CFO after January 31, 2001. In the event this provision applies, Section 6.3(e) of this Agreement shall only apply with regard to the SERP to the extent the amount of added service and age by virtue of this provision is less than two and one-half (2 1/2) years. Application of this provision shall not affect application of Section 8.1(g).

"(b) In the event that Executive voluntarily terminates his employment for any reason effective on or after January 31, 2001 (PROVIDED, HOWEVER, that should a Contingent Event occur on or prior to such date, the term "the earlier of (i) June 1, 2001, and (ii) the appointment of a new CFO" shall be substituted for "January 31, 2001" in this subsection), Executive shall be treated as if he terminated his employment for Good Reason, except that, if such termination would not be covered by Section 8.1, instead of being entitled to any amount under Section 6.3 (b): (y) Executive shall be entitled to immediately commence retirement benefits pursuant to Section 6.3(e), being treated as if he was the greater of the Deemed Age or the Executive's actual age, and the Company shall immediately prior to the termination date contribute to the Executive's stock unit account under the Company's Deferred Income Plan, without a company matching contribution, the amount of $720,000, and in addition, if the Executive dies during the thirty (30) month period following his termination, the Company shall promptly pay to Executive's estate or designated beneficiary an amount equal to $22,576.00 times thirty (30) less the number of months between Executive's date of termination and his death.

"(c) If any benefit or equity plans or grant specifically provides for benefits or rights in the discretion of the Chief Executive Officer, the Senior Human Resources Officer or the Board of Directors (or a committee thereof), such consent shall be deemed given in the event Section 6.3, including as provided under clause (b) above, or Section 8.1 of the Employment Agreement becomes applicable becomes applicable at any time after the date of the First Amendment hereto.

"(d) In the event that Section 6.3, including as provided under clause
(b) above, or Section 8.1 of the Employment Agreement becomes applicable at any time after the date of the First Amendment hereto, the Executive shall be treated as if he qualifies as a `retiree' for all benefit plans to the extent such status would provide him on a benefit by benefit basis with greater rights than he otherwise would have. The parties acknowledge and agree that (i) any reference in this Employment Agreement to "welfare plans" is not intended to include a reference to any long-term disability plan offered to retirees, and (ii) disability coverage is not being provided to the Executive in the event that Section 6.3, including as provided under clause (b) above, or Section 8.1 of the Employment Agreement becomes applicable.

4. The Executive agrees that, during the one (1) year period following any termination of his employment with the Company, the Executive will consult with and provide information to the Company from time to time upon the Company's reasonable request with respect to any matter (s) or proceeding(s) arising thereafter that relate in a material way to the Executive's duties or responsibilities while employed by the Company or as to which the Executive may have knowledge or insight as a result of his prior employment by the Company. The Company will give the Executive reasonable notice of any such request and shall use commercially reasonable means to avoid any such request's unduly interfering with the Executive's other activities. The Company will reimburse the Executive for any out of pocket expenses incurred in connection with rendering such assistance and shall accord to the Executive in connection with such activities such indemnification and exculpation protections as would be accorded him if he were doing so as an officer of the Company.

5. As amended herein, the Employment Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Executive and the Company have executed this First Amendment as of the day and year first above written.

/s/ Stephen L. Key
--
Stephen L. Key

TEXTRON INC.

By /s/ John D. Butler
--
John D. Butler
Executive Vice President Administration
& Chief Human Resources Officer

EXHIBIT 12.1

TEXTRON MANUFACTURING

COMPUTATION OF RATIO OF INCOME TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(UNAUDITED)

(In millions except ratios)

	Year				
	2000	1999	1998	1997	1996
Fixed charges:					
Interest expense (1)	$ 158	$ 56	$ 146	$ 117	$ 137
Distributions on preferred securities of subsidiary trust, net of income taxes	26	26	26	26	23
Estimated interest portion of rents	30	26	20	14	18
Total fixed charges	$ 214	$ 108	$ 192	$ 157	$ 178
Income:					
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	$ 611	$ 1,030	$ 763	$ 648	$ 540
Fixed charges (2)	188	82	166	131	155
Eliminate equity in undistributed pretax income of finance subsidiaries	(112)	(92)	(47)	(36)	(64)
Adjusted income	$ 687	$ 1,020	$ 882	$ 743	$ 631
Ratio of income to fixed charges	3.21	9.44	4.59	4.73	3.54

(1) Includes interest unrelated to borrowings of $3 million in 1999, $16 million in 1998; $12 million in 1997 and $11 million in 1996.

(2) Adjusted to exclude distributions on preferred securities of subsidiary trust, net of income taxes in 2000, 1999, 1998, 1997 and 1996.

EXHIBIT 12.2

TEXTRON INC. INCLUDING ALL MAJORITY-OWNED SUBSIDIARIES

COMPUTATION OF RATIO OF INCOME TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(UNAUDITED)

(In millions except ratios)

	Year				
	2000	1999	1998	1997	1996
Fixed charges:					
Interest expense (1)	$ 492	$ 245	$ 301	$ 270	$ 284
Distributions on preferred securities of subsidiary trust, net of income taxes	26	26	26	26	23
Estimated interest portion of rents	31	27	21	14	19
Total fixed charges	$ 549	$ 298	$ 348	$ 310	$ 326
Income:					
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	$ 611	$ 1,030	$ 763	$ 648	$ 540
Fixed charges (2)	523	272	322	284	303
Adjusted income	$ 1,134	$ 1,302	$ 1085	$ 932	$ 843
Ratio of income to fixed charges	2.07	4.37	3.12	3.01	2.59

(1) Includes interest unrelated to borrowings of $3 million in 1999, $16 million in 1998, $12 million in 1997 and $11 million in 1996.
(2) Adjusted to exclude distributions on preferred securities of subsidiary trust, net of income taxes in 2000, 1999, 1998, 1997 and 1996.

Exhibit 13

FINANCIAL REPORT

BUSINESS SEGMENT DATA

For a description of the businesses comprising each segment, see pages 61 through 63.

	REVENUES			SEGMENT PROFIT*			SEGMENT PROFIT MARGINS		
(In millions)	2000	1999	1998	2000	1999	1998	2000	1999	1998
Aircraft	$ 4,394	$ 4,019	$3,380	$ 451	$ 362	$ 338	10.3%	9.0%	10.0%
Automotive	2,924	2,868	2,356	244	220	171	8.3	7.7	7.3
Fastening Systems	2,137	2,082	1,758	182	190	186	8.5	9.1	10.6
Industrial Products	2,944	2,422	2,013	343	301	232	11.7	12.4	11.5
Finance	691	463	367	190	128	113	27.5	27.6	30.8
	$13,090	$11,854	$9,874	$ 1,410	$ 1,201	$ 1,040	10.8%	10.1%	10.5%
Special charges, net				(483)	1	(87)			
Gain on sale of division				--	--	97			
Segment operating income				927	1,202	1,050			
Corporate expenses and other, net				(164)	(143)	(141)			
Interest income				6	27	--			
Interest expense				(158)	(56)	(146)			
Income from continuing operations before income taxes**				$ 611	$ 1,030	$ 763			

* Segment profit represents the measurement used by Textron to evaluate performance for decision making purposes. Segment profit for manufacturing segments does not include interest, certain corporate expenses, special charges and gains and losses from the disposition of significant business units. The measurement for the Finance segment includes interest income, interest expense and distributions on preferred securities of Finance subsidiary trust.

** Before distributions on preferred securities of manufacturing subsidiary trust.

2000 REVENUES

[PIE CHART GRAPHIC]

- 34% Aircraft $4,394
- 22% Automotive $2,924
- 16% Fastening Systems $2,137
- 23% Industrial Products $2,944
- 5% Finance $691

2000 SEGMENT PROFIT

[PIE CHART GRAPHIC]

- 32% Aircraft $451
- 17% Automotive $244

- 13% Fastening Systems $182
- 24% Industrial Products $343
- 14% Finance $190

RESULTS OF OPERATIONS

[BAR GRAPH GRAPHIC]

REVENUES

98	99	00
11%	20%	10%
$9,874	$11,854	$13,090

EARNINGS PER SHARE*

[BAR GRAPH GRAPHIC]

98	99	00
22%	51%	(53)%
$2.68	$4.05	$1.90

* Income from continuing operations - diluted

TEXTRON INC.
2000 vs. 1999

- Income from continuing operations for 2000 was $277 million, down from the 1999 amount of $623 million. Diluted earnings per share from continuing operations were $1.90 and $4.05 for 2000 and 1999, respectively. Textron recognized special charges of $483 million in 2000 or $2.75 per share after income taxes. Revenues increased 10% to $13.1 billion in 2000 from $11.9 billion in 1999.

- Special charges of $483 million (pre-tax) in 2000 include accruable restructuring charges of $16 million, associated with the modernization and consolidation of manufacturing facilities in the Automotive and Industrial Products segments, $350 million for goodwill and fixed asset impairment and $117 million for the write-down of the Company's e-business investment portfolio. The discussion that follows refers to results before special charges unless otherwise noted.

- Textron reorganized its management reporting structure into five segments, separately reporting Fastening Systems and Industrial Products, which previously comprised the Industrial segment. Additionally, management responsibility for one division previously reported in the Automotive segment has been transferred to the Industrial Products segment. Prior periods have been restated to reflect these changes.

- Segment profit of $1.410 billion increased 17% from $1.201 billion in 1999, as a result of continued improved financial results in Aircraft, Automotive, Industrial Products and Finance. Segment profit in Fastening Systems decreased slightly. Segment profit represents the measurement used by Textron to evaluate performance for decision making purposes and for manufacturing segments does not include interest, certain corporate expenses, special charges and gains and losses from the disposition of significant business units. The measurement for the Finance segment includes interest income, interest expense and distributions on preferred securities of Finance subsidiary trust.

- Segment profit reflected gains associated with the sale of several small non-core product lines and joint ventures, and fixed assets in the manufacturing segments and the benefit of higher income related to the syndication and securitization of several portfolios in the Finance segment. Additionally, segment profit benefited from higher income related to retirement benefits, reflecting a higher expected return on plan assets and revised actuarial estimates.

- Total segment margin increased to 10.8% in 2000 from 10.1% in 1999, due primarily to higher Aircraft and Automotive margins.

- Effective in the fourth quarter 2000, Textron reclassified certain items in its income statement and restated revenues and costs for prior periods. A substantial portion of the reclassifications related to the adoption of Emerging Issues Task Force (EITF) consensus on Issue No. 99-19 "Reporting Revenue Gross as a Principal versus Net as an Agent", whereby used aircraft sales are now reported as revenues; previously they were netted against costs. Prior period financial information has been reclassified to conform with the current year presentation. The result of the reclassifications was to increase revenue and costs by $254 million, $275 million and $191 million for 2000, 1999 and 1998, respectively. There was no effect on income from continuing operations or net income.

- Effective January 2000, Textron implemented the EITF consensus on Issue 99-5 "Accounting for Pre-Production Costs Related to Long Term Supply Arrangements." As a result of this, in the first quarter 2000, Textron reported a cumulative effect of change in accounting principle of

$59 million (net of tax), or approximately $0.41 per share related to the adoption of this consensus.

- Textron completed the sale of Avco Financial Services (AFS) to Associates First Capital Corporation for $3.9 billion in cash on January 6, 1999 and recorded an after-tax gain of $1.65 billion or $10.70 per share. Textron also recorded an extraordinary loss of $43 million (net of tax) or $.27 per share on the early retirement of debt in 1999. Net income (including the cumulative effect of the change in accounting principle and the special charges in 2000) was $218 million or $1.49 per share compared to 1999 net income of $2.23 billion or $14.48 per share, which included the gain on the sale of AFS and the extraordinary loss.

- Interest income and expense - the net interest expense for Textron Manufacturing increased $123 million due to the re-leveraging that occurred following the divestiture of AFS. Interest expense increased $102 million due to a higher level of average debt as a result of acquisitions and share repurchases. Interest income for 2000 of $6 million was related to the settlement of a note receivable compared to income of $27 million realized in 1999 as a result of its net investment position.

- Corporate expenses and other, net increased $21 million due primarily to the impact of organizational changes in the first and fourth quarters and costs associated with strategic and e-business initiatives in 2000, partially offset by higher income related to retirement benefits.

- Income taxes - the effective income tax rate for 2000 was 50.4% primarily due to the impact of the non-tax deductibility of goodwill written off in the fourth quarter. The impact of the special charges on the effective tax rate was 14.9%. Excluding the tax impact of the special charges, the effective tax rate was 35.5% for 2000 compared to 37.0% in 1999. This reduction is primarily due to the benefit of tax planning initiatives being realized in 2000 and the tax benefit of a contribution of shares granted to Textron in 1999 from Manulife Financial Corporation's initial public offering on their demutualization of Manufacturers Life Insurance Company to the Textron Charitable Trust.

- As a result of the softening economy, especially in the automotive industry, Textron anticipates slower growth rates for 2001, particularly in the first quarter. To strengthen operating efficiencies and better align its operations with current economic and market conditions in its Automotive, Fastening Systems and Industrial Products segments, Textron expects to incur additional restructuring charges over the next four to five quarters as the restructuring efforts are implemented.

1999 vs. 1998

- Income from continuing operations in 1999 of $623 million was up 41% from $443 million in 1998. Diluted earnings per share from continuing operations in 1999 of $4.05 were up 51% from $2.68 in 1998. Revenues increased 20% to $11.9 billion in 1999 from $9.9 billion in 1998.

- Segment profit of Textron's five business segments aggregated $1.201 billion in 1999, up 15% from 1998, as a result of continued improved financial results across all business segments, reflecting the benefit of organic growth and acquisitions.

- Total segment margin decreased to 10.1% in 1999 from 10.5% in 1998, due primarily to lower Aircraft margins and the impact of lower margin acquisitions.

- Net income in 1999, including the gain on the sale of AFS and the extraordinary loss, was $2.23 billion or $14.48 per share, compared to $608 million in 1998 or $3.68 per share, which included $165 million of discontinued operating income from AFS.

- Interest income and expense - the net interest expense for Textron Manufacturing decreased $117 million as a result of the proceeds received in January 1999 from the divestiture of AFS. Interest income increased $27 million, as a result of Textron's net investment position during the year, while interest expense decreased $90 million due to a lower level of average debt, resulting from the pay down of debt with the AFS proceeds, partially offset by incremental debt associated with acquisitions and share repurchases.

AIRCRAFT
2000 vs. 1999

The Aircraft segment's revenues and profit increased $375 million (9%) and $89 million (25%), respectively, achieving a 130 basis point improvement in margin.

- Cessna Aircraft's revenues increased $342 million due to higher sales of business jets, primarily the Citation Excel and the Citation Bravo, and increased spares and service revenues. Its profit increased as a result of the higher sales and improved operating performance, partially offset by increased engineering expense related to the Sovereign business jet.

AIRCRAFT
REVENUES

[BAR GRAPH GRAPHIC]

98	99	00
5%	19%	9%
$3,380	$4,019	$4,394

- Bell Helicopter's revenues increased $33 million as higher foreign military sales ($54 million), higher commercial spares sales ($21 million) and higher revenues on the V-22 Osprey tiltrotor aircraft production contract ($41 million) were partially offset by lower sales of commercial and other military helicopters ($71 million). Bell's profit increased due to the higher revenues and higher income related to retirement benefits. This favorable impact was partially offset by the lower recognition into income ($30 million in 2000 vs. $37 million in 1999) of cash received from a joint venture partner in 1998 on the formation of the BA609 program. Product development expense for 2000 increased slightly as higher spending on the BA609 commercial tiltrotor aircraft (net of the benefit of the contribution from a new supplier for the BA609 fuselage) was offset by lower spending on other programs.

- The Department of Defense is investigating a recent mishap of the V-22 tiltrotor aircraft. Pending the results of the investigation, the U.S. Marine Corps has temporarily restricted the use of their V-22 aircraft. While current production continues under a low rate production contract, approval of a full rate production contract by the Department of Defense will probably be delayed pending the outcome of the investigation. During 2000, the Company recognized total revenue of $432 million under the V-22 program.

SEGMENT
PROFIT

[BAR GRAPH GRAPHIC]

98	99	00
8%	7%	25%
$338	$362	$451

1999 vs. 1998

The Aircraft segment's revenues and profit increased $639 million (19%) and $24 million (7%), respectively, due to higher results at Cessna Aircraft.

- Cessna Aircraft's revenues increased $523 million as a result of higher sales of business jets, primarily the Citation X and the Citation Excel, higher single-engine piston aircraft sales and increased spares and service revenues. Its profit increased as a result of the higher sales, partially offset by increased manufacturing costs associated with the ramp-up in production of new aircraft, higher warranty expense and increased new product development expense related to the Citation CJ2.

- Bell Helicopter's revenues increased $116 million, due primarily to higher revenues on the V-22 production contract ($105 million) and the Huey and Cobra upgrade contracts ($63 million) and higher foreign military sales ($42 million), partially offset by lower commercial and U.S. Government helicopter sales ($102 million). Bell's profit was unchanged from the 1998 level. 1999 results reflected the full year recognition into income ($37 million in 1999 vs. $10 million in 1998) of cash received in 1998 on the formation of a joint venture on the BA609 program, partially offset by higher expense related to new product development, while 1998 results reflected favorable contract adjustments related to the Bell-Boeing V-22 Engineering, Manufacturing and Development contract.

AUTOMOTIVE
REVENUES

[BAR GRAPH GRAPHIC]

98	99	00
14%	22%	2%
$2,356	$2,868	$2,924

SEGMENT
PROFIT

[BAR GRAPH GRAPHIC]

98	99	00
21%	29%	11%
$171	$220	$244

AUTOMOTIVE
2000 vs. 1999

The Automotive segment's revenues increased $56 million (2%) while profit increased $24 million (11%) resulting in a 60 basis point increase in margin. These results were achieved despite North American automotive original equipment manufacturer (OEM) production decreases in the fourth quarter 2000.

- Trim revenues increased $46 million due to the contribution from acquisitions, primarily the Plascar and the Textron Automotive Italia, S.r.l. joint venture (formerly referred to as Textron Breed Automotive, S.r.l) and major new program launches, partially offset by customer price reductions. Profit increased 9% due to improved operating performance and the contribution from acquisitions partially offset by higher petroleum-based resin prices, customer price reductions and higher engineering and design expense to support future programs.

- Fuel Systems and Functional Components revenues increased $10 million as a result of higher sales volume at Kautex, partially offset by the negative impact of foreign exchange and customer price reductions. Profit increased 14% due to improved operating performance at Kautex and a gain from the sale of two non-core product lines, partially offset by the unfavorable impact of foreign exchange, customer price reductions and higher petroleum-based resin prices.

In order to address performance issues in certain businesses and better align itself with current economic and market conditions, Textron has approved restructuring programs at Trim and in the Fuel Systems and Functional Components businesses.

1999 vs. 1998

The Automotive segment's revenues increased $512 million (22%), while profit increased $49 million (29%).

- Trim revenues increased $315 million (21%) reflecting increased production at DaimlerChrysler, Ford and General Motors, which was depressed in 1998 by a strike. The increase in revenues also reflected the benefit of the Textron Automotive Italia, S.r.l. joint venture and the Midland Industrial Plastics acquisition. Profit increased 25% due to the higher sales, partially offset by customer price reductions.

- Fuel Systems and Functional Components revenues increased $197 million (23%) due primarily to higher North American market penetration by Kautex. Despite customer price reductions, profit increased 37% due to higher sales and improved operating performance at Kautex.

FASTENING SYSTEMS
Revenues

[BAR GRAPH]

98	99	00
17%	18%	3%
$1,758	$2,082	$2,137

Segment
Profit

[BAR GRAPH]

98	99	00
11%	2%	(4)%
$186	$190	$182

FASTENING SYSTEMS
2000 vs. 1999

The Fastening Systems segment's revenues increased $55 million (3%), while profit decreased $8 million (4%). Revenues increased due to the contribution from acquisitions, primarily InteSys Technologies. This increase in revenues was partially offset by the unfavorable impact of foreign exchange in its European operations, lower volume in the heavy truck industry and customer price reductions. Segment profit decreased as improved operating performance at Commercial Solutions and Automotive Solutions and the benefit from acquisitions were offset by the unfavorable impact of customer price reductions, foreign exchange and lower volume in the heavy truck industry. As discussed on page 25 under "Special Charges, Net", Textron recorded a $128 million goodwill impairment write-down related to Fastening Systems.

In order to address performance issues in certain businesses and better align itself with current economic and market conditions, Textron has approved restructuring programs at Advanced Solutions, Automotive Solutions and Commercial Solutions.

1999 vs. 1998

The Fastening Systems segment's revenues and profit increased $324 million (18%) and $4 million (2%), respectively. Revenues increased as a result of the contribution from acquisitions, primarily Flexalloy, Ring Screw Works, Peiner, Sukosim and InteSys Technologies, partially offset by the unfavorable impact of foreign exchange in its European operations. Its profit increased as the benefit from acquisitions more than offset the lower revenues in Europe. Results were also affected by unfavorable operating performance at certain plants in Europe caused by production scheduling issues, integration costs in the Vendor Managed Inventory business, lower profit at an automotive plant related to economic conditions in Brazil and non-recurring costs associated with restructuring programs started in 1999.

INDUSTRIAL PRODUCTS
Revenues

[BAR GRAPH]

98	99	00

16%	20%	22%
$2,013	$2,422	$2,944

INDUSTRIAL PRODUCTS
2000 vs. 1999

The Industrial Products segment's revenues and profit increased $522 million (22%) and $42 million (14%), respectively. Revenues increased as a result of the contribution from acquisitions, primarily OmniQuip, and higher organic sales at Golf and Turf, Textron Marine & Land Systems, Greenlee, Textron Motion Control and Textron Lycoming. This increase in revenues was partially offset by lower revenues at Textron Systems, due to a change in contract mix, and lower demand at Textron Power Transmission, Textron Fluid Handling Products and Turbine Engine Components Textron (TECT). Profit increased primarily as a result of the contribution from acquisitions, higher income related to retirement benefits and improved margins at Textron Motion Control and Textron Systems. This increase in profit was partially offset by lower organic sales and unfavorable operating performance at OmniQuip, TECT and Textron Fluid Handling Products. During the fourth quarter 2000, Textron recorded a write-down of TECT goodwill for $178 million as discussed below under the heading "Special Charges, Net."

In order to address performance issues in certain businesses and better align itself with current economic and market conditions, Textron has approved restructuring programs at OmniQuip, Greenlee, Golf and Turf, Textron Motion Control, Textron Power Transmission, Textron Fluid Handling Products and Textron Systems.

INDUSTRIAL PRODUCTS
Segment
Profit

[BAR GRAPH]

98	99	00
23%	30%	14%
$232	$301	$343

1999 vs. 1998

The Industrial Products segment revenues and profit increased $409 million (20%) and $69 million (30%), respectively. Revenues increased as a result of the contribution from acquisitions, primarily David Brown, OmniQuip, Ransomes and Progressive Electronics, and higher organic sales at Golf and Turf and Greenlee. Its profit increased as a result of the higher sales combined with strong margin improvement at Golf and Turf and Textron Systems, and a gain on the sale of a product line. These benefits were partially offset by lower organic sales at Textron Power Transmission, reflecting a decline in the worldwide mechanical power transmission market, and TECT due to lower customer requirements, and the impact of the divestiture of Fuel Systems in 1998. In addition, 1998 results were depressed by a one-month strike at a Golf and Turf plant.

FINANCE
Revenues

[BAR GRAPH]

98	99	00
5%	26%	49%
$367	$463	$691

FINANCE
2000 vs. 1999

The Finance segment's revenues increased $228 million (49%) while profit increased $62 million (48%). Revenues increased due to a higher level of average receivables ($5.782 billion in 2000 vs. $4.252 billion in 1999), reflecting a balance of both acquisitive and organic growth, a higher yield on receivables and higher syndication and securitization income ($34 million in 2000 vs. $14 million in 1999). Segment profit increased as the benefit of the higher revenues was partially offset by higher expenses related to managed receivables and a higher provision for loan losses.

Segment
Profit

[BAR GRAPH]

98	99	00
5%	13%	48%
$113	$128	$190

1999 vs. 1998

The Finance segment's revenues increased $96 million (26%), while profit increased $15 million (13%). Revenues increased due to a higher level of average receivables ($4.252 billion in 1999 vs. $3.190 billion in 1998), reflecting both acquisitive and organic growth and an increase in syndication and servicing fee income. This was partially offset by lower yields on receivables, reflecting lower prevailing interest rates. Profit increased as the benefit of higher revenues was partially offset by higher expenses related to growth in managed receivables and a higher provision for loan losses related to growth in receivables and higher charge-offs in the revolving credit portfolio. This was partially offset by a lower provision for loan losses in the real estate portfolio. Included in 1999 results was a gain of $4.7 million on the sale of an investment in the third quarter, while third quarter 1998 results included a gain of $3.4 million on the securitization of Textron-related receivables.

SPECIAL CHARGES, NET

As discussed in Note 17, Textron recorded pre-tax charges totaling $483 million in 2000. The charges include restructuring charges of $16 million associated with the modernization and consolidation of manufacturing facilities in the Automotive ($1 million) and Industrial Products ($15 million) segments, $350 million of asset impairment charges in the Industrial Products, Fastening Systems and Automotive segments, and $117 million for the write-down of the Company's e-business investment portfolio.

In the fourth quarter 2000, Textron finalized its 2000 restructuring program to strengthen operating efficiencies and better align its operations with current economic and market conditions in its Automotive, Fastening Systems and Industrial Products segments. The Company expects to incur restructuring charges over the next four to five quarters as the restructuring efforts are implemented. Severance costs will be included in the restructuring charges and are based upon established policies and practices. The total cash cost of the program, before savings, is expected to be between $140 and $160 million which will be incurred primarily during 2001. Ongoing annualized savings are expected to be $100 to $120 million, beginning in 2002, with $50 to $70 million realized in 2001. Substantially all planned actions will be executed by year-end 2001, with an estimated net reduction in the global workforce of over 3,600.

In conjunction with the initiation of the 2000 restructuring program and the Company's fourth quarter multi-year financial planning process, management identified certain indicators of potential impairment of long-lived assets including goodwill. As a result, the Company performed an impairment review which identified impaired goodwill of $194 million in Industrial Products, $128 million in Fastening Systems and $27 million in Automotive, as well as impaired fixed assets of $1 million in Automotive resulting in an aggregate write-down of $350 million. The largest portions of the goodwill charge were at TECT ($178 million) and Flexalloy ($96 million). Key impairment indicators during 2000 with respect to TECT, a manufacturer of air and land-based gas turbine engines components and airframe structures, were deteriorating margins and its inability to generate new contracts combined with declining sales from its largest customer representing approximately 50% of TECT's total revenues. Key indicators for Flexalloy, a vendor-managed inventory company, serving primarily the heavy truck industry within Fastening Systems, were its performance against plan and the negative effect on its vendor-managed business model by other supply chain competitors. Flexalloy's business is dependent upon large customers and the service level for larger customers cannot be easily replicated without substantial additional investment. Also, the synergies within Fastening Systems, which were initially viewed to be significant due to Textron's existing market share, have been considerably less than anticipated. The undiscounted cash flow projections performed for the applicable operating units were less than the carrying amounts of long-lived assets including goodwill indicating that there was impairment. Accordingly, Textron recorded the goodwill write-down to the extent the carrying amount of goodwill exceeded its fair value.

During the last several months of 2000, the value of Textron's e-business investment portfolio has fallen substantially. The Company has determined that this decline in value is other than temporary and has taken a pre-tax charge of $117 million to write-down its e-business investment portfolio to its current value. The application of e-business technology across the Company remains an important strategic investment for Textron.

Textron recorded pre-tax charges of $18 million and $87 million in 1999 and 1998, respectively, related to restructuring activities. The charges include severance costs, asset impairments and other exit related costs associated with the cost reduction efforts and plant closures in the former Industrial segment, and headcount reductions in the Aircraft segment as discussed further in Note 17.

In the third quarter of 1999, Textron recorded a gain of $19 million as a result of shares granted to Textron from Manulife Financial Corporation's initial public offering on their demutualization of Manufacturers Life Insurance Company.

DISCONTINUED OPERATIONS

In August 1998, Textron announced that it had reached an agreement to sell Avco Financial Services (AFS) to Associates First Capital Corporation. The sale was completed on January 6, 1999. AFS is classified as a discontinued operation in 1999 and 1998.

LIQUIDITY & CAPITAL RESOURCES

The liquidity and capital resources of Textron's operations are best understood by separately considering its independent borrowing groups, Textron Manufacturing and Textron Finance. Textron Manufacturing consists of Textron Inc., the parent company, consolidated with the entities which operate in the Aircraft, Automotive, Fastening Systems and Industrial Products business segments, whose financial results are a reflection of the ability to manage and finance the development, production and delivery of tangible goods and services. Textron Finance consists of Textron's wholly-owned commercial finance subsidiary, Textron Financial Corporation, consolidated with its subsidiaries. Textron Finance's financial results are a reflection of its ability to provide financial services in a competitive marketplace, at the appropriate pricing, while managing the associated financial risks. The fundamental differences between each borrowing group's activities result in different measures used by investors, rating agencies and analysts.

OPERATING CASH FLOWS

Textron's financial position continued to be strong at the end of 2000. During 2000, cash flows from operations was the primary source of funds for operating needs and capital expenditures of Textron Manufacturing. The Statements of Cash Flows for each borrowing group detailing the changes in cash balances are on pages 36-37. Textron Manufacturing's operating cash flow includes dividends received from Textron Finance. Beginning in early 1999, the methodology used by Textron Finance to determine the amount of dividends to be paid to Textron Manufacturing changed from payments based on Textron Finance maintaining a leverage ratio of 6.5 to 1 to payments based on maintaining a leverage ratio of 7.5 to 1.

FINANCING

Textron Manufacturing's debt to total capital ratio was 32% at December 30, 2000 up from 27% at January 1, 2000. The increase is consistent with Textron's financial target of maintaining its debt to capital ratio in the low to mid-30% range. Consistent with the analytical methodology used by members of the financial community, leverage of the manufacturing operations excludes the debt of Textron Finance for the purposes of calculating leverage pursuant to Textron's financial targets. In turn, Textron Finance evaluates its leverage by limiting borrowing so that its leverage will not exceed a ratio of debt to tangible equity of 7.5 to 1. As a result, surplus capital of Textron Finance will be returned to Textron, and additional capital required for growth will be infused or left in the business, assuming Textron Finance's returns are consistent with Textron's standards.

Borrowings have historically been a secondary source of funds for Textron Manufacturing and, along with the collection of finance receivables, are a primary source of funds for Textron Finance. Both Textron Manufacturing and Textron Finance utilize a broad base of financial sources for their respective liquidity and capital requirements. The Company's strong credit ratings from Moody's (A2 Long-Term; P1 Short-Term), Standard & Poor's (Textron Manufacturing:
A Long-Term; A1 Short-Term. Textron Finance: A- Long-Term; A2 Short-Term) and Fitch (A Long-Term; F1 Short-Term) provide flexibility in obtaining funds on competitive terms. The Company's credit facilities are summarized on page 45.

During 2000, Textron Manufacturing established a two billion Euro Medium-Term Note facility (EMTN), which provides for the issuance of debt securities denominated in the Euro or other currencies. Under the EMTN, Textron issued 300 million Euro-denominated ($273 million U.S. dollar-equivalent as of December 30, 2000) 5.63% medium-term notes which mature in 2005 and 150 million British Pound Sterling-denominated ($221 million U.S. dollar-equivalent as of December 30, 2000) 6.63% notes which mature in 2020. The proceeds from the sale of these notes were used to reduce existing short-term debt and for general corporate purposes.

During 2000, Textron Finance increased its medium-term note facility by $300 million and issued $415 million of one-year variable rate notes. The related proceeds were used to refinance maturing commercial paper. The medium-term note facility was fully utilized as of year-end 2000. Textron Finance also issued $73 million in variable-rate notes that mature in 2003 through 2004, and $75 million Canadian dollar-denominated ($50 million U.S. dollar equivalent as of December 30, 2000) notes through private placements that mature in 2003. In April 2000, Textron Finance issued $750 million in variable rate notes under its shelf registration statement facility of which $275 million matures in 2001 and $475 million matures in 2002. The proceeds from these notes were used to refinance maturing commercial paper and terminate $220 million of other variable rate debt, which was prepaid at par.

During 2000, Textron Finance securitized approximately $763 million of general aviation receivables, $275 million of equipment loans and leases, $70 million of franchise loans and $69 million of land lot loans. In connection with the securitizations, Textron Finance terminated $300 million notional interest rate exchange agreements that were entered in 2000 to hedge the cash receipts associated with the securitization. The proceeds from the securitization sales were used to retire existing commercial paper. Realized gains recognized on these securitizations during 2000 was $22 million. The securitizations provided Textron Finance with an alternate source of financing while maintaining desired debt to capital ratios. Textron Finance anticipates that it will enter additional securitization transactions in 2001.

At year-end 2000, Textron Manufacturing had $1.5 billion available under its existing shelf registration filed with the Securities Exchange Commission (SEC) and approximately $1.3 billion U.S. dollar-equivalent available under the EMTN. Also at year-end 2000, Textron Finance had $1.25 billion available under its shelf registration filed with the SEC. The Company believes that both borrowing groups, individually and in the aggregate, have adequate credit facilities and have available access to capital markets to meet their long-term financing needs.

USES OF CAPITAL

Textron measures its existing businesses, and evaluates proposed capital projects and acquisitions on the basis of their ability to achieve a return on invested capital (ROIC) of at least 15 percent. ROIC measures the ability of a business or project to achieve an acceptable return on its capital irrespective of how it is financed. Textron sets rigorous financial criteria for evaluating potential acquisitions. Potential acquisitions must:

- Have a capability to achieve an ROIC of at least 15 percent (18% for Textron Finance).

- Achieve "economic profit" - earnings over and above the cost of capital, which approximates 10 percent after tax for domestic manufacturing (13 percent for domestic finance) - within a three-year time period. If an acquisition cannot produce an economic profit within this time frame, it must have a sound strategic justification (such as protecting an existing business with acceptable returns on capital) or the capital is better returned to shareholders.

- Nondilutive to EPS in the first twelve months and contribute to EPS thereafter.

Acquisitions by Textron Manufacturing are evaluated on an enterprise basis, so that the capital employed is equal to the price paid for the target company's equity plus any debt assumed. During the past three years, Textron acquired 32 companies, acquired the minority interest of two entities and entered into three joint ventures in the Manufacturing segments for an aggregate cost of $2.4 billion, including notes issued for approximately $164 million, treasury stock issued for $32 million and $529 million of debt assumed. In December 2000, Textron agreed to acquire Tempo Research Corporation to further expand its growing presence in the telecommunications test equipment market. This transaction closed in early 2001.

Acquisitions of Textron Finance are evaluated on the basis of the amount of Textron Manufacturing capital that Textron would have to set aside so that the acquisition could be levered at a debt to tangible equity ratio with Textron Finance of 7.5 to 1. During the past three years, Textron Finance acquired six companies. The capital required for these acquisitions was $387 million. The actual cost of the acquisitions was $1.5 billion, including debt assumed of $595 million.

Textron has invested approximately $100 million in Safeguard Scientifics, Inc. common stock as part of a strategic alliance with this Internet holding and operating company. Under the alliance, Textron is working with Safeguard partner companies to develop and execute global e-commerce strategies. Also, Textron invested approximately $8 million in the common stock of a Safeguard partner company and purchased $25 million of EqualFooting.com, Inc. convertible preferred stock in support of the Company's e-business initiative. These investments were made to accelerate the application of critical new technology across all of the Company's businesses. While this remains an important strategic objective for Textron, the value of the Company's investments has fallen substantially over the last several months of 2000. As a result, Textron has taken a charge in December 2000 of $117 million ($76 million after tax) to write down the Company's e-business investment portfolio to its current value. At year-end 2000, Textron's equity investments in its e-business portfolio had a carrying value of $17 million with no unrealized gain or loss in accumulated other comprehensive loss.

Capital spending in 2000 continued at a level consistent with 1999, decreasing only slightly to $527 million. Combined capital spending for the past three years totaled $1.5 billion.

On February 23, 2000, Textron announced that its Board of Directors had authorized a new ten million share repurchase program. In 2000, Textron repurchased 6.6 million shares of common stock under its Board authorized share repurchase program at an aggregate cost of $353 million. Textron's Board of Directors approved the annual dividend per common share of $1.30 in 2000. Dividend payments to shareholders in 2000 amounted to $189 million, a decrease of $3 million from 1999.

FINANCIAL RISK MANAGEMENT

INTEREST RATE RISKS

Textron's financial results are affected by changes in U.S. and foreign interest rates. As part of managing this risk, the Company enters into interest rate exchange agreements to convert certain variable-rate debt to long-term fixed-rate debt and vice versa. The overall objective of Textron's interest rate risk management is to achieve a prudent balance between floating and fixed-rate debt. The Company's mix of fixed and floating rate debt is continuously monitored by management and is adjusted, as necessary, based on evaluation of internal and external factors. The difference between the rates Textron Manufacturing received and the rates it paid on interest rate exchange agreements did not significantly impact interest expense in 2000 or 1999.

Textron Finance's strategy is to match interest-sensitive assets with interest-sensitive liabilities to limit the Company's exposure to changes in interest rates. As part of managing this matching strategy, Textron Finance has entered into interest rate exchange agreements, including basis swaps, to lock-in desired spreads between certain interest-earning assets and certain interest-bearing liabilities. During 2000, Textron Finance entered into interest rate exchange agreements to hedge the $750 million of variable-pay medium term notes issued under its shelf registration statement. These included interest rate swaps with an aggregate notional amount of $150 million to fix the interest rates on a corresponding amount of the new notes. Further, an aggregate $600 million notional of basis swaps were entered to convert the variable interest rate payments on $600 million of the new debt from LIBOR based payments to Prime based payments. Textron Finance terminated fixed-pay interest rate exchange agreements with an aggregate notional amount of $150 million that were hedging existing variable rate debt. Textron Finance has entered forward starting interest rate exchange agreements with an aggregate notional amount of $200 million to fix interest rates on debt expected to be issued in the first quarter of fiscal 2001. The net impact of these agreements was immaterial in 2000 and increased reported interest expense by $2 million in both 1999 and 1998.

FOREIGN EXCHANGE RISKS

Textron's financial results are affected by changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which products are manufactured and/or sold. Textron Manufacturing's primary currency exposures are the European Common Currency (Euro), British Pound and Canadian Dollar.

Textron Manufacturing manages its exposures to foreign currency assets and earnings primarily by funding certain foreign currency denominated assets with liabilities in the same currency and, as such, certain exposures are naturally offset. Prior to 2000, Textron Manufacturing had primarily used synthetic foreign borrowings to manage foreign currency exposures, however, during 2000, Textron Manufacturing primarily used actual foreign currency borrowings for these purposes.

In addition, as part of managing its foreign currency transaction exposures, Textron enters into foreign currency forward exchange and option contracts. These contracts are generally used to fix the local currency cost of purchased goods or services or selling prices denominated in currencies other than the functional currency. The notional amount of outstanding foreign exchange contracts, foreign currency options and currency swaps was approximately $841 million at year-end 2000 and $1.3 billion at year-end 1999.

Effective January 1, 1999, the European Economic and Monetary Union entered into a transition phase during which a common currency, the Euro, was introduced into participating countries. The Euro conversion has not had a material impact on Textron's business.

QUANTITATIVE RISK MEASURES

Textron has used a sensitivity analysis to quantify the market risk inherent in its financial instruments. Financial instruments held by the Company that are subject to market risk (interest rate risk, foreign exchange rate risk and equity price risk) include finance receivables (excluding lease receivables), debt (excluding lease obligations), interest rate exchange agreements, foreign exchange contracts, currency swaps, marketable equity securities and marketable security price forward contracts.

Presented below is a sensitivity analysis of the fair value of Textron's financial instruments at year-end. The following table illustrates the hypothetical change in the fair value of the Company's financial instruments at year-end assuming a 10% decrease in interest rates, a 10% strengthening in exchange rates against the U.S. dollar and a 10% decrease in the quoted market prices of applicable marketable equity securities. The estimated fair value of the financial instruments was determined by discounted cash flow analysis and by independent investment bankers. This sensitivity analysis is most likely not indicative of actual results in the future.

			2000			1999
(In millions)	Carrying Value	Fair Value	Hypothetical Change In Fair Value	Carrying Value	Fair Value	Hypothetical Change In Fair Value
Interest Rate Risk						
Textron Manufacturing:						
Debt	$ 2,061	$ 2,105	$ 31	$ 1,745	$ 1,740	$ 22
Interest rate exchange agreements	--	(8)	(9)	--	7	(10)
Textron Finance:						
Finance receivables	4,767	4,840	31	4,624	4,642	57
Interest rate exchange agreements	--	(6)	(5)	--	--	--
Debt	4,667	4,688	33	4,551	4,535	38
Interest rate exchange agreements	--	17	10	--	(2)	1
Foreign Exchange Rate Risk						
Textron Manufacturing:						
Debt	1,101	1,113	111	285	286	23
Foreign exchange contracts	(1)	(1)	(15)	--	(6)	(22)
Currency swaps	--	--	--	(21)	(25)	88
Interest rate exchange agreements	--	--	--	--	1	--
Textron Finance:						
Debt	50	50	5	--	--	--
Foreign exchange contracts	--	--	(2)	--	--	--
Currency swaps	--	1	1	--	--	--
Equity Price Risk						
Textron Manufacturing:						
Available for sale securities	16	16	(2)	--	--	--
Marketable security price forward contracts	(26)	(26)	(8)	5	5	(12)

OTHER MATTERS

ENVIRONMENTAL

As with other industrial enterprises engaged in similar businesses, Textron is involved in a number of remedial actions under various federal and state laws and regulations relating to the environment which impose liability on companies to clean up, or contribute to the cost of cleaning up, sites on which their hazardous wastes or materials were disposed or released. Expenditures to evaluate and remediate contaminated sites approximated $11 million, $16 million and $10 million in 2000, 1999 and 1998, respectively. Textron currently projects that expenditures for remediation will range between $12 million and $15 million for each of the years 2001 and 2002.

Textron's accrued estimated environmental liabilities are based on assumptions which are subject to a number of factors and uncertainties. Circumstances which can affect the accruals' reliability and precision include identification of additional sites, environmental regulations, level of cleanup required, technologies available, number and financial condition of other contributors to remediation, and the time period over which remediation may occur. Textron believes that any changes to the accruals that may result from these factors and uncertainties will not have a material effect on Textron's net income or financial condition. Textron estimates that its accrued environmental remediation liabilities will likely be paid over the next five to ten years.

BACKLOG

Textron's commercial backlog was $8.5 billion and $7.2 billion at the end of 2000 and 1999, respectively, and U.S. Government backlog was $1.4 billion at the end of 2000 and $2.0 billion at the end of 1999. Backlog for the Aircraft segment was approximately 84% and 81% of Textron's commercial backlog at the end of 2000 and 1999, respectively, and 74% and 80% of Textron's U.S. Government backlog at the end of 2000 and 1999, respectively.

FOREIGN MILITARY SALES

Certain Company products are sold through the Department of Defense's Foreign Military Sales Program. In addition, Textron sells directly to select foreign military organizations. Sales under these programs totaled approximately 1.7% of Textron's consolidated revenue in 2000 (1.0% in the case of foreign military sales and 0.7% in the case of direct sales) and 1.8% in 1999 (0.6% and 1.2%, respectively). Such sales include military and commercial helicopters, armored vehicles, turrets, and spare parts and in 2000 were made primarily to the countries of Taiwan (54%), Colombia (11%), Sri Lanka (6%), Japan (5%), Finland (3%), Italy (3%) and Korea (3%). All sales are made in full compliance with all applicable laws and in accordance with Textron's code of conduct.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 requires an entity to recognize all derivatives as either assets or liabilities and measure those instruments at fair value. In June 1999, the FASB issued SFAS 137, which deferred the effective date of SFAS 133 to all fiscal quarters of years beginning after June 15, 2000. In June 2000, the FASB issued SFAS 138 which amended accounting and reporting standards and addressed issues causing implementation difficulties with SFAS 133 for certain derivative instruments and hedging activities. These statements became effective for the Company on December 31, 2000. The Company will record the effect of the transition to these new accounting requirements in the first quarter of 2001 as a cumulative effect of change in accounting principle. The effect of this change in accounting will not be material to the Company's results of operations and financial position.

Effective October 1, 2000, the Company adopted Staff Accounting Bulletin (SAB) 101, "Revenue Recognition in Financial Statements". SAB 101 summarizes the Securities and Exchange Commission's views regarding the application of generally accepted accounting principles to selected revenue recognition issues. The adoption and implementation of SAB 101 did not have a material effect on the results of operations or financial position of the Company.

As discussed in the Results of Operations section, in the fourth quarter of 2000, Textron adopted the Emerging Issues Task Force (EITF) consensus on Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent". See page 21 for further discussion.

In September 2000, the FASB issued SFAS 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities -- a Replacement of FASB Statement No. 125". SFAS 140 revises criteria for accounting for securitizations, other financial-asset and collateral transfers and extinguishments of liabilities. The Statement also introduces new disclosure requirements related to securitizations, collateral and retained interests in securitized financial assets. Textron adopted these new disclosure requirements in the fourth quarter of 2000, as required by statement. The provisions for SFAS 140 related to the transfers and servicing of financial assets and extinguishments of liabilities are effective for transactions occurring after March 31, 2001. Based upon current activities, the adoption of this statement will not have a material effect on the Company's results of operations or financial position.

****

Forward-looking Information: Certain statements in this report and other oral and written statements made by Textron from time to time, are forward-looking statements, including those that discuss strategies, goals, outlook or other non-historical matters; or project revenues, income, returns or other financial measures. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those contained in the statements, including the following: (a) the extent to which Textron is able to implement and complete its restructuring plans, (b) the extent to which Textron is able to successfully integrate recent acquisitions, (c) changes in worldwide economic and political conditions that impact interest and foreign exchange rates, (d) the occurrence of work stoppages and strikes at key facilities of Textron or Textron's customers or suppliers, (e) government funding and program approvals affecting products being developed or sold under government programs, (f) successful implementation of supply chain and e-procurement strategies, (g) the timing of certifications of new aircraft products, (h) the occurrence of a severe downturn in the economies in which Textron operates that could reduce demand for its products, (i) the level of consumer demand for the vehicle models for which Textron supplies parts to automotive original equipment manufacturers ("OEMs"), (j) Textron's ability to offset, through cost reductions, raw material price increases and pricing pressure brought by OEM customers, and (k) Textron Financial Corporation's ability to maintain credit quality and control costs when entering new markets.

REPORT OF MANAGEMENT

Management is responsible for the integrity and objectivity of the financial data presented in this Annual Report. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States and include amounts based on management's best estimates and judgments. The independent auditors, Ernst & Young LLP, have audited the consolidated financial statements and have considered the internal control structure to the extent they believed necessary to support their report, which appears below.

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

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

/s/Lewis B. Campbell	*/s/ Ted R. French*
Lewis B. Campbell	*Ted R. French*
Chairman and Chief Executive Officer	*Executive Vice President and Chief Financial Officer*
January 23, 2001	

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders
Textron Inc.

We have audited the accompanying consolidated balance sheets of Textron Inc. as of December 30, 2000 and January 1, 2000, and the related consolidated statements of income, cash flows and changes in shareholders' equity for each of the three years in the period ended December 30, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Textron Inc. at December 30, 2000 and January 1, 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 30, 2000, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 7 to the consolidated financial statements, in 2000 the Company changed its method of accounting for pre-production costs in accordance with Emerging Issues Task Force No. 99-5, "Accounting for Pre-Production Costs Related to Long-Term Supply Arrangements".

/s/ Ernest & Young LLP
Boston, Massachusetts
January 23, 2001

CONSOLIDATED STATEMENTS OF INCOME

For each of the years in the three-year period ended December 30, 2000 (In millions except per share amounts)	2000	1999	1998
REVENUES			
Manufacturing revenues	$ 12,399	$ 11,391	$ 9,507
Finance revenues	691	463	367
Total revenues	13,090	11,854	9,874
COSTS AND EXPENSES			
Cost of sales	10,028	9,242	7,692
Selling and administrative	1,445	1,318	1,108
Interest, net	486	233	301
Provision for losses on collection of finance receivables	37	32	20
Special charges, net	483	(1)	87
Gain on sale of division	--	--	(97)
Total costs and expenses	12,479	10,824	9,111
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trusts	611	1,030	763
Income taxes	(308)	(381)	(294)
Distributions on preferred securities of subsidiary trusts, net of income taxes	(26)	(26)	(26)
INCOME FROM CONTINUING OPERATIONS	277	623	443
Discontinued operations, net of income taxes:			
Income from operations	--	--	165
Gain on disposal	--	1,646	--
	--	1,646	165
Income before extraordinary loss and cumulative effect of change in accounting principle	277	2,269	608
Extraordinary loss from debt retirement, net of income taxes	--	(43)	--
Cumulative effect of change in accounting principle, net of income taxes	(59)	--	--
NET INCOME	$ 218	$ 2,226	$ 608
PER COMMON SHARE:			
BASIC:			
INCOME FROM CONTINUING OPERATIONS	$ 1.92	$ 4.14	$ 2.74
Discontinued operations, net of income taxes	--	10.94	1.03
Extraordinary loss from debt retirement, net of income taxes	--	(.28)	--
Cumulative effect of change in accounting principle, net of income taxes	(.41)	--	--
NET INCOME	$ 1.51	$ 14.80	$ 3.77
DILUTED:			
INCOME FROM CONTINUING OPERATIONS	$ 1.90	4.05	2.68
Discontinued operations, net of income taxes	--	10.70	1.00
Extraordinary loss from debt retirement, net of income taxes	--	(.27)	--
Cumulative effect of change in accounting principle, net of income taxes	(.41)	--	--
NET INCOME	$ 1.49	$ 14.48	$ 3.68

See notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

As of December 30, 2000 and January 1, 2000 (Dollars in millions)	2000	1999
ASSETS		
TEXTRON MANUFACTURING		
Cash and cash equivalents	$ 282	$ 192
Commercial and U.S. Government receivables (less allowance for doubtful accounts of $58 in 2000 and 1999)	1,318	1,363
Inventories	1,871	1,859
Other current assets	443	321
TOTAL CURRENT ASSETS	3,914	3,735
Property, plant, and equipment, net	2,568	2,484
Intangibles, net	2,340	2,807
Other assets	1,417	1,378
TOTAL TEXTRON MANUFACTURING ASSETS	10,239	10,404
TEXTRON FINANCE		
Cash	7	17
Finance receivables, net	5,473	5,465
Other assets (including net goodwill of $217 in 2000 and $211 in 1999)	651	507
TOTAL TEXTRON FINANCE ASSETS	6,131	5,989
TOTAL ASSETS	$ 16,370	$ 16,393
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
TEXTRON MANUFACTURING		
Current portion of long-term debt and short-term debt	$ 615	$ 688
Accounts payable	1,200	1,214
Income taxes payable	77	87
Other accrued liabilities	1,371	1,267
TOTAL CURRENT LIABILITIES	3,263	3,256
Accrued postretirement benefits other than pensions	715	741
Other liabilities	1,224	1,336
Long-term debt	1,469	1,079
TOTAL TEXTRON MANUFACTURING LIABILITIES	6,671	6,412
TEXTRON FINANCE		
Other liabilities	211	234
Deferred income taxes	315	307
Debt	4,667	4,551
TOTAL TEXTRON FINANCE LIABILITIES	5,193	5,092
TOTAL LIABILITIES	11,864	11,504
TEXTRON FINANCE - OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF FINANCE SUBSIDIARY HOLDING SOLELY JUNIOR SUBORDINATED DEBENTURES	28	29
TEXTRON - OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY TEXTRON JUNIOR SUBORDINATED DEBT SECURITIES	484	483
SHAREHOLDERS' EQUITY		
Capital stock:		
Preferred stock:		
$2.08 Cumulative Convertible Preferred Stock, Series A (liquidation value - $11)	5	5
$1.40 Convertible Preferred Dividend Stock, Series B (preferred only as to dividends)	7	7
Common stock (195,394,000 and 194,858,000 shares issued and 140,933,000 and 147,002,000 outstanding)	24	24
Capital surplus	1,026	1,009
Retained earnings	5,848	5,817
Accumulated other comprehensive loss	(172)	(98)
	6,738	6,764
Less cost of treasury shares	2,744	2,387
TOTAL SHAREHOLDERS' EQUITY	3,994	4,377
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 16,370	$ 16,393

See notes to the consolidated financial statements.

STATEMENTS OF CASH FLOWS

For each of the years in the three-year period ended December 30, 2000

(In millions)	Consolidated 2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income from continuing operations	$ 277	$ 623	$ 443
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Earnings of Textron Finance greater than distributions	-	-	-
Dividends received from discontinued operations	-	-	187
Depreciation	382	349	292
Amortization	112	91	69
Provision for losses on receivables	41	34	21
Gain on sale of division, net of income taxes	-	-	(54)
Special charges, net	483	(1)	87
Deferred income taxes	9	63	(16)
Changes in assets and liabilities excluding those related to acquisitions and divestitures:			
Decrease (increase) in commercial and U.S. Government receivables	69	34	(116)
Decrease (increase) in inventories	5	13	(157)
Decrease (increase) in other assets	(206)	(144)	(111)
Increase (decrease) in accounts payable	(95)	149	46
Increase (decrease) in accrued liabilities	(43)	(85)	262
Other - net	(11)	(10)	8
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,023	1,116	961
CASH FLOWS FROM INVESTING ACTIVITIES:			
Finance receivables:			
Originated or purchased	(7,032)	(4,920)	(4,069)
Repaid	5,233	3,783	3,352
Proceeds on receivables sales and securitization sales	1,556	307	367
Cash used in acquisitions	(85)	(1,574)	(956)
Net proceeds from dispositions	(9)	2,950	117
Capital expenditures	(527)	(532)	(475)
Cash used to purchase investment securities	(134)	-	-
Other investing activities - net	76	29	22
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(922)	43	(1,642)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in short-term debt	(450)	(1,131)	1,571
Proceeds from issuance of long-term debt	2,005	3,195	438
Principal payments and retirements on long-term debt	(1,048)	(2,174)	(534)
Proceeds from exercise of stock options	14	50	71
Purchases of Textron common stock	(353)	(751)	(712)
Dividends paid	(189)	(192)	(143)
Dividends paid to Textron Manufacturing	-	-	-
Capital contributions to Textron Finance	-	-	-
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(21)	(1,003)	691
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	80	156	10
Cash and cash equivalents at beginning of year	209	53	43
Cash and cash equivalents at end of year	$ 289	$ 209	$ 53
SUPPLEMENTAL INFORMATION:			
Cash paid during the year for interest	$ 479	$ 239	$ 345
Cash paid during the year for income taxes (includes $9 and $912 in 2000 and 1999, respectively, for AFS disposal)	$ 327	$ 1,167	$ 260

* "Textron Manufacturing" income from continuing operations includes income from of Textron Inc., the parent company, consolidated with the entities which operate in the Aircraft, Automotive, Fastening Systems and Industrial Products business segments and the pretax income from "Textron Finance". Textron Finance consists of Textron's wholly-owned commercial finance subsidiary, Textron Financial Corporation consolidated with its subsidiaries. All significant transactions between Textron Manufacturing and Textron Finance have been eliminated from the "Consolidated" column. The principles of consolidation are described in Note 1 to the consolidated financial statements.

(In millions)	Textron Manufacturing* 2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income from continuing operations	$ 277	$ 623	$ 443
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Earnings of Textron Finance greater than distributions	(36)	(43)	(8)
Dividends received from discontinued operations	-	-	187
Depreciation	365	337	282
Amortization	97	84	66
Provision for losses on receivables	4	2	1
Gain on sale of division, net of income taxes	-	-	(54)
Special charges, net	483	(1)	87
Deferred income taxes	(9)	68	(18)
Changes in assets and liabilities excluding those related to acquisitions and divestitures:			
Decrease (increase) in commercial and U.S. Government receivables	69	34	(116)
Decrease (increase) in inventories	5	13	(157)
Decrease (increase) in other assets	(215)	(143)	(130)
Increase (decrease) in accounts payable	(82)	147	21
Increase (decrease) in accrued liabilities	(33)	(113)	245
Other - net	17	(1)	18
NET CASH PROVIDED BY OPERATING ACTIVITIES	942	1,007	867
CASH FLOWS FROM INVESTING ACTIVITIES:			
Finance receivables:			
Originated or purchased	-	-	-
Repaid	-	-	-
Proceeds on receivables sales and securitization sales	-	-	-
Cash used in acquisitions	(85)	(859)	(753)
Net proceeds from dispositions	(9)	2,945	117
Capital expenditures	(513)	(521)	(462)
Cash used to purchase investment securities	(134)	-	-
Other investing activities - net	80	55	37
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(661)	1,620	(1,061)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in short-term debt	(77)	(1,045)	1,220
Proceeds from issuance of long-term debt	516	799	8
Principal payments and retirements on long-term debt	(97)	(974)	(190)
Proceeds from exercise of stock options	14	50	71
Purchases of Textron common stock	(353)	(751)	(712)
Dividends paid	(189)	(192)	(143)
Dividends paid to Textron Manufacturing	-	-	-
Capital contributions to Textron Finance	(5)	(353)	(59)
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(191)	(2,466)	195
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	90	161	1
Cash and cash equivalents at beginning of year	192	31	30
Cash and cash equivalents at end of year	$ 282	$ 192	$ 31
SUPPLEMENTAL INFORMATION:			
Cash paid during the year for interest	$ 154	$ 57	$ 192
Cash paid during the year for income taxes (includes $9 and $912 in 2000 and 1999, respectively, for AFS disposal)	$ 249	$ 1,132	$ 230

(In millions)	Textron Finance 2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income from continuing operations	$ 118	$ 79	$ 70
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Earnings of Textron Finance greater than distributions	-	-	-
Dividends received from discontinued operations	-	-	-
Depreciation	17	12	10
Amortization	15	7	3
Provision for losses on receivables	37	32	20
Gain on sale of division, net of income taxes	-	-	-
Special charges, net	-	-	-
Deferred income taxes	16	(5)	2
Changes in assets and liabilities excluding those related to			

acquisitions and divestitures:			
Decrease (increase) in commercial and U.S. Government receivables	-	-	-
Decrease (increase) in inventories	-	-	-
Decrease (increase) in other assets	9	(1)	8
Increase (decrease) in accounts payable	(13)	2	37
Increase (decrease) in accrued liabilities	(10)	28	17
Other - net	(24)	(9)	(10)
NET CASH PROVIDED BY OPERATING ACTIVITIES	165	145	157
CASH FLOWS FROM INVESTING ACTIVITIES:			
Finance receivables:			
Originated or purchased	(7,032)	(4,920)	(4,069)
Repaid	5,233	3,783	3,352
Proceeds on receivables sales and securitization sales	1,556	307	367
Cash used in acquisitions	-	(715)	(203)
Net proceeds from dispositions	-	5	-
Capital expenditures	(14)	(11)	(13)
Cash used to purchase investment securities	-	-	-
Other investing activities - net	(5)	(26)	(16)
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(262)	(1,577)	(582)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in short-term debt	(373)	(86)	351
Proceeds from issuance of long-term debt	1,488	2,396	430
Principal payments and retirements on long-term debt	(951)	(1,200)	(344)
Proceeds from exercise of stock options	-	-	-
Purchases of Textron common stock	-	-	-
Dividends paid	-	-	-
Dividends paid to Textron Manufacturing	(82)	(36)	(62)
Capital contributions to Textron Finance	5	353	59
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	87	1,427	434
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10)	(5)	9
Cash and cash equivalents at beginning of year	17	22	13
Cash and cash equivalents at end of year	$ 7	$ 17	$ 22
SUPPLEMENTAL INFORMATION:			
Cash paid during the year for interest	$ 325	$ 182	$ 153
Cash paid during the year for income taxes (includes $9 and $912 in 2000 and 1999, respectively, for AFS disposal)	$ 78	$ 35	$ 30

See notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For each of the years in the three-year period ended December 30, 2000

	SHARES OUTSTANDING* (In thousands)			DOLLARS (In millions)		
	2000	1999	1998	2000	1999	1998
$2.08 PREFERRED STOCK						
Beginning balance	159	178	201	$ 5	$ 6	$ 6
Conversion to common stock	(16)	(19)	(23)	-	(1)	-
Ending balance	143	159	178	$ 5	$ 5	$ 6
$1.40 PREFERRED STOCK						
Beginning balance	74	86	92	$ 7	$ 7	$ 7
Conversion to common stock	(7)	(12)	(6)	-	-	-
Ending balance	67	74	86	$ 7	$ 7	$ 7
COMMON STOCK						
Beginning balance	147,002	154,742	162,343	$ 24	$ 24	$ 24
Purchases	(6,627)	(9,779)	(10,189)	-	-	-
Exercise of stock options	430	1,428	2,465	-	-	-
Conversion of preferred stock to common stock	97	129	123	-	-	-
Other issuances of common stock	31	482	-	-	-	-
Ending balance	140,933	147,002	154,742	$ 24	$ 24	$ 24
CAPITAL SURPLUS						
Beginning balance				$1,009	$ 931	$ 830
Conversion of preferred stock to common stock				1	1	1
Exercise of stock options and other issuances				16	77	100
Ending balance				$1,026	$1,009	$ 931
RETAINED EARNINGS						
Beginning balance				$5,817	$3,786	$3,362
Net income				218	2,226	608
Dividends declared:						
Preferred stock				-	(1)	(1)
Common stock (per share: $1.30 in both 2000 and 1999 and $1.14 in 1998)				(187)	(194)	(183)
Ending balance				$5,848	$5,817	$3,786
TREASURY STOCK						
Beginning balance				$2,387	$1,661	$ 939
Purchases of common stock				358	748	722
Issuance of common stock				(1)	(22)	-
Ending balance				$2,744	$2,387	$1,661
ACCUMULATED OTHER COMPREHENSIVE LOSS						
Beginning balance				$ (98)	$ (96)	$ (62)
Currency translation adjustment				(74)	8	(33)
Securities valuation adjustment				-	(13)	-
Pension liability adjustment				-	3	(1)
Other comprehensive loss				(74)	(2)	(34)
Ending balance				$ (172)	$ (98)	$ (96)
COMPREHENSIVE INCOME						
Net income				$ 218	$2,226	$ 608
Other comprehensive loss				(74)	(2)	(34)
Comprehensive income				$ 144	$2,224	$ 574

*Shares issued at the end of 2000, 1999, 1998 and 1997, were as follows (in thousands): $2.08 Preferred - 212; 228; 247; and 270 shares, respectively; $1.40 Preferred - 554; 561; 573; and 579 shares, respectively; Common - 195,394; 194,858; 193,277; and 190,689 shares, respectively.

See notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 FINANCIAL STATEMENT PRESENTATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE FINANCIAL STATEMENTS HAVE BEEN PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES. SIGNIFICANT ACCOUNTING POLICIES APPEAR IN ITALICS AS AN INTEGRAL PART OF THE NOTES TO THE FINANCIAL STATEMENTS TO WHICH THE POLICIES RELATE.

CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS CONSIST OF CASH AND SHORT-TERM, HIGHLY LIQUID SECURITIES WITH ORIGINAL MATURITIES OF NINETY DAYS OR LESS.

REVENUE RECOGNITION

REVENUE IS GENERALLY RECOGNIZED WHEN PRODUCTS ARE DELIVERED OR SERVICES ARE PERFORMED. WITH RESPECT TO AIRCRAFT, DELIVERY IS UPON COMPLETION OF MANUFACTURING, CUSTOMER ACCEPTANCE AND THE TRANSFER OF RISKS AND REWARDS OF OWNERSHIP. SPECIFIC POLICIES FOR THE FINANCE SEGMENT AND LONG-TERM CONTRACTS ARE INCLUDED IN THE RELATED NOTES.

Effective October 1, 2000, the Company adopted Staff Accounting Bulletin (SAB) 101, "Revenue Recognition in Financial Statements". SAB 101 summarizes the Securities Exchange Commission's views regarding the application of generally accepted accounting principles to selected revenue recognition issues. The adoption and implementation of SAB 101 did not have a material effect on the results of operations or financial position of the Company.

Effective in the fourth quarter 2000, Textron reclassified certain items in its income statement and restated revenues and costs for prior periods. A substantial portion of the reclassifications related to the adoption of Emerging Issues Task Force (EITF) consensus on Issue No. 99-19 "Reporting Revenue Gross as a Principal versus Net as an Agent", whereby used aircraft sales are now reported as revenues; previously they were netted against costs. Prior period financial information has been reclassified to conform with the current year presentation. The result of the reclassifications was to increase revenue and costs by $254 million, $275 million and $191 million for 2000, 1999 and 1998, respectively. There was no effect on income from continuing operations or net income.

NATURE OF OPERATIONS AND PRINCIPLES OF CONSOLIDATION Textron is a global, multi-industry company with manufacturing and finance operations. Its principal markets (listed within segments in order of the amount of 2000 revenues) and the major locations of such markets are as follows:

SEGMENT	PRINCIPAL MARKETS	MAJOR LOCATIONS
AIRCRAFT	- Business jets - Commercial and military helicopters - General aviation - Overnight express package carriers - Commuter airlines, relief flights, tourism, and freight	- North America - Asia and Australia - South America - Western Europe
AUTOMOTIVE	- Automotive original equipment manufacturers and their suppliers	- North America - Western Europe - South America
FASTENING SYSTEMS	- Automotive - Distributors - Consumers - Other OEMs - Electronics - Aerospace	- North America - Western Europe - Asia and Australia - South America
INDUSTRIAL PRODUCTS	- Industrial components: commercial aerospace and defense - Golf and turf-care products: golf courses, resort communities, and commercial and industrial users - Fluid and power systems: original equipment manufacturers, distributors and end-users of a wide variety of products - Light construction equipment: commercial customers, national rental fleets, and the U.S. Government	- North America - Western Europe - Asia and Australia
FINANCE	- Commercial loans and leases	- North AMERICA

The consolidated financial statements include the accounts of Textron and all of its majority- and wholly-owned subsidiaries. All significant intercompany transactions are eliminated.

Textron's financings are conducted through two borrowing groups, Textron Finance and Textron Manufacturing. This framework is designed to enhance the Company's borrowing power by separating the Finance segment. Textron Finance consists of Textron Financial Corporation consolidated with its subsidiaries, which are the entities through which Textron operates its Finance segment. Textron Finance finances its operations by borrowing from its own group of external creditors.

Textron Manufacturing is Textron Inc., the parent company, consolidated with the entities which operate in the Aircraft, Automotive, Fastening Systems and Industrial Products business segments. During 2000, Textron reorganized its management reporting structure into five segments, separately reporting the financial results of Fastening Systems and Industrial Products, which previously comprised the Industrial segment. Additionally, management responsibility for one division previously in the Automotive segment has been transferred to the Industrial Products segment. Prior period data shown in the financial statements and related notes have been reclassified, as appropriate.

The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect these statements and accompanying notes. Some of the more significant estimates include inventory valuation, residual values of leased assets, allowance for credit losses on finance receivables, product liability, workers compensation, environmental and warranty reserves, and amounts reported under long-term contracts. Management's estimates are based on the facts and circumstances available at the time estimates are made, past historical experience, risk of loss, general economic conditions and trends and management's assessments of the probable future outcome of these matters. Consequently, actual results could differ from such estimates.

During 1999, Textron Manufacturing entered into a promissory note agreement with Textron Finance, whereby Textron Finance could borrow up to $1.25 billion from Textron Manufacturing. The maximum amount outstanding under this agreement during 1999 was $1.0 billion. The amount of interest expense/income incurred/earned by Textron Finance and Textron Manufacturing, respectively, was approximately $15 million for 1999. Textron Finance's operating income includes interest expense incurred under this agreement. This agreement was cancelled during the second quarter of 1999.

2 ACQUISITIONS AND DISPOSITIONS

ACQUISITIONS

During 2000, Textron Manufacturing acquired 11 companies, acquired the minority interests of two entities and entered into one joint venture at a total cost of $121 million including debt assumed of $36 million. The largest of these acquisitions were Plascar Industria e Comerico Ltda.
- the leading supplier of instrument panels and automotive trim products to global manufacturers producing vehicles in South America and Advantage Molding and Decorating
- a leading supplier of injection molded parts, tooling and pad-printed designs.

During 1999, Textron Manufacturing segments acquired 14 companies and entered into two joint ventures which in turn, each acquired companies. The largest of these acquisitions were Flexalloy Inc. - a provider of vendor managed inventory services for the North American fastener markets; OmniQuip International, Inc. - a leading manufacturer of light construction equipment including telescopic material handlers, aerial work platforms and skid steer loaders and InteSys Technologies Inc. - a provider of plastics and metal engineered assemblies. The total cost of the acquisitions and investments in joint ventures was approximately $1.2 billion, including treasury stock issued for $32 million and debt assumed of $308 million.

In addition, in 1999 Textron Finance had acquisitions totaling $1.3 billion, including debt assumed of $547 million. The largest of these acquisitions were Litchfield Financial Corporation, a commercial finance company specializing in the vacation ownership (timeshare) industry and the aircraft and franchise finance divisions of GreenTree Financial Servicing Corporation. Capital contributions made by Textron Manufacturing to Textron Finance in support of these acquisitions were $337 million.

During 1998, Textron acquired nine companies. The largest of these acquisitions were Ransomes PLC - a UK-based manufacturer of commercial turf-care machinery; Ring Screw Works - a Michigan-based supplier of specialty threaded fasteners to the automotive industry; and David Brown Group PLC - a UK-based designer and manufacturer of industrial gears and mechanical and hydraulic transmission systems. The total cost of these acquisitions was approximately $1.1 billion, including notes issued for approximately $160 million. In addition, approximately $230 million of debt was assumed as a result of these acquisitions.

The purchase method of accounting has been used for all acquisitions during the past three years.

DISPOSITIONS

On August 11, 1998, Textron announced that it had reached an agreement to sell Avco Financial Services (AFS) to Associates First Capital Corporation for $3.9 billion in cash. The sale was completed on January 6, 1999. Net after-tax proceeds were approximately $2.9 billion, resulting in an after-tax gain of $1.65 billion. Textron has presented AFS as a discontinued operation in these financial statements.

Fuel Systems Textron was sold to Woodward Governor Company for $160 million in cash in 1998, at a pretax gain of $97 million ($54 million after-tax).

3 FINANCE RECEIVABLES AND SECURITIZATIONS

INTEREST INCOME IS RECOGNIZED IN REVENUES USING THE INTEREST METHOD TO PROVIDE A CONSTANT RATE OF RETURN OVER THE TERMS OF THE RECEIVABLES. DIRECT LOAN ORIGINATION COSTS AND FEES RECEIVED ARE DEFERRED AND AMORTIZED OVER THE LOANS' CONTRACTUAL LIVES. THE ACCRUAL OF INTEREST INCOME IS SUSPENDED FOR ACCOUNTS WHICH ARE CONTRACTUALLY DELINQUENT BY MORE THAN THREE MONTHS. ACCRUAL OF INTEREST RESUMES AND SUSPENDED INTEREST INCOME IS RECOGNIZED WHEN LOANS BECOME CONTRACTUALLY CURRENT.

PROVISIONS FOR LOSSES ON FINANCE RECEIVABLES ARE CHARGED TO INCOME IN AMOUNTS SUFFICIENT TO MAINTAIN THE ALLOWANCE AT A LEVEL CONSIDERED ADEQUATE TO COVER LOSSES IN THE EXISTING RECEIVABLE PORTFOLIO. MANAGEMENT EVALUATES THE ALLOWANCE BY EXAMINING CURRENT DELINQUENCIES, THE CHARACTERISTICS OF THE EXISTING ACCOUNTS, HISTORICAL LOSS EXPERIENCE, THE VALUE OF THE UNDERLYING COLLATERAL, AND GENERAL ECONOMIC CONDITIONS AND TRENDS.

FINANCE RECEIVABLES ARE WRITTEN-OFF WHEN THEY ARE DETERMINED TO BE UNCOLLECTIBLE. FINANCE RECEIVABLES ARE WRITTEN DOWN TO THE FAIR VALUE OF THE RELATED COLLATERAL (LESS ESTIMATED COSTS TO SELL) WHEN THE COLLATERAL IS REPOSSESSED OR WHEN NO PAYMENT HAS BEEN RECEIVED FOR SIX MONTHS, UNLESS MANAGEMENT DEEMS THE LOANS COLLECTIBLE. FORECLOSED REAL ESTATE LOANS AND REPOSSESSED ASSETS ARE TRANSFERRED FROM FINANCE RECEIVABLES TO OTHER ASSETS AT THE LOWER OF FAIR VALUE (LESS ESTIMATED COSTS TO SELL) OR THE OUTSTANDING LOAN BALANCE.

FINANCE RECEIVABLES

Commercial installment contracts have initial terms ranging from one to 15 years. Golf course and resort mortgages have initial terms ranging from three to seven years. Finance leases have initial terms up to 15 years. Leveraged leases have initial terms up to approximately 30 years. Floorplan and revolving receivables generally mature within one to three years.

At the end of 2000 and 1999, Textron Finance had nonaccrual loans and leases totaling $102 million and $84 million, respectively. Approximately $76 million and $65 million of these respective amounts were considered impaired, which excludes finance leases and homogeneous loan portfolios. The allowance for losses on receivables related to impaired loans was $34 million and $21 million at the end of 2000 and 1999. The average recorded investment in impaired loans during 2000 and 1999 were $76 million and $47 million, respectively. The percentage of net write-offs to average finance receivables was 0.7% in 2000, and 0.5% in both 1999 and 1998.

The following table displays the contractual maturity of the finance receivables. It does not necessarily reflect future cash collections because of various factors including the refinancing of receivables and repayments prior to maturity. Cash collections from receivables, excluding finance charges and portfolio sales, were $5.2 billion and $3.8 billion in 2000 and 1999, respectively. In the same periods, the ratio of cash collections to average net receivables was approximately 91% and 89%, respectively.

(In millions)	Contractual Maturities 2001	Contractual Maturities 2002	Contractual Maturities After 2002	Less Finance Charges	Finance Receivables Outstanding 2000	Finance Receivables Outstanding 1999
Installment contracts	$ 402	$ 308	$ 1,410	$ (135)	$ 1,985	$ 2,227
Floorplan receivables	810	77	8	(1)	894	657
Revolving loans	615	65	641	(16)	1,305	1,216
Finance leases	97	87	274	(97)	361	509
Golf course and resort mortgages	144	150	393	(4)	683	621
Leveraged leases	15	11	613	(278)	361	348
	$ 2,083	$ 698	$ 3,339	$ (531)	5,589	5,578
Less allowance for credit losses					116	113
					$ 5,473	$ 5,465

The net investment in finance leases and leveraged leases were as follows:

(In millions)	2000	1999
Finance and leveraged lease receivables	$ 508	$ 656
Estimated residual values on equipment and assets	589	589
	1,097	1,245
Unearned income	(375)	(388)
Investment in leases	722	857
Deferred income taxes arising from leveraged leases	(265)	(260)
Net investment in leases	$ 457	$ 597

The activity in the allowance for credit losses on finance receivables is as follows:

(In millions)	2000	1999	1998
Balance at the beginning of the year	$ 113	$ 84	$ 77
Provision for losses	37	32	20
Charge-offs	(45)	(28)	(21)
Recoveries	7	5	5
Acquisitions and other	4	20	3
Balance at the end of the year	$ 116	$ 113	$ 84

Textron had both fixed-rate and variable-rate loan commitments totaling $1,531 million at year-end 2000. Because interest rates on these commitments are not set until the loans are funded, Textron is not exposed to interest rate changes.

A portion of Textron Finance's business involves financing the sale and lease of Textron products. In 2000, 1999 and 1998, Textron Finance paid Textron $1,429 million, $1,260 million, and $980 million, respectively, for receivables and operating lease equipment. Operating agreements with Textron specify that Textron Finance generally has recourse to Textron with respect to these purchases. At year-end 2000, finance receivables and operating lease equipment of $834 million and $69 million, respectively, ($841 million and $69 million, respectively, at year-end 1999) were due from Textron or subject to recourse to Textron. Included in the finance receivables balance guaranteed by Textron are past due loans of $105 million at the end of 2000 ($72 million at year-end 1999) that meet the non-accrual criteria but are not classified as non-accrual by Textron Finance due to the guarantee from Textron Manufacturing units. Textron Finance continues to recognize income on these loans. Concurrently, Textron Manufacturing is charged for their obligation to Textron Finance under the guarantee so that there are no net interest earnings for the loans on a consolidated basis.

Textron Finance manages finance receivables for a variety of investors, participants and third party portfolio owners. The total managed finance receivable portfolio, including owned finance receivables, was $7,965 million and $6,802 million, respectively for 2000 and 1999.

Textron Finance's finance receivables are diversified geographically across the United States. There are no significant industry or collateral concentrations at the end of 2000.

SECURITIZATIONS

Textron Finance securitized and sold without recourse (and servicing rights retained) $1.2 billion and $273 million of finance receivables in 2000 and 1998, respectively. Gains from securitized trust sales were approximately $22 million and $3 million in 2000 and 1998, respectively. Textron Finance retained subordinated interests in the trusts which are approximately 2% to 10% of the total trust. Servicing fees range from 30 to 75 basis points. Principal amounts sold and assumptions used in these securitization sales for 2000 were as follows:

(Dollars in millions)	GENERAL AVIATION	EQUIPMENT LOANS AND LEASES	FRANCHISE	LAND LOTS
Principal balance	$ 763	$ 275	$ 70	$ 69
Weighted-average life (in years)	2.5	1.7	7.6	5.9
Prepayment speed (annual rate)	20%-23%	15%-20%	8%	20%
Expected credit losses (annual rate)	0.06%-0.35%	0.20%	0.25%	1.50%
Residual cash flows discounted at	10%	10%	10%	11%

At December 30, 2000 the carrying amount of Textron Finance's retained interests in securitized trusts was approximately $130 million. Hypothetical adverse changes of 10% and 20% to the prepayment speed, expected credit losses and residual cash flows discount rates assumptions would not have a material impact on the current fair value of the residual cash flows associated with the retained interests.

4 INVENTORIES

INVENTORIES ARE CARRIED AT THE LOWER OF COST OR MARKET.

(In millions)	DECEMBER 30, 2000	January 1, 2000
Finished goods	$ 634	$ 608
Work in process	1,023	970
Raw materials	454	489
	2,111	2,067
Less progress payments and customer deposits	240	208
	$1,871	$1,859

Inventories aggregating $1,153 million at year-end 2000 and $1,051 million at year-end 1999 were valued by the last-in, first-out (LIFO) method. (Had such LIFO inventories been valued at current costs, their carrying values would have been approximately $192 million and $174 million higher at those respective dates.) The remaining inventories, other than those related to certain long-term contracts, are valued generally by the first-in, first-out method.

Inventories related to long-term contracts, net of progress payments and customer deposits, were $161 million at year-end 2000 and $181 million at year-end 1999.

5 LONG-TERM CONTRACTS

REVENUES UNDER FIXED-PRICE CONTRACTS ARE GENERALLY RECORDED AS DELIVERIES ARE MADE. CERTAIN LONG-TERM FIXED-PRICE CONTRACTS PROVIDE FOR THE PERIODIC DELIVERY AFTER A LENGTHY PERIOD OF TIME OVER WHICH SIGNIFICANT COSTS ARE INCURRED OR REQUIRE A SIGNIFICANT AMOUNT OF DEVELOPMENT EFFORT IN RELATION TO TOTAL CONTRACT VOLUME. REVENUES UNDER THOSE CONTRACTS AND ALL COST-REIMBURSEMENT-TYPE CONTRACTS ARE RECORDED AS COSTS ARE INCURRED. REVENUES UNDER THE V-22 PRODUCTION CONTRACT WITH THE U.S. GOVERNMENT, WHICH PRESENTLY IS A COST-REIMBURSEMENT-TYPE CONTRACT, ARE RECORDED AS COSTS ARE INCURRED.

CERTAIN CONTRACTS ARE AWARDED WITH FIXED-PRICE INCENTIVE FEES. INCENTIVE FEES ARE CONSIDERED WHEN ESTIMATING REVENUES AND PROFIT RATES, AND ARE RECORDED WHEN THESE AMOUNTS ARE REASONABLY DETERMINED. LONG-TERM CONTRACT PROFITS ARE BASED ON ESTIMATES OF TOTAL SALES VALUE AND COSTS AT COMPLETION. SUCH ESTIMATES ARE REVIEWED AND REVISED PERIODICALLY THROUGHOUT THE CONTRACT LIFE. REVISIONS TO CONTRACT PROFITS ARE RECORDED WHEN THE REVISIONS TO ESTIMATED SALES VALUE OR COSTS ARE MADE. ESTIMATED CONTRACT LOSSES ARE RECORDED WHEN IDENTIFIED.

Long-term contract receivables at year-end 2000 and 1999 totaled $199 million and $156 million, respectively. This includes $135 million and $112 million, respectively, of unbilled costs and accrued profits that had not yet met the contractual billing criteria. Long-term contract receivables do not include significant amounts (a) billed but unpaid due to contractual retainage provisions or (b) subject to collection uncertainty.

6 INVESTMENT SECURITIES

INVESTMENTS IN MARKETABLE SECURITIES, A COMPONENT OF OTHER ASSETS, ARE CLASSIFIED AS AVAILABLE-FOR-SALE AND ARE RECORDED AT THEIR FAIR VALUE. UNREALIZED GAINS AND LOSSES ON THESE SECURITIES, NET OF RELATED INCOME TAXES, ARE INCLUDED IN SHAREHOLDERS' EQUITY AS A COMPONENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS). NON-MARKETABLE EQUITY SECURITIES ARE ACCOUNTED FOR UNDER EITHER THE COST OR EQUITY METHOD OF ACCOUNTING.

Textron invested in $134 million of e-business securities. In December 2000, the decline in the fair value of e-business marketable securities below cost was determined to be "other than temporary" and accordingly, unrealized gross losses of $93 million were recognized in 2000 earnings. The Company also recorded an impairment write-down of a non-marketable e-business investment of $24 million. These write-downs have been included in special charges, net on the consolidated statement of income.

Investment securities included in other assets, had a carrying value of $17 million at year-end 2000 with no unrealized gain or loss in accumulated other comprehensive loss.

7 LONG-TERM ASSETS

THE COST OF PROPERTY, PLANT, AND EQUIPMENT IS DEPRECIATED BASED ON THE ASSETS' ESTIMATED USEFUL LIVES. EXPENDITURES FOR IMPROVEMENTS THAT INCREASE ASSET VALUES AND EXTEND USEFUL LIVES ARE CAPITALIZED. EXPENDITURES FOR MAINTENANCE AND REPAIRS ARE EXPENSED AS INCURRED.

(In millions)	DECEMBER 30, 2000	January 1, 2000
At cost:		
Land and buildings	$1,170	$1,083
Machinery and equipment	3,729	3,499
	4,899	4,582
Less accumulated depreciation	2,294	2,069
	$2,605	$2,513

INTANGIBLE ASSETS ARE PRINCIPALLY COMPRISED OF GOODWILL WHICH IS AMORTIZED ON THE STRAIGHT-LINE METHOD OVER 20 TO 40 YEARS. OTHER INTANGIBLE ASSETS ARE AMORTIZED OVER THEIR ESTIMATED USEFUL LIVES. Accumulated amortization of intangible assets totaled $564 million at December 30, 2000 and $463 million at January 1, 2000.

GOODWILL IS PERIODICALLY REVIEWED FOR IMPAIRMENT BY COMPARING THE CARRYING AMOUNT TO THE ESTIMATED FUTURE UNDISCOUNTED CASH FLOWS OF THE BUSINESSES ACQUIRED. IF THIS REVIEW INDICATES THAT GOODWILL IS NOT RECOVERABLE, THE CARRYING AMOUNT WOULD BE REDUCED TO FAIR VALUE. IN ADDITION, THE COMPANY ASSESSES LONG-LIVED ASSETS, INCLUDING ASSOCIATED GOODWILL, FOR IMPAIRMENT UNDER FINANCIAL ACCOUNTING STANDARDS BOARD'S (FASB) STATEMENT NO. 121, "ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF."

During 2000, Textron recorded a write-down of goodwill and certain other long-lived assets of $350 million as further discussed in Note 17.

Prior to fiscal year 2000, customer engineering and tooling project costs for which customer reimbursement was anticipated were capitalized and classified in other assets. Effective January 2, 2000, Textron adopted EITF Issue No. 99-5 "Accounting for Pre-Production Costs Related to Long-Term Supply Arrangements". This consensus requires that all design and development costs for products sold under long-term supply arrangements be expensed unless there is a contractual guarantee that provides for specific required payments for these costs. Textron reported a cumulative effect of change in accounting principle of $59 million (net of tax), or approximately $0.41 per diluted share in the first quarter of 2000 related to the adoption of this consensus.

Pro forma income from continuing operations, net income and related diluted earnings per common share amounts as if the provisions of EITF 99-5 had been applied during the year ended 1999 and 1998 are as follows:

(In millions, except per share data)	1999	1998
Income from continuing operations		
As reported	$ 623	$ 443
Pro forma	$ 612	$ 430
Income from continuing operations per diluted share		
As reported	$ 4.05	$ 2.68
Pro forma	$ 3.98	$ 2.60
Net income		
As reported	$2,226	$ 608
Pro forma	$2,215	$ 595
Net income per diluted share		
As reported	$14.48	$ 3.68
Pro forma	$14.41	$ 3.60

8 DEBT AND CREDIT FACILITIES

Debt at year-end 2000 and 1999 consisted of the following:

(In millions)	DECEMBER 30, 2000	January 1, 2000
TEXTRON MANUFACTURING:		
Short-term debt:		
Borrowings under or supported by long-term credit facilities*	$ 528	$ 626
Current portion of long-term debt	87	62
Total short-term debt	615	688
Long-term senior debt:		
Medium-term notes due 2001-2011 (average rate - 9.66%)	43	63
6.75% due 2002	500	500
6.375% due 2004	300	300
5.63% due 2005	273	--
6.63% due 2020	221	--
Other long-term debt (average rate - 8.39%)	219	278
	1,556	1,141
Current portion of long-term debt	(87)	(62)
Total long-term debt	1,469	1,079
Total Textron Manufacturing debt	$ 2,084	$ 1,767

*The weighted average interest rates on these borrowings, before the effect of interest rate exchange agreements, were 5.6%, 5.8% and 5.8% at year-end 2000, 1999, and 1998, respectively. Comparable rates during the years 2000, 1999, and 1998 were 5.7%, 4.9% and 5.4%, respectively.

Textron Manufacturing maintains credit facilities with various banks for both short- and long-term borrowings. At year-end, Textron Manufacturing had (a) a $1.0 billion domestic credit agreement with 22 banks available on a fully revolving basis until April 1, 2003, (b) $71 million in multi-currency credit agreements with two banks available through December 29, 2002 and (c) $209 million in other credit facilities available with various banks. At year-end 2000, $767 million of the credit facilities was not used or reserved as support for commercial paper or bank borrowings.

(In millions)	DECEMBER 30, 2000	January 1, 2000
TEXTRON FINANCE:		
Senior:		
Borrowings under or supported by credit facilities*	$ 966	$1,339
6.89% average rate debt; due 2001 to 2004	1,432	1,507
6.96% average rate variable notes; due 2001 to 2004	2,269	1,705
Total Textron Finance debt	$4,667	$4,551

*The weighted average interest rates on these borrowings, before the effect of interest rate exchange agreements, were 6.7%, 6.4% and 6.3% at year-end 2000, 1999 and 1998, respectively. Comparable rates during the years 2000, 1999 and 1998 were 6.4%, 5.4% and 5.8%, respectively.

Textron Finance has lines of credit with various banks aggregating $1.4 billion at year-end 2000, of which $444 million was not used or reserved as support for commercial paper or bank borrowings. Lending agreements limit Textron Finance's net assets available for cash dividends and other payments to Textron Manufacturing to approximately $351 million of Textron Finance's net assets of $910 million at year-end 2000. Textron Finance's loan agreements also contain provisions regarding additional debt, creation of liens or guarantees and the making of investments.

The following table shows required payments during the next five years on debt outstanding at the end of 2000. The payments schedule excludes amounts that are payable under credit facilities and revolving credit agreements.

(In millions)	2001	2002	2003	2004	2005
Textron Manufacturing	$ 87	$ 510	$ 5	$ 304	$276
Textron Finance	1,098	1,580	385	638	--
	$1,185	$2,090	$ 390	$ 942	$276

Textron Manufacturing has agreed to cause Textron Finance to maintain certain minimum levels of financial performance. No payments from Textron Manufacturing were necessary in 2000, 1999, or 1998 for Textron Finance to meet these standards.

EXTRAORDINARY LOSS FROM DEBT RETIREMENT

During 1999, Textron retired $168 million of 6.625% debentures originally due 2007, $165 million of 8.75% debentures originally due 2022, $146 million of medium term notes with interest rates ranging from 9.375% to 10.01%, and other debt totaling $74 million with effective interest rates ranging from 8.25% to 10.04%. In connection with the retirement of this long-term high coupon debt, Textron terminated $479 million of interest rate exchange agreements designated as hedges of the retired borrowings. As a result of these transactions, Textron recorded an after-tax loss in 1999 of $43 million, which has been reflected as an extraordinary item.

9 DERIVATIVES AND FOREIGN CURRENCY TRANSACTIONS

INTEREST RATE EXCHANGE AGREEMENTS

Textron is exposed to adverse movements in domestic and foreign interest rates. Interest rate exchange agreements are used to help manage interest rate risk by converting certain variable-rate debt or finance receivables to fixed-rate debt or finance receivables and vice versa. Textron Finance will also enter basis swaps to lock-in desired spreads between certain interest-earning assets and certain interest-bearing liabilities. Additionally, Textron will enter forward starting fixed-pay interest rate exchange agreements to lock-in current interest rates for probable future issuances of long-term borrowings.
INTEREST RATE EXCHANGE AGREEMENTS ARE ACCOUNTED FOR ON THE ACCRUAL BASIS WITH THE DIFFERENTIAL TO BE PAID OR RECEIVED RECORDED CURRENTLY AS AN ADJUSTMENT TO INTEREST EXPENSE. PREMIUMS PAID TO TERMINATE AGREEMENTS DESIGNATED AS HEDGES ARE DEFERRED AND AMORTIZED TO EXPENSE OVER THE REMAINING TERM OF THE ORIGINAL LIFE OF THE CONTRACT. IF THE UNDERLYING DEBT IS THEN PAID EARLY, UNAMORTIZED PREMIUMS ARE RECOGNIZED AS AN ADJUSTMENT TO THE GAIN OR LOSS ASSOCIATED WITH THE DEBT'S EXTINGUISHMENT.

AGREEMENTS THAT REQUIRE THE PAYMENT OF FIXED-RATE INTEREST ARE DESIGNATED AGAINST SPECIFIC LONG-TERM VARIABLE-RATE BORROWINGS.

Textron Manufacturing interest rate exchange agreements are summarized as follows:

TEXTRON MANUFACTURING	DECEMBER 30, 2000			January 1, 2000		
(Dollars in millions)	NOTIONAL AMOUNT	WEIGHTED AVERAGE INTEREST RATE	WEIGHTED AVERAGE REMAINING TERM	Notional Amount	Weighted Average Interest Rate	Weighted Average Remaining Term
Variable-pay interest rate exchange agreements	$ 415	6.91%	3.9	$ 852	6.39%	2.5
Fixed-pay interest rate exchange agreements	$ --	--%	--	$ 941	4.69%	0.3

Textron Manufacturing's variable pay interest rate exchange agreements were designated against specific long-term fixed-rate debt. These agreements effectively adjusted the average rate of interest on fixed-rate notes in 2000 to 6.9% from 7.0% and expire as follows: $26 million (11.3%) in 2001, $35 million (10.4%) in 2002, and $354 million (6.6%) through 2020. Textron Manufacturing's fixed pay interest rate swap agreements, which expired in March 2000, were entered in June 1999 to insulate Textron against potential interest rate increases on variable-rate debt around year-end 1999.

Textron Finance interest rate exchange agreements are summarized as follows:

TEXTRON FINANCE	DECEMBER 30, 2000			January 1, 2000		
(Dollars in millions)	NOTIONAL AMOUNT	WEIGHTED AVERAGE INTEREST RATE	WEIGHTED AVERAGE REMAINING TERM	Notional Amount	Weighted Average Interest Rate	Weighted Average Remaining Term
Fixed-pay interest rate exchange agreements - debt	$ 150	6.52%	2.0	$ 300	5.76%	0.8
Variable-receive interest rate exchange agreements - receivables	$ 100	8.14%	12.6	$ --	--%	--
Basis swaps*	$ 715	6.77%	0.8	$ 125	5.84%	0.4
Forward starting fixed-pay interest rate exchange agreements	$ 228	7.31%	7.6	$ --	--%	--

*Amounts at December 30, 2000 and January 1, 2000 require United States Prime Rate-based payments as stated above and LIBOR-based receipts of 6.77% and 6.07%, respectively.

In addition, Textron Finance utilizes interest rate agreements to protect against the interest rate risk associated with their related interest in securitized assets. At year end 2000 and 1999, Textron Finance had $509 million and $91 million, respectively of such interest rate agreements outstanding.

Textron Finance's fixed-pay interest rate exchange agreements designated as hedges of variable-rate debt effectively adjusted the related average interest rate in 2000 to 6.91% from 6.93% and mature in 2002. Textron Finance's variable-receive interest rate exchange agreements designated as hedges of fixed-rate finance receivables were effective in December 2000 and did not materially impact interest income.

Textron had minimal exposure to loss from nonperformance by the counterparties to its interest rate exchange agreements at the end of 2000, and does not anticipate nonperformance by counterparties in the periodic settlements of amounts due. Textron currently minimizes this potential for risk by entering into contracts exclusively with major, financially sound counterparties having no less than a long-term bond rating of "A," by continuously monitoring the counterparties' credit ratings and by limiting exposure with any one financial institution. The credit risk generally is limited to the amount by which the counterparties' contractual obligations exceed Textron's obligations to the counterparty.

TRANSLATION OF FOREIGN CURRENCIES, FOREIGN EXCHANGE TRANSACTIONS AND FOREIGN CURRENCY EXCHANGE CONTRACTS

FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES ARE TRANSLATED INTO U.S. DOLLARS WITH THE ADJUSTMENTS FROM THE CURRENCY RATE CHANGES BEING RECORDED IN THE CURRENCY TRANSLATION ADJUSTMENT ACCOUNT IN SHAREHOLDERS' EQUITY UNTIL THE RELATED FOREIGN ENTITY IS SOLD OR SUBSTANTIALLY LIQUIDATED. NON-U.S. DOLLAR FINANCING TRANSACTIONS, INCLUDING CURRENCY SWAPS, ARE USED TO EFFECTIVELY HEDGE LONG-TERM INVESTMENTS IN FOREIGN OPERATIONS WITH THE SAME CORRESPONDING CURRENCY. FOREIGN CURRENCY GAINS AND LOSSES ON THE HEDGE OF THE LONG-TERM INVESTMENTS ARE RECORDED IN THE CURRENCY TRANSLATION ADJUSTMENT WITH THE OFFSET RECORDED AS AN ADJUSTMENT TO THE NON-U.S. DOLLAR FINANCING LIABILITY.

FORWARD EXCHANGE CONTRACTS ARE USED TO HEDGE CERTAIN FOREIGN CURRENCY TRANSACTIONS AND CERTAIN FIRM SALES AND PURCHASE COMMITMENTS DENOMINATED IN FOREIGN CURRENCIES. GAINS AND LOSSES FROM CURRENCY RATE CHANGES ON HEDGES OF FOREIGN CURRENCY TRANSACTIONS ARE RECORDED CURRENTLY IN INCOME. GAINS AND LOSSES RELATING TO THE HEDGE OF FIRM SALES AND PURCHASE COMMITMENTS ARE INCLUDED IN THE MEASUREMENT OF THE UNDERLYING TRANSACTIONS WHEN THEY OCCUR. Foreign exchange gains and losses included in income have not been material.

The table below summarizes, by major currency, Textron's forward exchange contracts and currency swaps in U.S. dollars. The buy amounts represent the U.S. dollar equivalent of commitments to purchase foreign currencies and the sell amounts represent the U.S. dollar equivalent of commitments to sell foreign currencies. The foreign currency amounts have been translated into a U.S. dollar equivalent using the exchange rate at the balance sheet date.

	BUY CONTRACTS		SELL CONTRACTS	
(In millions)	CONTRACT AMOUNT	UNREALIZED GAIN/(LOSS)	CONTRACT AMOUNT	UNREALIZED GAIN/(LOSS)
DECEMBER 30, 2000				
British Pound	$208	$ (1)	$105	$ --
Canadian Dollar	281	--	15	--
Euro	116	--	51	--
Other	26	--	38	1
Total	$631	$ (1)	$209	$ 1
January 1, 2000				
British Pound	$ 74	$ 1	$485	$ 7
Canadian Dollar	263	5	15	--
Euro	7	--	447	18
Other	11	--	35	--
Total	$355	$ 6	$982	$ 25

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 requires an entity to recognize all derivatives as either assets or liabilities and measure those instruments at fair value. In June 1999, the FASB issued SFAS 137, which deferred the effective date of SFAS 133 to all fiscal quarters of years beginning after June 15, 2000. In June 2000, the FASB issued SFAS 138 which amended accounting and reporting standards and addressed issues causing implementation difficulties with SFAS 133 for certain derivative instruments and hedging activities. These statements became effective for the Company on December 31, 2000. The Company will record the effect of the transition to these new accounting requirements in the first quarter of 2001 as a cumulative effect of change in accounting principle. The effect of this change in accounting will not be material to the Company's results of operations and financial position.

10 TEXTRON FINANCE - OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF FINANCE SUBSIDIARY HOLDING SOLELY JUNIOR SUBORDINATED DEBENTURES

Litchfield Financial Corporation (Litchfield, a subsidiary of Textron Financial Corporation) was acquired by Textron Financial Corporation during 1999. Prior to the acquisition, a trust sponsored and wholly-owned by Litchfield issued Series A Preferred Securities to the public (for $26 million), the proceeds of which were invested by the trust in $26 million aggregate principal amount of Litchfield's newly issued 10% Series A Junior Subordinated Debentures (Series A Debentures), due 2029. The debentures are the sole asset of the trust. The preferred securities were recorded by Textron Financial Corporation at the fair value of $29 million as of the acquisition date. The amounts due to the trust under the subordinated debentures and the related income statement amounts have been eliminated in Textron's consolidated financial statements.

The preferred securities accrue and pay cash distributions quarterly at a rate of 10% per annum. The trust's obligation under the Series A Preferred Securities are fully and unconditionally guaranteed by Litchfield. The trust will redeem all of the outstanding Series A Preferred Securities when the Series A Debentures are paid at maturity on June 30, 2029, or otherwise become due. Litchfield will have the right to redeem 100% of the principal plus accrued and unpaid interest on or after June 30, 2004.

11 TEXTRON - OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY TEXTRON JUNIOR SUBORDINATED DEBT SECURITIES

In 1996, a trust sponsored and wholly-owned by Textron issued preferred securities to the public (for $500 million) and shares of its common securities to Textron (for $15.5 million), the proceeds of which were invested by the trust in $515.5 million aggregate principal amount of Textron's newly issued 7.92% Junior Subordinated Deferrable Interest Debentures, due 2045. The debentures are the sole asset of the trust. The proceeds from the issuance of the debentures were used by Textron for the repayment of long-term borrowings and for general corporate purposes. The amounts due to the trust under the debentures and the related income statement amounts have been eliminated in Textron's consolidated financial statements.

The preferred securities accrue and pay cash distributions quarterly at a rate of 7.92% per annum. Textron has guaranteed, on a subordinated basis, distributions and other payments due on the preferred securities. The guarantee, when taken together with Textron's obligations under the debentures and in the indenture pursuant to which the debentures were issued and Textron's obligations under the Amended and Restated Declaration of Trust governing the trust, provides a full and unconditional guarantee of amounts due on the preferred securities. The preferred securities are mandatorily redeemable upon the maturity of the debentures on March 31, 2045, or earlier to the extent of any redemption by Textron of any debentures. The redemption price in either such case will be $25 per share plus accrued and unpaid distributions to the date fixed for redemption.

12 SHAREHOLDER'S EQUITY

PREFERRED STOCK

Textron has authorization for 15,000,000 shares of preferred stock. Each share of $2.08 Preferred Stock ($23.63 approximate stated value) is convertible into 4.4 shares of common stock and can be redeemed by Textron for $50 per share. Each share of $1.40 Preferred Dividend Stock ($11.82 approximate stated value) is convertible into 3.6 shares of common stock and can be redeemed by Textron for $45 per share.

COMMON STOCK

Textron has authorization for 500,000,000 shares of 12.5 cent per share par value common stock.

PERFORMANCE SHARE UNITS AND STOCK OPTIONS

Textron's 1999 Long-Term Incentive Plan (the "1999 Plan") authorizes awards to key employees of Textron and its related companies in three forms: (a) options to purchase Textron shares; (b) performance share units and (c) restricted stock. The maximum number of share awards that are authorized by the 1999 Plan are: (a) 8,000,000 options to purchase Textron shares; (b) 1,000,000 performance units and (c) 500,000 shares of restricted stock.

STOCK-BASED COMPENSATION AWARDS TO EMPLOYEES UNDER THE PLAN ARE ACCOUNTED FOR USING THE INTRINSIC VALUE METHOD PRESCRIBED IN APB 25, "ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES" AND RELATED INTERPRETATIONS.

Textron's performance share program, measured under the intrinsic value method, generated income of approximately $36 million in 2000, and expense of approximately $25 million and $77 million in 1999 and 1998, respectively. To mitigate the impact of stock price fluctuations on compensation expense, Textron has entered cash settlement forward contracts on its common stock. These contracts generated expense of approximately $69 million for 2000 and income of approximately $5 million and $40 million in 1999 and 1998, respectively.

Pro forma information regarding net income and earnings per share has been determined using the fair value method. For the purpose of developing the pro forma information, the fair values of options granted after 1995 are estimated at the date of grant using the Black-Scholes option-pricing model. The estimated fair values are amortized to expense over the options' vesting period. Using this methodology, net income would have been reduced by $25 million or $.17 per diluted share in 2000 and $9 million or $.06 per diluted share in both 1999 and 1998.

The assumptions used to estimate the fair value of an option granted in 2000, 1999, and 1998, respectively, are approximately as follows: dividend yield of approximately 3%, 2% and 2%; expected volatility of 27%, 22% and 18%; risk-free interest rates of 5%, 6% and 4%, and weighted average expected lives of 3.5 years. Under these assumptions, the weighted-average fair value of an option to purchase one share granted in 2000, 1999 and 1998 was approximately $10, $15 and $12, respectively.

At year-end 2000, 1,434,000 stock options were available for future grant under the 1999 Plan. Stock option transactions during the last three years are summarized as follows:

	2000		1999		1998	
(Shares in thousands)	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at beginning of year	8,822	$ 55.26	8,342	$ 47.23	9,001	$ 36.74
Options granted	4,618	$ 46.31	2,176	$ 73.75	1,909	$ 74.08
Options exercised	(440)	$ 30.67	(1,451)	$ 34.86	(2,465)	$ 29.52
Options canceled	(369)	$ 76.41	(245)	$ 67.06	(103)	$ 51.48
Options outstanding at end of year	12,631	$ 52.32	8,822	$ 55.26	8,342	$ 47.23
Options exercisable at end of year	7,012	$ 53.25	5,815	$ 45.60	5,818	$ 36.80

Stock options outstanding at the end of 2000 are summarized as follows:

(Shares in thousands)	OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
DECEMBER 30, 2000:					
$17 - $37	2,238	3.7	$28.37	2,238	$28.37
$38 - $59	5,712	9.1	$45.87	1,195	$45.71
$60 - $94	4,681	8.2	$71.42	3,579	$71.01

RESERVED SHARES OF COMMON STOCK

At year-end 2000, common stock reserved for the subsequent conversion of preferred stock and shares reserved for the exercise of stock options were 2,927,000 and 12,631,000, respectively.

PREFERRED STOCK PURCHASE RIGHTS

Each outstanding share of Textron common stock has attached to it one-half of a preferred stock purchase right. One preferred stock purchase right entitles the holder to buy one one-hundredth of a share of Series C Junior Participating Preferred Stock at an exercise price of $250. The rights become exercisable only under certain circumstances related to a person or group acquiring or offering to acquire a substantial block of Textron's common stock. In certain circumstances, holders may acquire Textron stock, or in some cases the stock of an acquiring entity, with a value equal to twice the exercise price. The rights expire in September 2005 but may be redeemed earlier for $.05 per right.

INCOME PER COMMON SHARE

A reconciliation of income from continuing operations and basic to diluted share amounts is presented below.

For the years ended	DECEMBER 30, 2000		January 1, 2000		January 2, 1999	
(Dollars in millions, shares in thousands)	INCOME	AVERAGE SHARES	Income	Average Shares	Income	Average Shares
Income from continuing operations	$ 277		$ 623		$ 443	
Less: Preferred stock dividends	--		(1)		(1)	
BASIC						
Available to common shareholders	277	143,923	622	150,389	442	161,254
Dilutive effect of convertible preferred stock and stock options	--	2,227	1	3,365	1	4,120
DILUTED						
Available to common shareholders and assumed conversions	$ 277	146,150	$ 623	153,754	$ 443	165,374

COMPREHENSIVE INCOME

The components of Textron's other comprehensive income (loss) for 2000, 1999 and 1998 were as follows:

(In millions)	2000	1999	1998
CURRENCY TRANSLATION ADJUSTMENT			
Beginning balance	$ (96)	$(104)	$ (71)
Change, net of income taxes	(74)	(71)	(33)
AFS disposal	--	79	--
Ending balance	$(170)	$ (96)	$(104)
UNREALIZED GAINS (LOSSES) ON SECURITIES			
Beginning balance	$ --	$ 13	$ 13
Net unrealized gains (losses) arising during the period*	(59)	--	8
Reclassification adjustment for realized (gains) losses in net income*	59	--	(8)
AFS disposal (net of income tax expense of $8)	--	(13)	--
Ending balance	$ --	$ --	$ 13
PENSION LIABILITY ADJUSTMENT			
Beginning balance	$ (2)	$ (5)	$ (4)
Change, net of income taxes	--	3	(1)
Ending balance	$ (2)	$ (2)	$ (5)
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Beginning balance	$ (98)	$ (96)	$ (62)
Other comprehensive loss	(74)	(2)	(34)
Ending balance	$(172)	$ (98)	$ (96)

*Net of income tax expense (benefit) of $(31) million and $4 million for 2000 and 1998, respectively.

13 LEASES

Rental expense approximated $101 million, $94 million and $83 million in 2000, 1999 and 1998, respectively. Future minimum rental commitments for noncancellable operating leases in effect at year-end 2000 approximated $83 million for 2001; $65 million for 2002; $46 million for 2003; $33 million for 2004; $22 million for 2005; and a total of $186 million thereafter.

14 RESEARCH AND DEVELOPMENT

Textron carries out research and development for itself and under contracts with others, primarily the U.S. Government. Company initiated programs include independent research and development related to government products and services, a significant portion of which is recoverable from the U.S. Government through overhead cost allowances.

RESEARCH AND DEVELOPMENT COSTS FOR WHICH TEXTRON IS RESPONSIBLE ARE EXPENSED AS INCURRED. THESE COMPANY FUNDED COSTS INCLUDE AMOUNTS FOR COMPANY INITIATED PROGRAMS, THE COST SHARING PORTIONS OF CUSTOMER INITIATED PROGRAMS, AND LOSSES INCURRED ON CUSTOMER INITIATED PROGRAMS. The Company funded and customer funded research and development costs for 2000, 1999 and 1998 were as follows:

(In millions)	2000	1999	1998
Company funded	$307	$257	$219
Customer funded	414	413	394
Total research and development	$721	$670	$613

15 PENSION BENEFITS AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

Textron has defined benefit and defined contribution pension plans that together cover substantially all employees. The costs of the defined contribution plans amounted to approximately $51 million in 2000 and $40 million in both 1999 and 1998. Defined benefits under salaried plans are based on salary and years of service. Hourly plans generally provide benefits based on stated amounts for each year of service. Textron's funding policy is consistent with federal law and regulations. Pension plan assets consist principally of corporate and government bonds and common stocks. Textron offers health care and life insurance benefits for certain retired employees.

The following summarizes the change in the benefit obligation; the change in plan assets; the funded status; and reconciliation to the amount recognized in the balance sheet for the pension and postretirement benefit plans:

	PENSION BENEFITS		POSTRETIREMENT BENEFITS OTHER THAN PENSIONS	
(In millions)	DECEMBER 30, 2000	January 1, 2000	DECEMBER 30, 2000	January 1, 2000
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	$ 3,665	$ 3,836	$ 603	$ 665
Service cost	101	109	6	7
Interest cost	265	252	45	41
Amendments	110	9	(5)	--
Effects of acquisitions	5	10	--	5
Effects of dispositions	(1)	(6)	--	--
Plan participants' contributions	4	4	5	4
Actuarial (gains)/losses	80	(299)	27	(54)
Benefits paid	(249)	(227)	(68)	(65)
Foreign exchange rate changes	(39)	(23)	--	--
Curtailments	--	--	(1)	--
Benefit obligation at end of year	$ 3,941	$ 3,665	$ 612	$ 603
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	$ 5,342	$ 4,824	$ --	$ --
Actual return on plan assets	77	740	--	--
Employer contributions	41	21	--	--
Plan participants' contributions	4	4	--	--
Effects of acquisitions	4	12	--	--
Effects of dispositions	(1)	(5)	--	--
Benefits paid	(249)	(227)	--	--
Foreign exchange rate changes	(48)	(27)	--	--
Fair value of plan assets at end of year	$ 5,170	$ 5,342	$ --	$ --
Funded status of the plan	$ 1,229	$ 1,677	$ (612)	$ (603)
Unrecognized actuarial gain	(871)	(1,331)	(88)	(122)
Unrecognized prior service cost	154	88	(15)	(16)
Unrecognized transition net asset	(43)	(61)	--	--
Net amount recognized in the consolidated balance sheet	$ 469	$ 373	$ (715)	$ (741)
Amounts recognized in the consolidated balance sheet consists of:				
Prepaid benefit cost	$ 621	$ 508	$ --	$ --
Accrued benefit liability	(156)	(144)	(715)	(741)
Intangible asset	2	7	--	--
Accumulated other comprehensive loss	2	2	--	--
Net amount recognized in the consolidated balance sheet	$ 469	$ 373	$ (715)	$ (741)

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $199 million, $161 million and $10 million, respectively, as of year-end 2000, and $191 million, $159 million and $16 million, respectively, as of year-end 1999.

The following summarizes the net periodic benefit cost for the pension benefits and postretirement benefits plans:

	PENSION BENEFITS			POSTRETIREMENT BENEFITS OTHER THAN PENSIONS		
(In millions)	DECEMBER 30, 2000	January 1, 2000	January 2, 1999	DECEMBER 30, 2000	January 1, 2000	January 2, 1999
COMPONENTS OF NET PERIODIC BENEFIT COST						
Service cost	$ 101	$ 109	$ 83	$ 6	$ 7	$ 6
Interest cost	265	252	235	45	41	45
Expected return on plan assets	(423)	(378)	(323)	--	--	--
Amortization of unrecognized transition asset	(17)	(17)	(17)	--	--	--
Recognized actuarial (gain)/loss	(24)	2	1	(8)	(10)	(9)
Recognized prior service cost	14	16	14	(4)	(4)	(4)
Curtailments	--	--	--	(1)	--	--
Net periodic benefit cost	$ (84)	$ (16)	$ (7)	$ 38	$ 34	$ 38

Recognized actuarial (gain)/loss on net pension benefits is being amortized over a twelve year period.

Major actuarial assumptions used in accounting for defined benefit pension plans are presented below.

	DECEMBER 30, 2000	January 1, 2000,	January 2, 1999,	January 3, 1998,
WEIGHTED AVERAGE ASSUMPTIONS AT YEAR-END				
Discount rate	7.50%	7.50%	6.75%	7.25%
Expected return on plan assets	9.25	9.25	9.25	9.00
Rate of compensation increase	4.80	4.80	4.80	5.00

Postretirement benefit plan discount rates are the same as those used by Textron's defined benefit pension plans.

The 2000 health care cost trend rate, which is the weighted average annual assumed rate of increase in the per capita cost of covered benefits, was 6% for retirees age 65 and over and 6% for retirees under age 65. Both rates are assumed to decrease to 5.5% by 2003 and then remain at that level. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

(In millions)	1% INCREASE	1% DECREASE
Effect on total of service and interest cost components	$ 5	$ (5)
Effect on postretirement benefit obligation	56	(48)

16 INCOME TAXES

Textron files a consolidated federal income tax return for all U.S. subsidiaries and separate returns for foreign subsidiaries. TEXTRON RECOGNIZES DEFERRED INCOME TAXES FOR TEMPORARY DIFFERENCES BETWEEN THE FINANCIAL REPORTING BASIS AND INCOME TAX BASIS OF ASSETS AND LIABILITIES BASED ON ENACTED TAX RATES EXPECTED TO BE IN EFFECT WHEN AMOUNTS ARE LIKELY TO BE REALIZED OR SETTLED.

The following table shows income from continuing operations before income taxes and distributions on preferred securities of subsidiary trusts:

(In millions)	2000	1999	1998
United States	$ 366	$ 831	$ 582
Foreign	245	199	181
Total	$ 611	$1,030	$ 763

Income tax expense is summarized as follows:

(In millions)	2000	1999	1998

Federal:			
Current	$ 246	$ 222	$ 225
Deferred	(37)	54	(25)
State	35	36	33
Foreign	64	69	61
Income tax expense	$ 308	$ 381	$ 294

The following reconciles the federal statutory income tax rate to the effective income tax rate reflected in the consolidated statements of income:

	2000	1999	1998
Federal statutory income tax rate	35.0%	35.0%	35.0%
Increase (decrease) in taxes resulting from:			
State income taxes	3.8	2.3	2.7
Goodwill	19.0	2.2	4.3
Foreign tax rate differential	(2.2)	0.6	--
Foreign sales corporation benefit	(1.9)	(0.9)	(0.8)
Other, net	(3.3)	(2.2)	(2.7)
Effective income tax rate	50.4%	37.0%	38.5%

Textron's net deferred tax asset consisted of gross deferred tax assets and gross deferred tax liabilities of $1,704 million and $1,531 million, respectively, at the end of 2000 and $1,623 million and $1,467 million, respectively, at the end of 1999. The tax effects of temporary differences that give rise to significant portions of Textron's net deferred tax assets and liabilities were as follows:

(In millions)	DECEMBER 30, 2000	January 1, 2000
Deferred tax assets:		
Self insured liabilities, (including environmental)	$ 146	$ 184
Deferred compensation	140	144
Obligation for postretirement benefits	118	171
Investment securities	45	--
Allowance for credit losses	44	38
Amortization of goodwill	37	--
Other, principally timing of other expense deductions	278	187
Total deferred tax assets	$ 808	$ 724
Deferred tax liabilities:		
Textron Finance transactions, principally leasing	$(366)	$(353)
Fixed assets, principally depreciation	(190)	(164)
Inventory	(53)	(51)
Currency translation adjustment	(26)	--
Total deferred tax liabilities	(635)	(568)
Net deferred tax assets	$ 173	$ 156

Deferred income taxes have not been provided for the undistributed earnings of foreign subsidiaries, which approximated $649 million at the end of 2000. Management intends to reinvest those earnings for an indefinite period, except for distributions having an immaterial tax effect. If foreign subsidiaries' earnings were distributed, 2000 taxes, net of foreign tax credits, would be increased by approximately $88 million.

17 SPECIAL CHARGES, NET

THE COMPANY RECORDS RESTRUCTURING LIABILITIES AT THE TIME MANAGEMENT APPROVES AND COMMITS TO A RESTRUCTURING PLAN THAT IDENTIFIES ALL SIGNIFICANT ACTIONS TO BE TAKEN AND THE EXPECTED COMPLETION DATE OF THE PLAN. THE RESTRUCTURING LIABILITY INCLUDES THOSE RESTRUCTURING COSTS THAT (1) CAN BE REASONABLY ESTIMATED, (2) ARE NOT ASSOCIATED WITH AND DO NOT BENEFIT ACTIVITIES THAT WILL BE CONTINUED, AND (3) ARE NOT ASSOCIATED WITH OR ARE NOT INCURRED TO GENERATE REVENUES AFTER THE COMMITMENT DATE. RESTRUCTURING COSTS ARE INCURRED AS A DIRECT RESULT OF THE PLAN AND (1) ARE INCREMENTAL TO OTHER COSTS INCURRED BY TEXTRON IN THE CONDUCT OF ITS ACTIVITIES PRIOR TO THE COMMITMENT DATE, OR (2) REPRESENT CONTRACTUAL OBLIGATIONS THAT EXISTED PRIOR TO THE COMMITMENT DATE AND WILL EITHER CONTINUE AFTER THE EXIT PLAN IS COMPLETED WITH NO ECONOMIC BENEFIT TO THE ENTERPRISE OR REFLECT A PENALTY TO CANCEL A CONTRACTUAL OBLIGATION. ADDITIONALLY, RESTRUCTURING LIABILITIES INCURRED IN CONJUNCTION WITH A BUSINESS ACQUISITION ARE RECORDED AS PART OF THE ALLOCATION OF THE INITIAL PURCHASE PRICE OF THE ACQUISITION (1) AS OF THE ACQUISITION DATE, MANAGEMENT BEGINS TO ASSESS AND FORMULATE A RESTRUCTURING PLAN FOR THE ACQUIRED BUSINESS AND (2) THE RESTRUCTURING PLAN IS APPROVED AND COMMITTED TO WITHIN ONE YEAR OF THE ACQUISITION DATE.

2000 SPECIAL CHARGES

To improve returns at base businesses and to complete the integration of recently acquired businesses, during the fourth quarter of 2000, the Company approved and committed to a restructuring program based upon targeted cost reductions in the Automotive, Fastening Systems and Industrial Products segments. The 2000 program includes the consolidation of facilities, outsourcing of non-core production activity, the rationalization of certain product lines, and the divestiture of non-core businesses. Restructuring costs recorded in earnings during the fourth quarter of 2000 included $16 million of accrued severance-related benefits, outplacement services and certain other exit costs. Severance and other costs accrued during the fourth quarter of 2000 for the Automotive and Industrial Products segments were $1 million and $15 million, respectively. No costs were accrued for Fastening Systems during the fourth quarter. Facility consolidations will occur primarily in the United States and Europe. The Company anticipates incurring additional restructuring charges as it completes and commits to additional activities within Automotive, Fastening Systems and Industrial Products segments. The Company expects to fund the cash requirements of its restructuring activities with cash flow from operations and additional borrowings under its existing credit facilities.

As of December 30, 2000, the Industrial Products segment had terminated 204 employees and Automotive did not yet have any terminations under the 2000 restructuring program.

In conjunction with the restructuring plan and review of long-lived assets including goodwill, the Company recorded an asset impairment charge of $1 million for fixed assets and $349 million for goodwill in the fourth quarter of 2000 principally related to Turbine Engine Components Textron (TECT), part of the Industrial Products segment and Flexalloy, part of the Fastening Systems segment. Yearly amortization of this goodwill was approximately $12 million.

Indicators of potential impairment of long-lived assets including goodwill were identified in connection with multi-year financial planning in the fourth quarter of 2000, as well as the initiation of the 2000 restructuring program. Based on the indicators, the Company performed an overall impairment review for the applicable operating units. Key indicators with respect to TECT, a manufacturer of air and land-based gas turbine engines components and airframe structures, was deteriorating margins and its inability to generate new contracts, which has resulted in a significantly decreased revenue base. Key indicators for Flexalloy, a vendor-managed inventory company, serving primarily the heavy truck industry within Fastening Systems, were its performance against plan and the negative effect on its vendor-managed business model by other supply chain competitors. The business is dependent upon large customers, and the service level for larger customers can not be easily replicated over a large number of smaller customers without significant additional investment. Also, the synergies within Fastening Systems, which were initially viewed to be significant due to Textron's existing market share, have been considerably less than anticipated. Accordingly, future cash flow projections are not expected to achieve the level of growth originally anticipated at the time of Flexalloy's acquisition.

The undiscounted cash flow projections performed for the applicable operating units were less than the carrying amounts of long-lived assets including goodwill indicating that there was an impairment. The discounted pre-tax cash flow calculation for purposes of determining the fair value of the long-lived assets was performed utilizing the multi-year financial plan (adjusted for planned restructuring activities) to project future cash flows and a risk-based rate of 11%. The calculation resulted in a fourth quarter 2000 write down of goodwill for TECT of $178 million, Flexalloy of $96 million and $75 million related to four other operating units. The calculation also showed that fixed assets and approximately $57 million of remaining goodwill were substantially recoverable at these units. By segment, Automotive recognized goodwill impairment charges of $27 million and fixed asset impairment charges of $1 million and Fastening Systems and Industrial Products recognized goodwill impairment charges of $128 million and $194 million, respectively, in 2000. The cash flow projections used in performing the review for these operating units were based upon management's best estimate of future results. Actual results could differ materially from those estimates.

Accruable restructuring costs and asset impairment charges recorded in earnings have been included in special charges, net on the consolidated statement of income.

An analysis of Textron's 2000 restructuring related special charges and reserve accounts is summarized below.

(In millions)	ASSET IMPAIRMENTS	SEVERANCE	FACILITIES & OTHER	TOTAL
Balance at January 1, 2000	$ --	$ --	$ --	$ --
Additions	350	15	1	366
Utilized	(350)	(1)	--	(351)
Balance at December 30, 2000	$ --	$ 14	$ 1	$ 15

The specific restructuring measures and associated estimated costs are based on the Company's best judgment under prevailing circumstances. The Company believes that the restructuring reserve balance of $15 million is adequate to carry out the restructuring activities formally identified and committed to as of December 30, 2000 and anticipates that all actions related to these liabilities will be completed by December 29, 2001.

As discussed in Note 6, the Company recorded an impairment charge of $117 million in the fourth quarter of 2000 relating to the Company's investment securities. This charge is included in special charges, net on the consolidated statement of income.

1998 - 1999 SPECIAL CHARGES, NET

To enhance the competitiveness and profitability of its core businesses, Textron recorded a pretax charge of $87 million in the second quarter of 1998. This charge was recorded based on the decision to exit several small, nonstrategic product lines in Automotive and the former Systems and Components divisions which did not meet Textron's return criteria, and to realign certain operations in the former Industrial segment. The pretax charges associated with the Automotive and former Industrial segments were $25 million and $52 million, respectively. The charge also included the cost of a litigation settlement of $10 million related to the Aircraft segment. Severance costs were included in special charges and are based on established policies and practices.

In 1999, the Company reassessed the remaining actions anticipated in the 1998 program and determined that certain projects should be delayed or cancelled while other provisions were no longer necessary. Specifically, provisions for severance and exit costs associated with the decision to exit certain automotive product lines were no longer required due to a decision to build different products in a plant originally anticipated to be closed. In the former Industrial segment, certain cost reduction programs in the Fluid and Power Group were suspended as a result of management's evaluation of the opportunities presented by the David Brown acquisition. Some smaller programs were delayed as the Company re-examines strategic alternatives. Others were completed at costs less than originally anticipated.

Concurrently, in 1999 the Company initiated a series of new cost reduction efforts in the former Industrial segment designed to significantly reduce headcount from levels at the beginning of the year. Significant actions included the downsizing of an underperforming plant in Europe and targeted headcount reductions across most Industrial divisions. Headcount reductions were also effected at Bell Helicopter.

As a result of the above, the Company reversed approximately $24 million of reserves no longer deemed necessary for the 1998 program and recorded severance accruals of approximately $21 million and a charge related to asset impairment of $5 million. In addition, Textron recorded additional restructuring charges for the Industrial segment, primarily for severance ($7 million) and asset impairment ($9 million) associated with the announced closing of seven facilities.

During fiscal 2000 the Company utilized the remaining $22 million reserve for severance and other costs for these programs. As of December 30, 2000, the 1998 and 1999 programs have been completed and approximately 3,400 employees have been terminated.

An analysis of Textron's 1998 and 1999 restructuring related special charges and reserve accounts is summarized below.

(In millions)	ASSET IMPAIRMENTS	SEVERANCE & OTHER	TOTAL
Initial Charge	$ 28	$ 49	$ 77
Utilized	(28)	(9)	(37)
Balance at January 2, 1999	--	40	40
Additions	14	28	42
Utilized	(14)	(22)	(36)
No longer Required	--	(24)	(24)
Balance at January 1, 2000	--	22	22
Additions	--	--	--
Utilized	--	(22)	(22)
Balance at December 30, 2000	$ --	$ --	$ --

Included in special charges, net for 1999 is a gain of $19 million as a result of shares granted to Textron from Manulife Financial Corporation's initial public offering on their demutualization of the Manufacturers Life Insurance Company.

18 FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value amounts shown in the table on the next page were determined from available market information and valuation methodologies. Because considerable judgment is required in interpreting market data, the estimates are not necessarily indicative of the amounts that could be realized in a current market exchange.

(In millions)	DECEMBER 30, 2000 CARRYING VALUE	DECEMBER 30, 2000 ESTIMATED FAIR VALUE	January 1, 2000 Carrying Value	January 1, 2000 Estimated Fair Value
ASSETS:				
Textron Finance:				
Finance receivables	$ 4,767	$ 4,840	$ 4,624	$ 4,642
Interest rate exchange agreements	--	(6)	--	--
Other	141	141	46	46
LIABILITIES:				
Textron Manufacturing:				
Debt	2,061	2,105	1,745	1,740
Interest rate exchange agreements	--	(8)	--	7
Marketable security price forward contracts	26	26	(5)	(5)
Textron Finance:				
Debt	4,667	4,688	4,551	4,535
Interest rate exchange agreements	--	17	--	(2)
FOREIGN EXCHANGE CONTRACTS:				
Textron Manufacturing	(1)	(1)	--	(6)
CURRENCY SWAPS:				
Textron Manufacturing	--	--	(21)	(25)
Textron Finance	--	1	--	--

(i) Finance receivables - The estimated fair values of real estate loans and commercial installment contracts were based on discounted cash flow analyses. The estimated fair values of variable-rate receivables approximated the net carrying value. The estimated fair values of nonperforming loans were based on discounted cash flow analyses using risk-adjusted interest rates or the fair value of the related collateral.
(ii) Debt, interest rate exchange agreements, foreign exchange contracts and currency swaps - The estimated fair value of fixed-rate debt was determined by independent investment bankers or discounted cash flow analyses. The estimated fair values of variable-rate debt approximated their carrying values. The estimated fair values of interest rate exchange agreements were determined by discounted cash flow analysis and represent the estimated amounts that Textron or its counterparty would be required to pay to assume the other party's obligations under the agreements. The estimated fair values of the foreign exchange contracts and currency swaps were determined by Textron's foreign exchange banks.
(iii) The estimated fair values of marketable security price forward contracts were determined by quoted market prices of the related securities and represents the amount Textron or its counterparty are required to pay under these agreements.

19 CONTINGENCIES AND ENVIRONMENTAL REMEDIATION

CONTINGENCIES

Textron is subject to legal proceedings arising out of the conduct of the Company's business. These proceedings include claims arising from private transactions, government contracts, product liability and environmental, safety and health matters. Some of these legal proceedings seek damages, fines or penalties in substantial amounts or remediation of environmental contamination. Under federal government procurement regulations, certain claims brought by the U.S. Government could result in Textron's suspension or debarment from U.S. Government contracting for a period of time. On the basis of information presently available, Textron believes that these suits and proceedings will not have a material effect on the Company's financial position or results of operations.

ENVIRONMENTAL REMEDIATION

ENVIRONMENTAL LIABILITIES ARE RECORDED BASED ON THE MOST PROBABLE COST IF KNOWN OR ON THE ESTIMATED MINIMUM COST, DETERMINED ON A SITE-BY-SITE BASIS. TEXTRON'S ENVIRONMENTAL LIABILITIES ARE UNDISCOUNTED AND DO NOT TAKE INTO CONSIDERATION POSSIBLE FUTURE INSURANCE PROCEEDS OR SIGNIFICANT AMOUNTS FROM CLAIMS AGAINST OTHER THIRD PARTIES.

Textron's accrued estimated environmental liabilities are based upon currently available facts, existing technology and presently enacted laws and regulations and are subject to a number of factors and uncertainties. Circumstances which can affect the accruals' reliability and precision include identification of additional sites, environmental regulations, level of cleanup required, technologies available, number and financial condition of other contributors to remediation and the time period over which remediation may occur. Accrued liabilities relate to disposal costs, U.S. Environmental Protection Agency oversight costs, legal fees and operating and maintenance costs for both currently and formerly owned or operated facilities. Textron believes that any changes to the accruals that may result from these factors and uncertainties will not have a material effect on Textron's financial position or results of operations. Based upon information currently available Textron estimates potential environmental liabilities to be in the range of $70 million to $200 million. As of December 30, 2000, environmental reserves of approximately $133 million, of which $15 million are classified as current liabilities, have been established to address these specific estimated potential liabilities. Textron estimates that its accrued environmental remediation liabilities will likely be paid over the next five to ten years.

20 SEGMENT REPORTING

Textron has five reportable segments: Aircraft, Automotive, Fastening Systems, Industrial Products and Finance. See Note 1, for principal markets and pages 61 through 63 for products of Textron's segments.

Textron's reportable segments are strategically aligned based on the manner in which Textron manages its various operations. The accounting policies of the segments are the same as those described in the summary of significant accounting policies within the notes to the consolidated financial statements. Textron evaluates segment performance based on operating profit from operations. Segment profit for Textron Manufacturing excludes interest expense, certain corporate expenses, special charges, and gains or losses from the disposition of significant business units. The Finance segment includes interest income, interest expense and distributions on preferred securities of Finance subsidiary trust as part of segment profit. Provisions for losses on finance receivables involving the sale or lease of Textron products are recorded by the selling manufacturing division.

The following summarizes the revenues by type of products:

	REVENUES		
(In millions)	2000	1999	1998
Aircraft:			
Fixed-Wing Aircraft	$ 2,814	$ 2,472	$ 1,949
Rotor Aircraft	1,580	1,547	1,431
Automotive:			
Trim	1,842	1,796	1,481
Fuel Systems and Functional Components	1,082	1,072	875
Fastening Systems	2,137	2,082	1,758
Industrial Products:			
Industrial Components and Other	1,432	997	931
Golf, Turf & Specialty Products	823	773	719
Fluid & Power	689	652	363
Finance	691	463	367
	$13,090	$11,854	$ 9,874

The following tables and page 20 summarize selected financial information by segment:

	ASSETS			PROPERTY, PLANT AND EQUIPMENT EXPENDITURES		
(In millions)	2000	1999	1998	2000	1999	1998
Aircraft	$ 2,551	$ 2,348	$ 2,199	$ 154	$ 164	$ 140
Automotive	1,738	1,800	1,627	127	132	110
Fastening Systems	2,029	2,199	1,760	113	103	113
Industrial Products	2,728	3,003	2,176	115	114	96
Finance	6,131	5,989	3,785	14	11	13
Corporate (including investment in discontinued operations)	3,339	1,743	2,717	4	8	3
Eliminations	(2,146)	(689)	(543)	--	--	--
	$ 16,370	$ 16,393	$ 13,721	$ 527	$ 532	$ 475

	AMORTIZATION			DEPRECIATION		
(In millions)	2000	1999	1998	2000	1999	1998
Aircraft	$ 10	$ 10	$ 10	$105	$ 97	$ 82
Automotive	14	19	15	87	83	71
Fastening Systems	22	19	13	85	80	70
Industrial Products	41	31	23	84	73	55
Finance	15	7	3	17	12	10
Corporate	10	5	5	4	4	4
	$112	$ 91	$ 69	$382	$349	$292

GEOGRAPHIC DATA

Presented below is selected financial information by geographic area of Textron's operations:

	REVENUES(1)			PROPERTY, PLANT AND EQUIPMENT(2)		
(In millions)	2000	1999	1998	2000	1999	1998
United States	$ 8,569	$ 7,540	$ 6,404	$ 1,791	$ 1,718	$ 1,466
Canada	798	710	593	127	118	115
Latin America and Mexico	790	738	662	121	68	84
Asia and Australia	603	441	317	13	14	3
Germany	584	694	577	165	187	205
United Kingdom	385	481	283	145	161	171
France	352	344	332	79	82	82
Other	1,009	906	706	164	165	79
	$13,090	$11,854	$ 9,874	$ 2,605	$ 2,513	$ 2,205

(1) Revenues are attributed to countries based on the location of the customer.

(2) Property, plant and equipment is based on the location of the asset.

Revenues include sales to the U.S. Government of $1.2 billion, $1.3 billion and $1.1 billion in 2000, 1999 and 1998, respectively and sales of $1.5 billion, $1.6 billion and $1.3 billion in 2000, 1999, and 1998, respectively to DaimlerChrysler.

21 OTHER INFORMATION - TEXTRON MANUFACTURING CURRENT LIABILITIES

Included in accrued liabilities at the end of 2000 and 1999 were the following:

(In millions)	DECEMBER 30, 2000	January 1, 2000
Customer deposits	$ 279	$ 253
Salary, wages and employer taxes	260	232
Reserve for warranties	236	193
Sales rebate	83	76
Other	513	513
Total accrued liabilities	$1,371	$1,267

QUARTERLY DATA

(Unaudited)
(Dollars in millions except per share amounts)

	2000			
	Q4	Q3	Q2	Q1
REVENUES				
Aircraft	$ 1,251	$ 1,171	$ 1,013	$ 959
Automotive	671	654	761	838
Fastening Systems	487	504	562	584
Industrial Products	718	695	771	760
Finance	185	184	170	152
TOTAL REVENUES	$ 3,312	$ 3,208	$ 3,277	$ 3,293
INCOME (LOSS)				
Aircraft	$ 139	$ 127	$ 107	$ 78
Automotive	54	40	69	81
Fastening Systems	37	47	51	47
Industrial Products	83	70	101	89
Finance	56	49	44	41
TOTAL SEGMENT PROFIT	369	333	372	336
Special charges, net	(483)	--	--	--
Total segment operating income (loss)	(114)	333	372	336
Corporate expenses and other, net	(43)	(34)	(41)	(46)
Interest income	6	--	--	--
Interest expense	(42)	(42)	(41)	(33)
Income taxes	(18)	(93)	(104)	(93)
Distribution on preferred securities of manufacturing subsidiary trust, net of income taxes	(7)	(6)	(7)	(6)
INCOME (LOSS) FROM CONTINUING OPERATIONS	(218)	158	179	158
Gain on disposal of discontinued operations, net of income taxes	--	--	--	--
Income (loss) before extraordinary loss and cumulative effect of change in accounting principle	(218)	158	179	158
Extraordinary loss from debt retirement, net of income taxes	--	--	--	--
Cumulative effect of change in accounting principle, net of income taxes	--	--	--	(59)
Net income (loss)	$ (218)	$ 158	$ 179	$ 99
EARNINGS PER COMMON SHARE				
BASIC:				
Income (loss) from continuing operations	$ (1.53)	$ 1.10	$ 1.25	$ 1.08
Discontinued operations, net of income taxes	--	--	--	--
Extraordinary loss from debt retirement, net of income taxes	--	--	--	--
Cumulative effect of change in accounting principle, net of income taxes	--	--	--	(.41)
Net income (loss)	$ (1.53)	$ 1.10	$ 1.25	$ .67
Average shares outstanding (in thousands)	141,969	143,185	143,981	146,281
DILUTED:				
Income (loss) from continuing operations	$ (1.53)	$ 1.08	$ 1.23	$ 1.06
Discontinued operations, net of income taxes	--	--	--	--
Extraordinary loss from debt retirement, net of income taxes	--	--	--	--
Cumulative effect of change in accounting principle, net of income taxes	--	--	--	(.40)
Net income (loss)	$ (1.53)	$ 1.08	$ 1.23	$ .66
Average shares outstanding (in thousands)*	141,969	145,325	146,304	148,818
SEGMENT PROFIT MARGINS				
Aircraft	11.1%	10.8%	10.6%	8.1%
Automotive	8.0	6.1	9.1	9.7

Fastening Systems	7.6	9.3	9.1	8.0
Industrial Products	11.6	10.1	13.1	11.7
Finance	30.3	26.6	25.9	27.0
SEGMENT PROFIT MARGIN	11.1	10.4	11.4	10.2
COMMON STOCK INFORMATION				
Price range: High	$ 55.38	$ 60.38	$ 65.56	$ 74.94
Price range: Low	$ 41.44	$ 44.88	$ 53.94	$ 51.50
Dividends per share	$ .325	$ .325	$ .325	$ .325

(Unaudited)
(Dollars in millions except per share amounts)

	1999			
	Q4	Q3	Q2	Q1
REVENUES				
Aircraft	$ 1,267	$ 955	$ 937	$ 860
Automotive	747	652	746	723
Fastening Systems	535	497	550	500
Industrial Products	678	539	602	603
Finance	141	122	104	96
TOTAL REVENUES	$ 3,368	$ 2,765	$ 2,939	$ 2,782
INCOME (LOSS)				
Aircraft	$ 129	$ 91	$ 75	$ 67
Automotive	63	37	59	61
Fastening Systems	37	43	54	56
Industrial Products	78	74	82	67
Finance	34	38	30	26
TOTAL SEGMENT PROFIT	341	283	300	277
Special charges, net	--	3	(2)	--
Total segment operating income (loss)	341	286	298	277
Corporate expenses and other, net	(33)	(37)	(35)	(38)
Interest income	1	4	6	16
Interest expense	(29)	(11)	(3)	(13)
Income taxes	(103)	(90)	(97)	(91)
Distribution on preferred securities of manufacturing subsidiary trust, net of income taxes	(7)	(6)	(7)	(6)
INCOME (LOSS) FROM CONTINUING OPERATIONS	170	146	162	145
Gain on disposal of discontinued operations, net of income taxes	31	--	--	1,615
Income (loss) before extraordinary loss and cumulative effect of change in accounting principle	201	146	162	1,760
Extraordinary loss from debt retirement, net of income taxes	--	--	--	(43)
Cumulative effect of change in accounting principle, net of income taxes	--	--	--	--
Net income (loss)	$ 201	$ 146	$ 162	$ 1,717
EARNINGS PER COMMON SHARE				
BASIC:				
Income (loss) from continuing operations	$ 1.14	$ .97	$ 1.08	$ .95
Discontinued operations, net of income taxes	.21	--	--	10.59
Extraordinary loss from debt retirement, net of income taxes	--	--	--	(.28)
Cumulative effect of change in accounting principle, net of income taxes	--	--	--	--
Net income (loss)	$ 1.35	$ .97	$ 1.08	$ 11.26
Average shares outstanding (in thousands)	148,309	150,069	150,512	152,517
DILUTED:				
Income (loss) from continuing operations	$ 1.12	$ .95	$ 1.05	$ .93
Discontinued operations, net of income taxes	.21	--	--	10.34
Extraordinary loss from debt retirement, net of income taxes	--	--	--	(.27)

Cumulative effect of change in accounting principle, net of income taxes	--	--	--	--
Net income (loss)	$ 1.33	$ .95	$ 1.05	$ 11.00
Average shares outstanding (in thousands)*	151,267	153,406	154,096	156,112
SEGMENT PROFIT MARGINS				
Aircraft	10.2%	9.5%	8.0%	7.8%
Automotive	8.4	5.7	7.9	8.4
Fastening Systems	6.9	8.7	9.8	11.2
Industrial Products	11.5	13.7	13.6	11.1
Finance	24.1	31.1	28.8	27.1
SEGMENT PROFIT MARGIN	10.1	10.2	10.2	10.0
COMMON STOCK INFORMATION				
Price range: High	$ 77.75	$ 90.50	$ 97.00	$ 81.44
Price range: Low	$ 68.44	$ 74.50	$ 78.31	$ 70.00
Dividends per share	$ .325	$ .325	$ .325	$ .325

*Assumes full conversion of outstanding preferred stock and exercise of options. The average share base for the fourth quarter 2000 excludes potentially dilutive common shares (convertible preferred stock and stock options). These shares are excluded due to their antidilutive effect resulting from the loss from continuing operations.

SELECTED FINANCIAL INFORMATION

(Dollars in millions except where otherwise noted and per share amounts)	2000	1999	1998	1997	1996
REVENUES					
Aircraft	$ 4,394	$ 4,019	$ 3,380	$ 3,217	$ 2,774
Automotive	2,924	2,868	2,356	2,072	1,577
Fastening Systems	2,137	2,082	1,758	1,498	1,355
Industrial Products	2,944	2,422	2,013	1,738	1,654
Finance	691	463	367	350	327
TOTAL REVENUES	$ 13,090	$ 11,854	$ 9,874	$ 8,875	$ 7,687
INCOME					
Aircraft	$ 451	$ 362	$ 338	$ 313	$ 261
Automotive	244	220	171	141	135
Fastening Systems	182	190	186	167	148
Industrial Products	343	301	232	188	163
Finance	190	128	113	108	96
TOTAL SEGMENT PROFIT	1,410	1,201	1,040	917	803
Special charges, net	(483)	1	(87)	--	--
Gain on sale of division	--	--	97	--	--
Total segment operating income	927	1,202	1,050	917	803
Corporate expenses and other, net	(164)	(143)	(141)	(152)	(125)
Interest expense, net	(152)	(29)	(146)	(117)	(138)
Income taxes	(308)	(381)	(294)	(250)	(211)
Distributions on preferred securities of manufacturing subsidiary trust, net of income taxes	(26)	(26)	(26)	(26)	(23)
INCOME FROM CONTINUING OPERATIONS*	$ 277	$ 623	$ 443	$ 372	$ 306
PER SHARE OF COMMON STOCK					
Income from continuing operations-basic*	$ 1.92	$ 4.14	$ 2.74	$ 2.25	$ 1.82
Income from continuing operations-diluted*	$ 1.90	$ 4.05	$ 2.68	$ 2.19	$ 1.78
Dividends declared	$ 1.30	$ 1.30	$ 1.14	$ 1.00	$ .88
Book value at year-end	$ 28.24	$ 29.67	$ 19.27	$ 19.78	$ 19.10
Common stock price: High	$ 74.94	$ 97.00	$ 80.31	$ 70.75	$ 48.88
Common stock price: Low	$ 41.44	$ 68.44	$ 52.06	$ 45.00	$ 34.56
Common stock price: Year-end	$ 46.50	$ 76.69	$ 75.94	$ 62.63	$ 46.69
Common shares outstanding (in thousands):					
Basic average	143,923	150,389	161,254	164,830	167,453
Diluted average**	146,150	153,754	165,374	169,503	171,652
Year-end	140,933	147,002	154,742	167,315	169,745
FINANCIAL POSITION					
Total assets	$ 16,370	$ 16,393	$ 13,721	$ 11,330	$ 11,514
Debt:					
Textron Manufacturing	$ 2,084	$ 1,767	$ 2,615	$ 1,221	$ 1,507
Textron Finance	$ 4,667	$ 4,551	$ 2,829	$ 2,365	$ 2,441
Preferred securities of subsidiary trusts:					
Textron Manufacturing	$ 484	$ 483	$ 483	$ 483	$ 483
Textron Finance	$ 28	$ 29	$ --	$ --	$ --
Shareholders' equity	$ 3,994	$ 4,377	$ 2,997	$ 3,228	$ 3,183
Textron Manufacturing debt to total capital	32%	27%	43%	25%	29%
INVESTMENT DATA					
Capital expenditures	$ 527	$ 532	$ 475	$ 374	$ 312
Depreciation	$ 382	$ 349	$ 292	$ 254	$ 213
Research and development	$ 721	$ 670	$ 613	$ 602	$ 576
OTHER DATA					
Number of employees at year-end	71,000	68,000	64,000	56,000	49,000
Number of common shareholders at year-end	21,000	22,000	23,000	24,000	25,000

(Dollars in millions except where otherwise noted and per share amounts)	1995	1994	1993	1992
REVENUES				
Aircraft	$ 2,532	$ 2,309	$ 2,124	$ 1,609
Automotive	1,475	1,466	1,125	732
Fastening Systems	797	635	440	420
Industrial Products	1,777	2,392	2,719	2,944
Finance	311	277	259	258

TOTAL REVENUES	$ 6,892	$ 7,079	$ 6,667	$ 5,963
INCOME				
Aircraft	$ 237	$ 194	$ 172	$ 128
Automotive	123	124	81	59
Fastening Systems	101	86	45	40
Industrial Products	161	170	200	254
Finance	88	83	74	62
TOTAL SEGMENT PROFIT	710	657	572	543
Special charges, net	--	--	--	--
Gain on sale of division	--	--	--	--
Total segment operating income	710	657	572	543
Corporate expenses and other, net	(128)	(101)	(109)	(89)
Interest expense, net	(169)	(181)	(208)	(230)
Income taxes	(165)	(160)	(87)	(87)
Distributions on preferred securities of manufacturing subsidiary trust, net of income taxes	--	--	--	--
INCOME FROM CONTINUING OPERATIONS*	$ 248	$ 215	$ 168	$ 137
PER SHARE OF COMMON STOCK				
Income from continuing operations-basic*	$ 1.45	$ 1.21	$ .95	$ .78
Income from continuing operations-diluted*	$ 1.43	$ 1.19	$ .94	$ .77
Dividends declared	$ .78	$ .70	$ .62	$ .56
Book value at year-end	$ 19.96	$ 16.72	$ 15.59	$ 14.05
Common stock price: High	$ 38.69	$ 30.31	$ 29.44	$ 22.38
Common stock price: Low	$ 24.31	$ 23.25	$ 20.19	$ 16.88
Common stock price: Year-end	$ 33.75	$ 25.19	$ 29.13	$ 22.38
Common shares outstanding (in thousands):				
Basic average	169,848	176,474	176,071	173,334
Diluted average**	173,252	180,208	179,713	177,087
Year-end	173,340	174,616	180,509	178,366
FINANCIAL POSITION				
Total assets	$ 11,207	$ 10,374	$ 10,462	$ 10,009
Debt:				
Textron Manufacturing	$ 1,774	$ 1,582	$ 2,025	$ 2,283
Textron Finance	$ 2,277	$ 2,162	$ 2,037	$ 1,873
Preferred securities of subsidiary trusts:				
Textron Manufacturing	$ --	$ --	$ --	$ --
Textron Finance	$ --	$ --	$ --	$ --
Shareholders' equity	$ 3,412	$ 2,882	$ 2,780	$ 2,488
Textron Manufacturing debt to total capital	34%	35%	42%	48%
INVESTMENT DATA				
Capital expenditures	$ 258	$ 274	$ 227	$ 199
Depreciation	$ 188	$ 201	$ 196	$ 188
Research and development	$ 656	$ 611	$ 514	$ 430
OTHER DATA				
Number of employees at year-end	46,000	43,000	46,000	44,000
Number of common shareholders at year-end	26,000	27,000	28,000	30,000

* Before cumulative effect of change in accounting principles in 2000 and 1992.

** Assumes full conversion of outstanding preferred stock and exercise of stock options.

EXHIBIT 21

TEXTRON INC. - SIGNIFICANT SUBSIDIARIES
(AS OF MARCH 6, 2001)

Set forth below are the names of certain subsidiaries of Textron Inc. Other subsidiaries, which considered in the aggregate, do not constitute a significant subsidiary, are omitted from such list.

NAME	JURISDICTION
Avco Corporation	Delaware
Textron Systems Corporation	Delaware
Turbine Engine Components Textron Inc.	Delaware
Avdel Cherry Textron Inc.	New York
Bell Aircraft Services Company	Delaware
Bell Aerospace Services Inc.	Delaware
Edwards & Associates, Inc.	Tennessee
Bell Helicopter Textron Inc.	Delaware
Burkland Textron Inc.	Michigan
Cessna Aircraft Company	Kansas
Cone Drive Operations Inc.	Delaware
David Brown (Delaware) Holdings Corp.	Delaware
Elco Textron Inc.	Delaware
Elco Anchor Wire Inc.	Tennessee
Flexalloy Inc.	Ohio
Greenlee Textron Inc.	Delaware
HR Textron Inc.	Delaware
Energy Mfg. Co., Inc.	Delaware
InteSys Technologies, Inc.	Massachusetts
OmniQuip Textron International Inc.	Delaware
Lull International, Inc.	Delaware
TRAK International, Inc.	Delaware
RIFOCS Corp.	California
Ring Screw Textron Inc.	Michigan
Textron Atlantic Inc.	Delaware
Klauke Handels GmbH	Austria
Maag Pump Systems Textron A.G.	Switzerland
Textron Acquisition Limited	England
Avdel plc/Avdel plc Inc.	England/Delaware
Ransomes Investment Corporation	Delaware
Ransomes America Corporation	Delaware
Cushman Inc.	Delaware
Ransomes Inc.	Wisconsin
Steiner Turf Equipment Inc.	Wisconsin
Ransomes plc	England
Textron Fluid and Power Systems Holdings Limited	England
David Brown Group plc	England
David Brown Engineering Ltd.	England
Textron Limited	England
Textron Automotive MIP Limited	England

Textron Automotive Limited	England

NAME	JURISDICTION
Textron Atlantic Inc.	(continued)
Textron International Holding, S.L. (98.38%; 0.90% - Textron Automotive Company Inc.; 0.72% - Textron Automotive Overseas Investment Inc.)	Spain
Kautex Textron Benelux B.V.B.A. (99.9%; 1 share - Kautex Textron Iberica S.L.)	Belgium
Kautex Textron Iberica S.L.	Spain
Textron France Holding S.A.R.L. (99.9%; 1 share - Textron Industries Management S.N.C.)	France
Textron France S.A.R.L. (99.9%; 1 share - Textron Industries Management S.N.C.)	France
Textron Atlantic Holding GmbH (99.9%; 0.1% - Textron Atlantic Inc.)	Germany
Kautex Textron Verwaltungs GmbH	Germany
Kautex Textron GmbH & Co. K.G. (98%; 1% - Jacobsen E-Z-GO Textron GmbH Rasenpflegesysteme; 1% - Deutsche Bank subsidiary)	Germany
Textron Verbindungstechnik Beteiligungs GmbH	Germany
Textron Verbindungstechnik GmbH & Co. O.H.G. (99%; 1% - Jacobsen E-Z-GO Textron GmbH Rasenpflegesysteme)	Germany
Textron Industries S.A.S.	France
Textron Automotive Company Inc.	Delaware
McCord Corporation	Michigan
Textron Automotive Interiors Inc.	Delaware
Micromatic Operations Inc.	Delaware
Micro-Precision Operations Inc.	Delaware
Textron Automotive Exteriors Inc.	Delaware
Textron FSC Inc.	Barbados
Textron Financial Corporation	Delaware
Cessna Finance Corporation	Kansas
Litchfield Financial Corporation	Massachusetts
RFC Capital Corporation	Delaware
Systran Financial Services Holding Corporation	Washington
Systran Financial Services Corporation	Oregon
Textron Financial Canada Acceptance Corporation	Ontario
Textron Financial Investment Corporation	Rhode Island
Textron Funding Corporation	Delaware
Textron Properties Inc.	Delaware
Textron Canada Limited (64.5%; 35.5% - Textron Inc.)	Canada
Bell Helicopter Canada International Inc.	Canada
Kautex Corporation	Nova Scotia
Textron Rhode Island Inc.	Rhode Island
Textron S.A. de C.V. (99%; 1% - Textron Atlantic Inc.)	Mexico
Kautex Textron de Mexico, S.A. de C.V.	Mexico
Textron Automotive Company de Mexico, S.A. de C.V.	Mexico
Turbine Engine Components Textron (Santa Fe Springs Operations) Inc.	California

EXHIBIT 23

Consent of Independent Auditors

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Textron Inc. of our report dated January 23, 2001, included in the 2000 Annual Report to Shareholders of Textron Inc.

Our audits also included the financial statement schedule of Textron Inc. listed in the accompanying Index to Financial Statements and Financial Statement Schedules. This Schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to the incorporation by reference in the Registration Statements (Form S-3 No. 333-84599, Form S-8 No. 333-78145, Form S-8 No. 333-50931, Form S-8 No. 333-07121, Form S-8 No. 33-63741, Form S-8 No. 33-57025, Form S-8 No. 33-38094) of Textron Inc. and in the related Prospectus and Prospectus Supplements of our report dated January 23, 2001, with respect to the consolidated financial statements and schedule of Textron Inc. included or incorporated by reference in this Annual Report (Form 10-K) for the year ended December 30, 2000.

/s/ Ernst & Young LLP

Boston, Massachusetts

March 14, 2001

EXHIBIT 24.1

POWER OF ATTORNEY

The undersigned, Textron Inc. ("Textron") a Delaware corporation, and the undersigned directors and officers of Textron, do hereby constitute and appoint Terrence O'Donnell, Arnold M. Friedman, Michael D. Cahn and Ann T. Willaman, and each of them, with full powers of substitution, their true and lawful attorneys and agents to do or cause to be done any and all acts and things and to execute and deliver any and all instruments and documents which said attorneys and agents, or any of them, may deem necessary or advisable in order to enable Textron to comply with the Securities and Exchange Act of 1934, as amended, and any requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing of Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 2000, including specifically, but without limitation, power and authority to sign the names of the undersigned directors and officers in the capacities indicated below and to sign the names of such officers on behalf of Textron to such Annual Report filed with the Securities and Exchange Commission, to any and all amendments to such Annual Report, to any instruments or documents or other writings in which the original or copies thereof are to be filed as a part of or in connection with such Annual Report or amendments thereto, and to file or cause to be filed the same with the Securities and Exchange Commission; and each of the undersigned hereby ratifies and confirms all that such attorneys and agents, and each of them, shall do or cause to be done hereunder and such attorneys and agents, and each of them, shall have, and may exercise, all of the powers hereby conferred.

IN WITNESS WHEREOF, Textron has caused this Power of Attorney to be executed and delivered in its name and on its behalf by the undersigned duly authorized officer and its corporate seal affixed, and each of the undersigned has signed his or her name thereto, on this 28th day of February, 2001.

TEXTRON INC.

By: /s/ Lewis B. Campbell

Lewis B. Campbell
Chairman, President and Chief Executive Officer

ATTEST:

/s/ Frederick K. Butler

Frederick K. Butler
Vice President and Secretary

/s/ Lewis B. Campbell

Lewis B. Campbell
Chairman and Chief Executive Officer, Director

/s/ John A. Janitz

John A. Janitz
President and Chief Operating Officer, Director

/s/ H. Jesse Arnelle

H. Jesse Arnelle
Director

/s/ Teresa Beck

Teresa Beck
Director

/s/ Stuart Dickson

R. Stuart Dickson
Director

/s/ Lawrence K. Fish

Lawrence K. Fish
Director

/s/ Joe Ford

Joe T. Ford
Director

/s/ Paul E. Gagne

Paul E. Gagne
Director

/s/ John D. Macomber

John D. Macomber
Director

/s/ Lord Powell of Bayswater KCMG

Lord Powell of Bayswater KCMG
Director

/s/ Brian H. Rowe

Brian H. Rowe
Director

/s/ Sam F. Segnar

Sam F. Segnar
Director

/s/ Martin D. Walker

Martin D. Walker
Director

/s/ Thomas B. Wheeler

Thomas B. Wheeler
Director

/s/ Theodore R. French

Theodore R. French
Executive Vice President and Chief Financial Officer (principal financial officer)

/s/ Richard L. Yates

Richard L. Yates
Vice President and Controller (principal accounting officer)

EXHIBIT 24.2

TEXTRON INC.

ASSISTANT SECRETARY'S CERTIFICATE

I, ANN T. WILLAMAN, a duly elected Assistant Secretary of TEXTRON INC., a Delaware corporation (hereinafter, the "Corporation"), DO HEREBY CERTIFY that set forth below is a true and correct copy of resolutions passed at a meeting of the Corporation's Board of Directors held on February 28, 2001, at which a quorum was present and voted throughout:

RESOLVED, that the officers of the Corporation be, and they hereby are, authorized, in the name and on behalf of the Corporation, to prepare and execute, and to file with the Securities and Exchange Commission, the Corporation's Annual Report on Form 10-K for its fiscal year ended December 30, 2000, and any amendments thereto.

RESOLVED, that the officers of the Corporation be, and they hereby are, authorized in the name and on behalf of the Corporation, to execute and deliver a power of attorney appointing Terrence O'Donnell, Arnold M. Friedman, Michael D. Cahn and Ann T. Willaman, or any of them, to act as attorneys-in-fact for the Corporation for the purpose of executing and filing the Corporation's Annual Report on Form 10-K for its fiscal year ended December 30, 2000, and any amendments thereto.

I DO HEREBY FURTHER CERTIFY that the foregoing resolutions have been neither amended nor modified, and remain in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Corporate seal of TEXTRON INC. to be affixed as of the 14th day of March, 2001.

/s/ Ann T. Willaman

CORPORATE SEAL *Assistant Secretary*