TEXTRON INC

FORM 10-Q
(Quarterly Report)

Filed 07/24/13 for the Period Ending 06/29/13

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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 29, 2013

OR

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

For the transition period from to .

Commission File Number 1-5480

Textron Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**05-0315468** (I.R.S. Employer Identification No.)
40 Westminster Street, Providence, RI (Address of principal executive offices)	**02903** (Zip code)

(401) 421-2800
(Registrant's telephone number, including area code)

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of July 12, 2013, there were 280,504,882 shares of common stock outstanding.

TEXTRON INC.

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

TEXTRON INC.
Consolidated Statements of Operations (Unaudited)

	Three Months Ended		Six Months Ended	
(In millions, except per share amounts)	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Revenues				
Manufacturing revenues	$ 2,808	$ 2,964	$ 5,621	$ 5,759
Finance revenues	31	55	73	116
Total revenues	2,839	3,019	5,694	5,875
Costs and expenses				
Cost of sales	2,338	2,435	4,720	4,747
Selling and administrative expense	296	276	575	588
Interest expense	42	53	93	108
Total costs and expenses	2,676	2,764	5,388	5,443
Income from continuing operations before income taxes	163	255	306	432
Income tax expense	49	82	77	139
Income from continuing operations	114	173	229	293
Income (loss) from discontinued operations, net of income taxes	(1)	(1)	3	(3)
Net income	$ 113	$ 172	$ 232	$ 290
Basic earnings per share				
Continuing operations	$ 0.41	$ 0.61	$ 0.83	$ 1.04
Discontinued operations	(0.01)	—	0.01	(0.01)
Basic earnings per share	$ 0.40	$ 0.61	$ 0.84	$ 1.03
Diluted earnings per share				
Continuing operations	$ 0.40	$ 0.58	$ 0.80	$ 0.99
Discontinued operations	—	—	0.01	(0.01)
Diluted earnings per share	$ 0.40	$ 0.58	$ 0.81	$ 0.98
Dividends per share				
Common stock	$ 0.02	$ 0.02	$ 0.04	$ 0.04

See Notes to the consolidated financial statements.

TEXTRON INC.
Consolidated Statements of Comprehensive Income (Unaudited)

(In millions)	Three Months Ended June 29, 2013	Three Months Ended June 30, 2012	Six Months Ended June 29, 2013	Six Months Ended June 30, 2012
Net income	$ 113	$ 172	$ 232	$ 290
Other comprehensive income, net of tax:				
Pension adjustments, net of reclassifications	31	21	63	42
Deferred gains/losses on hedge contracts, net of reclassifications	(6)	(3)	(13)	(3)
Foreign currency translation adjustments	1	(16)	(9)	(13)
Other comprehensive income	26	2	41	26
Comprehensive income	$ 139	$ 174	$ 273	$ 316

See Notes to the consolidated financial statements.

TEXTRON INC.
Consolidated Balance Sheets (Unaudited)

(Dollars in millions)	June 29, 2013	December 29, 2012
Assets		
Manufacturing group		
Cash and equivalents	$ 459	$ 1,378
Accounts receivable, net	1,007	829
Inventories	3,203	2,712
Other current assets	489	470
Total current assets	5,158	5,389
Property, plant and equipment, less accumulated depreciation and amortization of $3,386 and $3,277	2,141	2,149
Goodwill	1,670	1,649
Other assets	1,514	1,524
Total Manufacturing group assets	10,483	10,711
Finance group		
Cash and equivalents	112	35
Finance receivables held for investment, net	1,510	1,850
Finance receivables held for sale	106	140
Other assets	229	297
Total Finance group assets	1,957	2,322
Total assets	$ 12,440	$ 13,033
Liabilities and shareholders' equity		
Liabilities		
Manufacturing group		
Current portion of long-term debt and short-term debt	$ 374	$ 535
Accounts payable	966	1,021
Accrued liabilities	1,649	1,956
Total current liabilities	2,989	3,512
Other liabilities	2,559	2,798
Long-term debt	1,904	1,766
Total Manufacturing group liabilities	7,452	8,076
Finance group		
Other liabilities	277	280
Debt	1,331	1,686
Total Finance group liabilities	1,608	1,966
Total liabilities	9,060	10,042
Shareholders' equity		
Common stock	37	35
Capital surplus	1,344	1,177
Retained earnings	4,044	3,824
Accumulated other comprehensive loss	(1,729)	(1,770)
	3,696	3,266
Less cost of treasury shares	316	275
Total shareholders' equity	3,380	2,991
Total liabilities and shareholders' equity	$ 12,440	$ 13,033
Common shares outstanding *(in thousands)*	280,390	271,263

See Notes to the consolidated financial statements.

TEXTRON INC.
Consolidated Statements of Cash Flows (Unaudited)
For the Six Months Ended June 29, 2013 and June 30, 2012, respectively

	Consolidated	
(In millions)	**2013**	**2012**
Cash flows from operating activities		
Net income	$ 232	$ 290
Less: Income (loss) from discontinued operations	3	(3)
Income from continuing operations	229	293
Adjustments to reconcile income from continuing operations to net cash provided by (used in) operating activities:		
Non-cash items:		
Depreciation and amortization	192	183
Deferred income taxes	42	85
Other, net	24	44
Changes in assets and liabilities:		
Accounts receivable, net	(169)	(67)
Inventories	(445)	(387)
Other assets	(23)	16
Accounts payable	(61)	57
Accrued and other liabilities	(374)	(236)
Income taxes, net	(90)	9
Pension, net	(55)	(82)
Captive finance receivables, net	276	117
Other operating activities, net	(8)	(4)
Net cash provided by (used in) operating activities of continuing operations	(462)	28
Net cash used in operating activities of discontinued operations	(7)	(3)
Net cash provided by (used in) operating activities	(469)	25
Cash flows from investing activities		
Finance receivables repaid	112	336
Proceeds from sales of receivables and other finance assets	53	117
Capital expenditures	(190)	(158)
Net cash used in acquisitions	(53)	—
Other investing activities, net	10	11
Net cash provided by (used in) investing activities	(68)	306
Cash flows from financing activities		
Principal payments on long-term and nonrecourse debt	(925)	(393)
Settlement of convertible debt	(215)	(2)
Proceeds from long-term debt	402	88
Increase in short-term debt	366	—
Proceeds from settlement of capped call	75	—
Dividends paid	(11)	(11)
Other financing activities, net	13	14
Net cash used in financing activities	(295)	(304)
Effect of exchange rate changes on cash and equivalents	(10)	(1)
Net increase (decrease) in cash and equivalents	(842)	26
Cash and equivalents at beginning of period	1,413	885
Cash and equivalents at end of period	$ 571	$ 911

See Notes to the consolidated financial statements.

TEXTRON INC.
Consolidated Statements of Cash Flows (Unaudited) (Continued)
For the Six Months Ended June 29, 2013 and June 30, 2012, respectively

	Manufacturing Group		Finance Group	
(In millions)	**2013**	**2012**	**2013**	**2012**
Cash flows from operating activities				
Net income	$ 209	$ 264	$ 23	$ 26
Less: Income (loss) from discontinued operations	3	(3)	—	—
Income from continuing operations	206	267	23	26
Adjustments to reconcile income from continuing operations to net cash provided by (used in) operating activities:				
Dividends received from Finance Group	30	315	—	—
Capital contribution paid to Finance Group	(1)	(240)	—	—
Non-cash items:				
Depreciation and amortization	182	170	10	13
Deferred income taxes	29	57	13	28
Other, net	44	50	(20)	(6)
Changes in assets and liabilities:				
Accounts receivable, net	(169)	(67)	—	—
Inventories	(460)	(388)	—	—
Other assets	(23)	18	—	(2)
Accounts payable	(61)	57	—	—
Accrued and other liabilities	(372)	(213)	(12)	(23)
Income taxes, net	(98)	140	8	(131)
Pension, net	(49)	(81)	(6)	(1)
Other operating activities, net	—	(4)	(8)	—
Net cash provided by (used in) operating activities of continuing operations	(742)	81	8	(96)
Net cash used in operating activities of discontinued operations	(7)	(3)	—	—
Net cash provided by (used in) operating activities	(749)	78	8	(96)
Cash flows from investing activities				
Finance receivables repaid	—	—	422	548
Proceeds from sales of receivables and other finance assets	—	—	77	117
Finance receivables originated or purchased	—	—	(78)	(114)
Capital expenditures	(190)	(158)	—	—
Net cash used in acquisitions	(53)	—	—	—
Other investing activities, net	17	2	38	29
Net cash provided by (used in) investing activities	(226)	(156)	459	580
Cash flows from financing activities				
Principal payments on long-term and nonrecourse debt	(312)	(139)	(613)	(254)
Settlement of convertible debt	(215)	(2)	—	—
Proceeds from long-term debt	150	—	252	88
Increase in short-term debt	366	—	—	—
Proceeds from settlement of capped call	75	—	—	—
Intergroup financing	—	245	—	(245)
Capital contributions paid to Finance group	—	—	1	240
Dividends paid	(11)	(11)	(30)	(315)
Other financing activities, net	13	13	—	1
Net cash provided by (used in) financing activities	66	106	(390)	(485)
Effect of exchange rate changes on cash and equivalents	(10)	(1)	—	—
Net increase (decrease) in cash and equivalents	(919)	27	77	(1)
Cash and equivalents at beginning of period	1,378	871	35	14
Cash and equivalents at end of period	$ 459	$ 898	$ 112	$ 13

See Notes to the consolidated financial statements.

TEXTRON INC.
Notes to the Consolidated Financial Statements (Unaudited)

Note 1: Basis of Presentation

Our consolidated financial statements include the accounts of Textron Inc. (Textron) and its majority-owned subsidiaries. We have prepared these unaudited consolidated financial statements in accordance with accounting principles generally accepted in the U.S. for interim financial information. Accordingly, these interim financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the U.S. for complete financial statements. The consolidated interim financial statements included in this quarterly report should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 29, 2012. In the opinion of management, the interim financial statements reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for the fair presentation of our consolidated financial position, results of operations and cash flows for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

Our financings are conducted through two separate borrowing groups. The Manufacturing group consists of Textron Inc. consolidated with its majority-owned subsidiaries that operate in the Cessna, Bell, Textron Systems and Industrial segments. The Finance group, which also is the Finance segment, consists of Textron Financial Corporation (TFC), its consolidated subsidiaries and three other finance subsidiaries owned by Textron. We designed this framework to enhance our borrowing power by separating the Finance group. Our Manufacturing group operations include the development, production and delivery of tangible goods and services, while our Finance group provides financial services. Due to the fundamental differences between each borrowing group's activities, investors, rating agencies and analysts use different measures to evaluate each group's performance. To support those evaluations, we present balance sheet and cash flow information for each borrowing group within the consolidated financial statements. All significant intercompany transactions are eliminated from the consolidated financial statements, including retail and wholesale financing activities for inventory sold by our Manufacturing group and financed by our Finance group.

Use of Estimates

We prepare our financial statements in conformity with generally accepted accounting principles, which require us to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates. Our estimates and assumptions are reviewed periodically, and the effects of changes, if any, are reflected in the Consolidated Statements of Operations in the period that they are determined.

During 2013 and 2012, we changed our estimates of revenues and costs on certain long-term contracts that are accounted for under the percentage-of-completion method of accounting. The changes in estimates increased income from continuing operations before income taxes in the second quarter of 2013 and 2012 by $2 million and $12 million, respectively, ($1 million and $8 million after tax, or $0.00 and $0.03 per diluted share, respectively). For the second quarter of 2013 and 2012, the gross favorable program profit adjustments totaled $9 million and $23 million, respectively, and the gross unfavorable program profit adjustments totaled $7 million and $11 million, respectively.

The changes in estimates increased income from continuing operations before income taxes in the first half of 2013 and 2012 by $9 million and $16 million, ($6 million and $10 million after tax, or $0.02 and $0.04 per diluted share, respectively). For the first half of 2013 and 2012, the gross favorable program profit adjustments totaled $18 million and $40 million, respectively, and the gross unfavorable program profit adjustments totaled $9 million and $24 million, respectively.

Note 2: Retirement Plans

We provide defined benefit pension plans and other postretirement benefits to eligible employees. The components of net periodic benefit cost for these plans are as follows:

	Pension Benefits		Postretirement Benefits Other Than Pensions	
(In millions)	**June 29, 2013**	**June 30, 2012**	**June 29, 2013**	**June 30, 2012**
Three Months Ended				
Service cost	$ 34	$ 29	$ 2	$ 1
Interest cost	73	76	5	7
Expected return on plan assets	(105)	(102)	—	—
Amortization of prior service cost (credit)	3	4	(2)	(3)
Amortization of net actuarial loss	46	30	1	1
Net periodic benefit cost	$ 51	$ 37	$ 6	$ 6
Six Months Ended				
Service cost	$ 67	$ 59	$ 4	$ 3
Interest cost	146	152	10	13
Expected return on plan assets	(210)	(203)	—	—
Amortization of prior service cost (credit)	7	8	(5)	(6)
Amortization of net actuarial loss	92	59	3	3
Net periodic benefit cost	$ 102	$ 75	$ 12	$ 13

Note 3: Earnings Per Share

We calculate basic and diluted earnings per share (EPS) based on net income, which approximates income available to common shareholders for each period. Basic EPS is calculated using the two-class method, which includes the weighted-average number of common shares outstanding during the period and restricted stock units to be paid in stock that are deemed participating securities as they provide nonforfeitable rights to dividends. Diluted EPS considers the dilutive effect of all potential future common stock, including stock options, restricted stock units and the shares that could have been issued upon the conversion of our convertible notes prior to their maturity on May 1, 2013 and upon the exercise of the related warrants.

The dilutive effect of the convertible notes and warrants decreased significantly in 2013 from the 2012 dilutive effect due to the maturity of our convertible notes as described more fully in Note 6. As disclosed in Note 8 of our 2012 Annual Report on Form 10-K, we intended to settle the face value of the notes in cash and the excess of the conversion value over the face value in cash and/or shares of our common stock; accordingly, only the shares of our common stock potentially issuable with respect to the excess of the notes' conversion value over the face amount were considered in calculating diluted EPS. The call options purchased in connection with the issuance of the convertible notes and the capped call transaction were excluded from the calculation of diluted EPS as their impact was always anti-dilutive.

The weighted-average shares outstanding for basic and diluted EPS are as follows:

	Three Months Ended		Six Months Ended	
(In thousands)	**June 29, 2013**	**June 30, 2012**	**June 29, 2013**	**June 30, 2012**
Basic weighted-average shares outstanding	280,163	281,114	276,682	280,568
Dilutive effect of:				
Convertible notes and warrants	3,544	14,021	9,360	13,960
Stock options and restricted stock units	117	412	227	552
Diluted weighted-average shares outstanding	283,824	295,547	286,269	295,080

Stock options to purchase 6 million shares of common stock outstanding are excluded from our calculation of diluted weighted-average shares outstanding for the three and six months ended June 29, 2013, as their effect would have been anti-dilutive. Stock options to purchase 7 million shares of common stock outstanding are excluded from our calculation of diluted weighted-average shares outstanding for both the three and six months ended June 30, 2012, as their effect would have been anti-dilutive.

Note 4: Accounts Receivable and Finance Receivables

Accounts Receivable

Accounts receivable is composed of the following:

(In millions)	June 29, 2013	December 29, 2012
Commercial	$ 658	$ 534
U.S. Government contracts	370	314
	1,028	848
Allowance for doubtful accounts	(21)	(19)
Total	$ 1,007	$ 829

We have unbillable receivables, primarily on U.S. Government contracts, that arise when the revenues we have appropriately recognized based on performance cannot be billed yet under terms of the contract. Unbillable receivables within accounts receivable totaled $138 million at June 29, 2013 and $149 million at December 29, 2012.

Finance Receivables

Finance receivables by portfolio, which includes both finance receivables held for investment and finance receivables held for sale, are presented in the following table:

(In millions)	June 29, 2013	December 29, 2012
Captive	$ 1,408	$ 1,704
Non-captive	275	370
Total finance receivables	1,683	2,074
Less: Allowance for losses	67	84
Less: Finance receivables held for sale	106	140
Total finance receivables held for investment, net	$ 1,510	$ 1,850

Credit Quality Indicators and Nonaccrual Finance Receivables

We internally assess the quality of our finance receivables held for investment portfolio based on a number of key credit quality indicators and statistics such as delinquency, loan balance to estimated collateral value and the financial strength of individual borrowers and guarantors. Because many of these indicators are difficult to apply across an entire class of receivables, we evaluate individual loans on a quarterly basis and classify these loans into three categories based on the key credit quality indicators for the individual loan. These three categories are performing, watchlist and nonaccrual.

We classify finance receivables held for investment as nonaccrual if credit quality indicators suggest full collection of principal and interest is doubtful. In addition, we automatically classify accounts as nonaccrual once they are contractually delinquent by more than three months unless collection of principal and interest is not doubtful. Recognition of interest income is suspended for these accounts and all cash collections are used to reduce the net investment balance. We resume the accrual of interest when the loan becomes contractually current through payment according to the original terms of the loan or, if a loan has been modified, following a period of performance under the terms of the modification, provided we conclude that collection of all principal and interest is no longer doubtful. Previously suspended interest income is recognized at that time.

Accounts are classified as watchlist when credit quality indicators have deteriorated as compared with typical underwriting criteria, and we believe collection of full principal and interest is probable but not certain. All other finance receivables held for investment that do not meet the watchlist or nonaccrual categories are classified as performing.

A summary of finance receivables held for investment categorized based on the credit quality indicators discussed above is as follows:

(In millions)	June 29, 2013 Performing	Watchlist	Nonaccrual	Total	December 29, 2012 Performing	Watchlist	Nonaccrual	Total
Captive	$ 1,211	$ 90	$ 107	$ 1,408	$ 1,476	$ 130	$ 98	$ 1,704
Non-captive*	152	—	17	169	185	—	45	230
Total	$ 1,363	$ 90	$ 124	$ 1,577	$ 1,661	$ 130	$ 143	$ 1,934
% of Total	86.4%	5.7%	7.9%		85.9%	6.7%	7.4%	

**Non-captive nonaccrual finance receivables are primarily related to the Timeshare portfolio.*

We measure delinquency based on the contractual payment terms of our loans and leases. In determining the delinquency aging category of an account, any/all principal and interest received is applied to the most past-due principal and/or interest amounts due. If a significant portion of the contractually due payment is delinquent, the entire finance receivable balance is reported in accordance with the most past-due delinquency aging category.

Finance receivables held for investment by delinquency aging category are summarized in the table below:

(In millions)	June 29, 2013 Less Than 31 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	Over 90 Days Past Due	Total	December 29, 2012 Less Than 31 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	Over 90 Days Past Due	Total
Captive	$ 1,220	$ 126	$ 24	$ 38	$ 1,408	$ 1,531	$ 87	$ 55	$ 31	$ 1,704
Non-captive	166	—	—	3	169	226	—	1	3	230
Total	$ 1,386	$ 126	$ 24	$ 41	$ 1,577	$ 1,757	$ 87	$ 56	$ 34	$ 1,934

Accrual status loans greater than 90 days past due at June 29, 2013 were not significant. We had no accrual status loans greater than 90 days past due at December 29, 2012. At June 29, 2013 and December 29, 2012, 60+ days contractual delinquency as a percentage of finance receivables held for investment was 4.12% and 4.65%, respectively.

Loan Modifications

Troubled debt restructurings occur when we have either modified the contract terms of finance receivables held for investment for borrowers experiencing financial difficulties or accepted a transfer of assets in full or partial satisfaction of the loan balance. The types of modifications we typically make include extensions of the original maturity date of the contract, delays in the timing of required principal payments, deferrals of interest payments, advances to protect the value of our collateral and principal reductions contingent on full repayment prior to the maturity date. The changes effected by modifications made during the first half of 2013 and 2012 to finance receivables held for investment were not material.

Impaired Loans

We evaluate individual finance receivables held for investment in non-homogeneous portfolios and larger accounts in homogeneous loan portfolios for impairment on a quarterly basis. Finance receivables classified as held for sale are reflected at the lower of cost or fair value and are excluded from these evaluations. A finance receivable is considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement based on our review of the credit quality indicators discussed above. Impaired finance receivables include both nonaccrual accounts and accounts for which full collection of principal and interest remains probable, but the account's original terms have been, or are expected to be, significantly modified. If the modification specifies an interest rate equal to or greater than a market rate for a finance receivable with comparable risk, the account is not considered impaired in years subsequent to the modification. There was no significant interest income recognized on impaired loans in the first half of 2013 or 2012.

A summary of impaired finance receivables, excluding leveraged leases, is provided below:

(In millions)	Recorded Investment: Impaired Loans with No Related Allowance for Credit Losses	Recorded Investment: Impaired Loans with Related Allowance for Credit Losses	Total Impaired Loans	Unpaid Principal Balance	Allowance For Losses On Impaired Loans	Average Recorded Investment
June 29, 2013						
Captive	$ 67	$ 71	$ 138	$ 144	$ 18	$ 134
Non-captive*	7	11	18	25	4	32
Total	$ 74	$ 82	$ 156	$ 169	$ 22	$ 166
December 29, 2012						
Captive	$ 61	$ 66	$ 127	$ 128	$ 15	$ 121
Non-captive*	11	33	44	59	12	149
Total	$ 72	$ 99	$ 171	$ 187	$ 27	$ 270

**Non-captive impaired loans are primarily related to the Timeshare portfolio.*

A summary of the allowance for losses on finance receivables that are evaluated on an individual and on a collective basis is provided below. The finance receivables reported in this table specifically exclude $119 million and $122 million of leveraged leases at June 29, 2013 and December 29, 2012, in accordance with authoritative accounting standards.

	June 29, 2013				December 29, 2012			
	Finance Receivables Evaluated		Allowance Based on Individual Evaluation	Allowance Based on Collective Evaluation	Finance Receivables Evaluated		Allowance Based on Individual Evaluation	Allowance Based on Collective Evaluation
(In millions)	Individually	Collectively			Individually	Collectively		
Captive	$ 138	$ 1,270	$ 18	$ 44	$ 127	$ 1,577	$ 15	$ 55
Non-captive	18	32	4	1	44	64	12	2
Total	$ 156	$ 1,302	$ 22	$ 45	$ 171	$ 1,641	$ 27	$ 57

Allowance for Losses

We maintain the allowance for losses on finance receivables held for investment at a level considered adequate to cover inherent losses in the portfolio based on management's evaluation. For larger balance accounts specifically identified as impaired, including large accounts in homogeneous portfolios, a reserve is established based on comparing the expected future cash flows, discounted at the finance receivable's effective interest rate, or the fair value of the underlying collateral if the finance receivable is collateral dependent, to its carrying amount. The expected future cash flows consider collateral value; financial performance and liquidity of our borrower; existence and financial strength of guarantors; estimated recovery costs, including legal expenses; and costs associated with the repossession/foreclosure and eventual disposal of collateral. When there is a range of potential outcomes, we perform multiple discounted cash flow analyses and weight the potential outcomes based on their relative likelihood of occurrence. The evaluation of our portfolio is inherently subjective, as it requires estimates, including the amount and timing of future cash flows expected to be received on impaired finance receivables and the estimated fair value of the underlying collateral, which may differ from actual results. While our analysis is specific to each individual account, critical factors included in this analysis for the Captive product line include industry valuation guides, age and physical condition of the collateral, payment history and existence and financial strength of guarantors.

We also establish an allowance for losses to cover probable but specifically unknown losses existing in the portfolio. For the Captive product line, the allowance is established as a percentage of non-recourse finance receivables, which have not been identified as requiring specific reserves. The percentage is based on a combination of factors, including historical loss experience, current delinquency and default trends, collateral values and both general economic and specific industry trends.

Finance receivables held for investment are charged off at the earlier of the date the collateral is repossessed or when no payment has been received for six months, unless management deems the receivable collectible.

A rollforward of the allowance for losses on finance receivables held for investment is provided below:

(In millions)	Captive	Non-captive*	Total
For the six months ended June 29, 2013			
Beginning balance	$ 70	$ 14	$ 84
Provision for losses	(5)	(11)	(16)
Charge-offs	(6)	(2)	(8)
Recoveries	3	4	7
Ending balance	$ 62	$ 5	$ 67
For the six months ended June 30, 2012			
Beginning balance	$ 101	$ 55	$ 156
Provision for losses	—	(3)	(3)
Charge-offs	(26)	(14)	(40)
Recoveries	7	2	9
Ending balance	$ 82	$ 40	$ 122

**Non-captive allowance for losses is primarily related to the Timeshare portfolio.*

Note 5: Inventories

(In millions)	June 29, 2013	December 29, 2012
Finished goods	$ 1,398	$ 1,329
Work in process	2,613	2,247
Raw materials	473	437
	4,484	4,013
Progress/milestone payments	(1,281)	(1,301)
	$ 3,203	$ 2,712

Note 6: Debt

On May 1, 2013, our remaining convertible senior notes matured, and we paid the holders of the notes $215 million in settlement of the face value of the notes. In addition, we issued 8.9 million shares of our common stock to converting holders in settlement of the excess of the conversion value over the face value of the notes; however, after giving effect to the exercise of the related call options and warrants discussed below, the incremental share settlement in excess of the face value of the notes resulted in a 7.4 million net share issuance.

Concurrently with the pricing of the convertible notes in May 2009, we entered into transactions with two counterparties, pursuant to which we purchased from the counterparties call options to acquire our common stock and sold to the counterparties warrants to purchase our common stock. The call options settled on May 1, 2013, while the warrants settled daily over a 45-day period beginning on February 27, 2013. We acquired 8.9 million shares of our common stock upon the settlement of the call options and issued an aggregate of 7.4 million shares of our common stock in connection with the settlement of the warrants during the first half of 2013. The settlement of the call options and warrants resulted in a $39 million net increase in treasury stock during the first half of 2013.

As disclosed in Note 8 of our 2012 Form 10-K, we previously entered into capped call transactions with the counterparties that covered an aggregate of 28.7 million shares of our common stock as of the end of 2012. The capped calls had a strike price of $13.125 per share and a cap price of $15.75 per share, which entitled us to receive the per share value of our stock price in excess of $13.125 up to a maximum stock price of $15.75 at the expiration date. Upon expiration of the capped calls, the market price of our common stock exceeded the maximum stock price, and we received $75 million in cash from the counterparties.

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Note 7: Accrued Liabilities

We provide limited warranty and product maintenance programs, including parts and labor, for certain products for periods ranging from one to five years. Changes in our warranty and product maintenance liabilities are as follows:

(In millions)	Six Months Ended June 29, 2013	Six Months Ended June 30, 2012
Accrual at the beginning of period	$ 222	$ 224
Provision	132	124
Settlements	(137)	(123)
Adjustments to prior accrual estimates	—	(4)
Accrual at the end of period	$ 217	$ 221

Note 8: Accumulated Other Comprehensive Loss and Other Comprehensive Income

The components of Accumulated Other Comprehensive Loss are presented below:

(In millions)	Foreign Currency Translation Adjustment	Pension Adjustments	Deferred Gains/Losses on Hedge Contracts	Accumulated Other Comprehensive Loss
For the six months ended June 29, 2013				
Beginning balance	$ 81	$ (1,857)	$ 6	$ (1,770)
Other comprehensive income before reclassifications	(9)	—	(11)	(20)
Amounts reclassified from Accumulated Other Comprehensive Loss	—	63	(2)	61
Other comprehensive income	(9)	63	(13)	41
Ending balance	$ 72	$ (1,794)	$ (7)	$ (1,729)
For the six months ended June 30, 2012				
Beginning balance	$ 79	$ (1,711)	$ 7	$ (1,625)
Other comprehensive income before reclassifications	(13)	—	6	(7)
Amounts reclassified from Accumulated Other Comprehensive Loss	—	42	(9)	33
Other comprehensive income	(13)	42	(3)	26
Ending balance	$ 66	$ (1,669)	$ 4	$ (1,599)

The before and after-tax components of Other Comprehensive Income are presented below:

(In millions)	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
For the three months ended June 29, 2013			
Pension adjustments:			
Amortization of net actuarial loss*	$ 47	$ (16)	$ 31
Amortization of prior service cost*	1	(1)	—
Pension adjustments, net	48	(17)	31
Deferred gains/losses on hedge contracts:			
Current deferrals	(8)	2	(6)
Reclassification adjustments	(1)	1	—
Deferred gains/losses on hedge contracts, net	(9)	3	(6)
Foreign currency translation adjustment	—	1	1
Total	$ 39	$ (13)	$ 26
For the three months ended June 30, 2012			
Pension adjustments:			
Amortization of net actuarial loss*	$ 31	$ (11)	$ 20
Amortization of prior service cost*	1	—	1
Pension adjustments, net	32	(11)	21
Deferred gains/losses on hedge contracts:			
Current deferrals	(1)	1	—
Reclassification adjustments	(4)	1	(3)
Deferred gains/losses on hedge contracts, net	(5)	2	(3)
Foreign currency translation adjustment	(7)	(9)	(16)
Total	$ 20	$ (18)	$ 2
For the six months ended June 29, 2013			
Pension adjustments:			
Amortization of net actuarial loss*	$ 95	$ (33)	$ 62
Amortization of prior service cost*	2	(1)	1
Pension adjustments, net	97	(34)	63
Deferred gains/losses on hedge contracts:			
Current deferrals	(14)	3	(11)
Reclassification adjustments	(3)	1	(2)
Deferred gains/losses on hedge contracts, net	(17)	4	(13)
Foreign currency translation adjustment	(2)	(7)	(9)
Total	$ 78	$ (37)	$ 41
For the six months ended June 30, 2012			
Pension adjustments:			
Amortization of net actuarial loss*	$ 62	$ (22)	$ 40
Amortization of prior service cost*	2	—	2
Pension adjustments, net	64	(22)	42
Deferred gains/losses on hedge contracts:			
Current deferrals	7	(1)	6
Reclassification adjustments	(12)	3	(9)
Deferred gains/losses on hedge contracts, net	(5)	2	(3)
Foreign currency translation adjustment	(10)	(3)	(13)
Total	$ 49	$ (23)	$ 26

**These components of other comprehensive income are included in the computation of net periodic pension cost. See Note 13 of our 2012 Annual Report on Form 10-K for additional information.*

Note 9: Commitments and Contingencies

We are subject to legal proceedings and other claims arising out of the conduct of our business, including proceedings and claims relating to commercial and financial transactions; government contracts; compliance with applicable laws and regulations; production partners; product liability; employment; and environmental, safety and health matters. Some of these legal proceedings and claims seek damages, fines or penalties in substantial amounts or remediation of environmental contamination. As a government contractor, we are subject to audits, reviews and investigations to determine whether our operations are being conducted in accordance with applicable regulatory requirements. Under federal government procurement regulations, certain claims brought by the U.S. Government could result in our being suspended or debarred from U.S. Government contracting for a period of time. On the basis of information presently available, we do not believe that existing proceedings and claims will have a material effect on our financial position or results of operations.

Note 10: Derivative Instruments and Fair Value Measurements

We measure fair value at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We prioritize the assumptions that market participants would use in pricing the asset or liability into a three-tier fair value hierarchy. This fair value hierarchy gives the highest priority (Level 1) to quoted prices in active markets for identical assets or liabilities and the lowest priority (Level 3) to unobservable inputs in which little or no market data exist, requiring companies to develop their own assumptions. Observable inputs that do not meet the criteria of Level 1, and include quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets and liabilities in markets that are not active are categorized as Level 2. Level 3 inputs are those that reflect our estimates about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. Valuation techniques for assets and liabilities measured using Level 3 inputs may include methodologies such as the market approach, the income approach or the cost approach and may use unobservable inputs such as projections, estimates and management’s interpretation of current market data. These unobservable inputs are utilized only to the extent that observable inputs are not available or cost-effective to obtain.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The assets and liabilities that are recorded at fair value on a recurring basis consist primarily of our derivative financial instruments, which are categorized as Level 2 in the fair value hierarchy. The fair value amounts of these instruments that are designated as hedging instruments are provided below:

			Asset (Liability)	
(In millions)	**Borrowing Group**	**Balance Sheet Location**	**June 29, 2013**	**December 29, 2012**
Assets				
Interest rate exchange contracts*	Finance	Other assets	$ 3	$ 8
Foreign currency exchange contracts	Manufacturing	Other current assets	1	9
Total			$ 4	$ 17
Liabilities				
Interest rate exchange contracts*	Finance	Other liabilities	$ (6)	$ (8)
Foreign currency exchange contracts	Manufacturing	Accrued liabilities	(13)	(5)
Total			$ (19)	$ (13)

* *Interest rate exchange contracts represent fair value hedges.*

The Finance group’s interest rate exchange contracts are not exchange traded and are measured at fair value utilizing widely accepted, third-party developed valuation models. The actual terms of each individual contract are entered into a valuation model, along with interest rate and foreign exchange rate data, which is based on readily observable market data published by third-party leading financial news and data providers. Credit risk is factored into the fair value of these assets and liabilities based on the differential between both our credit default swap spread for liabilities and the counterparty’s credit default swap spread for assets as compared with a standard AA-rated counterparty; however, this had no significant impact on the valuation at June 29, 2013. At June 29, 2013 and December 29, 2012, we had interest rate exchange contracts with notional amounts upon which the contracts were based of $299 million and $671 million, respectively.

Foreign currency exchange contracts are measured at fair value using the market method valuation technique. The inputs to this technique utilize current foreign currency exchange forward market rates published by third-party leading financial news and data providers. These are observable data that represent the rates that the financial institution uses for contracts entered into at that date; however, they are not based on actual transactions so they are classified as Level 2. At June 29, 2013 and December 29, 2012, we had foreign currency exchange contracts with notional amounts upon which the contracts were based of $599 million and $664 million, respectively.

Fair Value Hedges

Our Finance group enters into interest rate exchange contracts to mitigate exposure to changes in the fair value of its fixed-rate receivables and debt due to fluctuations in interest rates. By using these contracts, we are able to convert our fixed-rate cash flows to floating-rate cash flows. The amount of ineffectiveness on our fair value hedges and the gain (loss) recorded in the Consolidated Statements of Operations were insignificant in both the first half of 2013 and 2012.

Cash Flow Hedges

We manufacture and sell our products in a number of countries throughout the world, and, therefore, we are exposed to movements in foreign currency exchange rates. The primary purpose of our foreign currency hedging activities is to manage the volatility associated with foreign currency purchases of materials, foreign currency sales of products, and other assets and liabilities in the normal course of business. We primarily utilize forward exchange contracts and purchased options with maturities of no more than three years that qualify as cash flow hedges and are intended to offset the effect of exchange rate fluctuations on forecasted sales, inventory purchases and overhead expenses. At June 29, 2013, we had a net deferred loss of $7 million in Accumulated other comprehensive loss related to these cash flow hedges. Net gains and losses recognized in earnings and Accumulated other comprehensive loss on these cash flow hedges, including gains and losses related to hedge ineffectiveness, were not material in three and six months ended June 29, 2013 and June 30, 2012. We do not expect the amount of gains and losses in Accumulated other comprehensive loss that will be reclassified to earnings in the next twelve months to be material.

We hedge our net investment position in major currencies and generate foreign currency interest payments that offset other transactional exposures in these currencies. To accomplish this, we borrow directly in foreign currency and designate a portion of foreign currency debt as a hedge of net investments. We also may utilize currency forwards as hedges of our related foreign net investments. We record changes in the fair value of these contracts in other comprehensive income to the extent they are effective as cash flow hedges. If a contract does not qualify for hedge accounting or is designated as a fair value hedge, changes in the fair value of the contract are recorded in earnings. Currency effects on the effective portion of these hedges, which are reflected in the foreign currency translation adjustment account within other comprehensive income, produced a $12 million after-tax gain for the first half of 2013, resulting in an accumulated net gain balance of $16 million at June 29, 2013. The ineffective portion of these hedges was insignificant.

Assets Recorded at Fair Value on a Nonrecurring Basis

During the periods ended June 29, 2013 and December 29, 2012, certain assets in the Finance group were measured at fair value on a nonrecurring basis using significant unobservable inputs (Level 3). The table below sets forth the balance of those assets at the end of the period in which a fair value adjustment was taken.

(In millions)	June 29, 2013	December 29, 2012
Finance receivables held for sale	$ 106	$ 140
Impaired finance receivables	60	72
Other assets	50	76

The following table represents the fair value adjustments recorded for each asset class measured at fair value on a non-recurring basis during the three and six months ended June 29, 2013 and June 30, 2012.

	Gain (Loss)			
	Three Months Ended		Six Months Ended	
(In millions)	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Finance receivables held for sale	$ 5	$ 20	$ 17	$ 44
Impaired finance receivables	(2)	(1)	(5)	(7)
Other assets	(1)	(16)	(5)	(32)

Finance receivables held for sale — Finance receivables held for sale are recorded at fair value on a nonrecurring basis during periods in which the fair value is lower than the cost value. There are no active, quoted market prices for these finance receivables. At June 29, 2013, our finance receivables held for sale included the Golf Mortgage portfolio. Fair value of this portfolio was determined based on the use of discounted cash flow models to estimate the price we expect to receive in the principal market for each pool of similar loans, in an orderly transaction. The cash flow models include the use of qualitative assumptions regarding the borrower's ability to pay and the period of time that will likely be required to restructure and/or exit the account through acquisition of the underlying collateral, as well as quantitative assumptions, including discount rates and revenue and earnings multiples, which are used to estimate the value of the underlying collateral. Changes in the borrower's ability to pay or the period of time required to restructure and/or exit accounts may significantly increase or decrease the fair value of these finance receivables, and, to a lesser extent, fluctuations in discount rates and/or revenue and earnings multiples could also change the fair value of these finance receivables. The gains on finance receivables held for sale during the three and six months ended June 29, 2013 and June 30, 2012 were primarily the result of the payoff of loans in amounts, and sale of loans at prices, in excess of the values established in previous periods.

Impaired finance receivables — Impaired nonaccrual finance receivables represent assets recorded at fair value on a nonrecurring basis since the measurement of required reserves on our impaired finance receivables is significantly dependent on the fair value of the underlying collateral. For impaired nonaccrual finance receivables secured by aviation assets, the fair values of collateral are determined primarily based on the use of industry pricing guides. Timeshare impaired nonaccrual finance receivables largely consist of pools of timeshare interval resort notes receivable. Fair values of collateral are estimated using cash flow models incorporating estimates of credit losses in the consumer notes pools. Fair value measurements recorded on impaired finance receivables resulted in charges to provision for loan losses and primarily related to initial fair value adjustments.

Other assets — Other assets in the table above primarily include repossessed aviation assets and golf and hotel properties. The fair value of our aviation assets is largely determined based on the use of industry pricing guides. The fair value of our golf and hotel properties is determined based on the use of discounted cash flow models, bids from prospective buyers or inputs from market participants. If the carrying amount of these assets is higher than their estimated fair value, we record a corresponding charge to income for the difference.

Assets and Liabilities Not Recorded at Fair Value

The carrying value and estimated fair values of our financial instruments that are not reflected in the financial statements at fair value are as follows:

	June 29, 2013		December 29, 2012	
(In millions)	**Carrying Value**	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Manufacturing group				
Long-term debt, excluding leases	$ (1,835)	$ (2,016)	$ (2,225)	$ (2,636)
Finance group				
Finance receivables held for investment, excluding leases	1,300	1,293	1,625	1,653
Debt	(1,331)	(1,330)	(1,686)	(1,678)

Fair value for the Manufacturing group debt is determined using market observable data for similar transactions or Level 2 inputs. At June 29, 2013 and December 29, 2012, approximately 28% and 46%, respectively, of the fair value of term debt for the Finance group was determined based on observable market transactions (Level 1). The remaining Finance group debt was determined based on discounted cash flow analyses using observable market inputs from debt with similar duration, subordination and credit default expectations (Level 2). Fair value estimates for finance receivables held for investment were determined based on internally developed discounted cash flow models primarily utilizing significant unobservable inputs (Level 3), which include estimates of the rate of return, financing cost, capital structure and/or discount rate expectations of current market participants combined with estimated loan cash flows based on credit losses, payment rates and expectations of borrowers' ability to make payments on a timely basis.

Note 11: Income Tax Expense

Income tax expense equated to an effective income tax rate of 30.1% and 25.2% in the second quarter and first half of 2013, respectively, compared with the U.S. federal statutory income tax rate of 35%. In the second quarter of 2013, the difference between the effective income tax rate and the statutory income tax rate was primarily due to benefits from income attributable to international operations in countries with lower tax rates. In the first half of 2013, the difference between the effective income tax rate and the statutory income tax rate was primarily due to benefits from income attributable to international operations in countries with lower tax rates and a favorable impact of five percentage points, resulting from the retroactive reinstatement and extension of the Federal Research and Development Tax Credit as part of the American Taxpayer Relief Act of 2012 enacted on January 2, 2013, which primarily impacted the first quarter of 2013.

For the three and six months ended June 30, 2012, the difference between the federal statutory income tax rate and the effective income tax rate was not significant.

Note 12: Segment Information

We operate in, and report financial information for, the following five business segments: Cessna, Bell, Textron Systems, Industrial and Finance. Segment profit is an important measure used for evaluating performance and for decision-making purposes. Segment profit for the manufacturing segments excludes interest expense and certain corporate expenses. The measurement for the Finance segment includes interest income and expense along with intercompany interest expense. Provisions for losses on finance receivables involving the sale or lease of our products are recorded by the selling manufacturing division when our Finance group has recourse to the Manufacturing group.

Our revenues by segment and a reconciliation of segment profit to income from continuing operations before income taxes are as follows:

	Three Months Ended		Six Months Ended	
(In millions)	**June 29, 2013**	**June 30, 2012**	**June 29, 2013**	**June 30, 2012**
REVENUES				
Manufacturing Group				
Cessna	$ 560	$ 763	$ 1,268	$ 1,432
Bell	1,025	1,056	1,974	2,050
Textron Systems	422	389	851	766
Industrial	801	756	1,528	1,511
	2,808	2,964	5,621	5,759
Finance Group	31	55	73	116
Total revenues	$ 2,839	$ 3,019	$ 5,694	$ 5,875
SEGMENT OPERATING PROFIT				
Manufacturing Group				
Cessna	$ (50)	$ 35	$ (58)	$ 29
Bell	135	152	264	297
Textron Systems	34	40	72	75
Industrial	79	61	136	134
	198	288	414	535
Finance Group	15	22	34	34
Segment profit	213	310	448	569
Corporate expenses and other, net	(20)	(20)	(75)	(67)
Interest expense, net for Manufacturing group	(30)	(35)	(67)	(70)
Income from continuing operations before income taxes	$ 163	$ 255	$ 306	$ 432

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

Consolidated Results of Operations

Revenues

(Dollars in millions)	Three Months Ended June 29, 2013	Three Months Ended June 30, 2012	Six Months Ended June 29, 2013	Six Months Ended June 30, 2012
Revenues	$ 2,839	$ 3,019	$ 5,694	$ 5,875
% change compared with prior period	(6)%		(3)%	
Operating expenses	$ 2,634	$ 2,711	$ 5,295	$ 5,335
% change compared with prior period	(3)%		(1)%	
Cost of sales	$ 2,338	$ 2,435	$ 4,720	$ 4,747
% change compared with prior period	(4)%		(1)%	
Gross margin percentage of Manufacturing revenues	16.7%	17.8%	16.0%	17.6%
Selling and administrative expenses	$ 296	$ 276	$ 575	$ 588
% change compared with prior period	7%		(2)%	

Revenues decreased $180 million, 6%, in the second quarter of 2013, compared with the corresponding period of 2012, as revenue decreases in the Cessna, Bell and Finance segments were partially offset by higher revenues in the Industrial and Textron Systems segments. The net revenue decrease included the following factors:

- Lower Cessna revenues of $203 million, primarily due to lower Citation jet volume of $227 million and CitationAir volume of $32 million.
- Lower Bell revenues of $31 million, largely due to $72 million in lower commercial volume, primarily reflecting lower deliveries and unfavorable mix of aircraft, partially offset by $36 million in higher volume in our military programs, primarily reflecting higher aftermarket and development program volume.
- Lower Finance revenues of $24 million, primarily attributable to lower average finance receivables and lower portfolio gains, net of losses associated with the Structured Capital portfolio.
- Higher Industrial segment revenues of $45 million, largely due to higher volume of $33 million, primarily in the Golf, Turf Care and Light Transportation Vehicle and the Fuel Systems and Functional Components product lines, both reflecting higher market demand, and $12 million from acquisitions.
- Higher Textron Systems revenues of $33 million, primarily due to higher volume in the Unmanned Aircraft Systems (UAS) and Weapons and Sensors product lines.

Revenues decreased $181 million, 3%, in the first half of 2013, compared with the corresponding period of 2012, as revenue decreases in the Cessna, Bell and Finance segments were partially offset by higher revenues in the Textron Systems and Industrial segments. The net revenue decrease included the following factors:

- Lower Cessna revenues of $164 million, primarily due to lower Citation jet volume of $255 million and CitationAir volume of $57 million, partially offset by higher pre-owned aircraft volume of $87 million.
- Lower Bell revenues of $76 million, largely due to $63 million in lower commercial volume, primarily reflecting an unfavorable mix of aircraft that offset higher deliveries, and $23 million in lower volume in our military programs, primarily reflecting lower V-22 and H-1 aircraft deliveries.
- Lower Finance revenues of $43 million, primarily attributable to lower average finance receivables.
- Higher Textron Systems revenues of $85 million, largely due to higher volume in the UAS and Weapons and Sensors product lines.
- Higher Industrial segment revenues of $17 million, primarily due to the impact of acquisitions.

Cost of Sales and Selling and Administrative Expense

Manufacturing cost of sales and selling and administrative expenses together comprise our operating expenses. Changes in operating expenses are more fully discussed in our Segment Analysis below.

Cost of sales as a percentage of manufacturing revenues was 83.3% and 82.2% in the second quarter of 2013 and 2012, respectively, and was 84.0% and 82.4% in the first half of 2013 and 2012, respectively. On a dollar basis, consolidated manufacturing cost of sales decreased $97 million, 4%, in the second quarter of 2013, and $27 million, 1%, in the first half of 2013, compared with the corresponding periods of 2012, principally due to lower volume in the Cessna and Bell segments, partially offset by higher volume in the Textron Systems and Industrial segments. In the second quarter of 2013, gross margin as a percentage of Manufacturing revenues decreased largely reflecting lower Citation jet volume at Cessna. In the first half of 2013, gross margin as a percentage of Manufacturing revenues decreased primarily as a result of higher pre-owned aircraft volume and lower Citation jet volume at Cessna.

Selling and administrative expense increased $20 million, 7%, to $296 million in the second quarter of 2013, compared with the corresponding period of 2012, largely due to $28 million in severance costs incurred at Cessna in the second quarter of 2013, partially offset by lower commission expense of $9 million, reflecting lower Citation jet volume at Cessna.

Selling and administrative expense decreased $13 million, 2%, in the first half of 2013, compared with the corresponding period of 2012, primarily due to a reduction in administrative expense of $16 million and lower provision for loan losses of $13 million at the Finance segment, both primarily associated with the non-captive business, and lower commission expense of $13 million, largely reflecting lower Citation jet volume at Cessna. These decreases were partially offset by $28 million in severance costs incurred at Cessna in the second quarter of 2013.

Income Taxes

Income tax expense equated to an effective income tax rate of 30.1% and 25.2% in the second quarter and first half of 2013, respectively, compared with the U.S. federal statutory income tax rate of 35%. In the second quarter of 2013, the difference between the effective income tax rate and the statutory income tax rate was primarily due to benefits from income attributable to international operations in countries with lower tax rates. In the first half of 2013, the difference between the effective income tax rate and the statutory income tax rate was primarily due to benefits from income attributable to international operations in countries with lower tax rates and a favorable impact of five percentage points, resulting from the retroactive reinstatement and extension of the Federal Research and Development Tax Credit as part of the American Taxpayer Relief Act of 2012 enacted on January 2, 2013, which primarily impacted the first quarter of 2013.

Backlog

(In millions)	June 29, 2013	December 29, 2012
Bell	$ 6,946	$ 7,469
Textron Systems	2,620	2,919
Cessna	1,011	1,062

Backlog decreased $523 million at Bell primarily due to deliveries on the V-22 and H-1 programs that exceeded new orders. At Textron Systems, the $299 million reduction in backlog was largely due to deliveries in excess of orders.

Segment Analysis

We operate in, and report financial information for, the following five business segments: Cessna, Bell, Textron Systems, Industrial and Finance. Segment profit is an important measure used for evaluating performance and for decision-making purposes. Segment profit for the manufacturing segments excludes interest expense and certain corporate expenses. The measurement for the Finance segment includes interest income and expense along with intercompany interest expense.

In our discussion of comparative results for the Manufacturing group, changes in revenue and segment profit typically are expressed for our commercial business in terms of volume, pricing, foreign exchange and acquisitions. Additionally, changes in segment profit may be expressed in terms of mix, inflation and cost performance. Volume changes in revenue represent increases/decreases in the number of units delivered or services provided. Pricing represents changes in unit pricing. Foreign exchange is the change resulting from translating foreign-denominated amounts into U.S. dollars at exchange rates that are different from the prior period. Acquisitions refer to the results generated from businesses that were acquired within the previous 12 months. For segment profit, mix represents a change due to the composition of products and/or services sold at different profit margins. Inflation represents higher material, wages, benefits, pension or other costs. Cost performance reflects an increase or decrease in research and development, depreciation, selling and administrative costs, warranty, product liability, quality/scrap, labor efficiency, overhead, product line profitability, start-up, ramp up and cost-reduction initiatives or other manufacturing inputs.

Approximately 29% of our 2012 revenues were derived from contracts with the U.S. Government. For our segments that have significant contracts with the U.S. Government, we typically express changes in segment profit related to the government business in terms of volume, changes in program performance or changes in contract mix. Changes in volume that are discussed in net sales typically drive corresponding changes in our segment profit based on the profit rate for a particular contract. Changes in program performance typically relate to profit recognition associated with revisions to total estimated costs at completion that reflect improved or deteriorated operating performance or award fee rates. Changes in contract mix refer to changes in operating margin due to a change in the relative volume of contracts with higher or lower fee rates such that the overall average margin rate for the segment changes.

Cessna

(Dollars in millions)	Three Months Ended June 29, 2013	Three Months Ended June 30, 2012	Six Months Ended June 29, 2013	Six Months Ended June 30, 2012
Revenues	$ 560	$ 763	$ 1,268	$ 1,432
Operating expenses	610	728	1,326	1,403
Segment (loss) profit	(50)	35	(58)	29
Profit margin	(8.9)%	4.6%	(4.6)%	2.0%

Cessna Revenues and Operating Expenses

The following factors contributed to the change in Cessna's revenues for the periods:

(In millions)	Q2 2013 versus Q2 2012	YTD 2013 versus YTD 2012
Volume	$ (222)	$ (185)
Acquisitions	11	19
Other	8	2
Total change	$ (203)	$ (164)

In the second quarter of 2013, Cessna's revenues decreased $203 million, 27%, compared with the corresponding period of 2012, primarily due to lower Citation jet volume of $227 million and lower CitationAir volume of $32 million, largely related to the downsizing of our fractional share business. We delivered 20 Citation jets in the second quarter of 2013, compared with 49 jets in the corresponding period of 2012. During the second quarter of 2013, the portion of Cessna's revenues derived from aftermarket sales and services increased to 41% of Cessna's revenues, compared with 26% in the second quarter of 2012, largely due to the lower Citation jet revenues.

In the first half of 2013, Cessna's revenues decreased $164 million, 11%, compared with the corresponding period of 2012, primarily due to lower Citation jet volume of $255 million and lower CitationAir volume of $57 million, largely related to the downsizing of our fractional share business, partially offset by higher pre-owned aircraft volume of $87 million. We delivered 52 and 87 Citation business jets in the first half of 2013 and 2012, respectively. During the first half of 2013, the portion of Cessna's revenues derived from aftermarket sales and services increased to 35% of Cessna's revenues, compared with 28% in the first half of 2012, largely due to the lower Citation jet revenues.

In mid-April 2013, as a result of continued softness in the jet market, we decided to adjust our production schedule at Cessna. We expect jet deliveries will be down for the full year when compared to last year, reflecting lower expected deliveries in the light jet category.

Cessna's operating expenses decreased $118 million, 16%, and $77 million, 5%, in the second quarter and first half of 2013, respectively, compared with the corresponding periods of 2012, primarily due to lower sales volume as discussed above, partially offset by $28 million in severance costs incurred in the second quarter of 2013 as described below.

Cessna Segment (Loss) Profit

The following factors contributed to the change in Cessna's segment (loss) profit for the periods:

(In millions)	Q2 2013 versus Q2 2012	YTD 2013 versus YTD 2012
Volume	$ (55)	$ (45)
Severance costs	(28)	(28)
Other	(2)	(14)
Total change	$ (85)	$ (87)

Cessna's segment profit decreased $85 million and $87 million in the second quarter and first half of 2013, respectively, compared with the corresponding periods of 2012, primarily due to the impact of lower sales volume as discussed above and $28 million in severance costs.

In March 2013, Cessna decided to initiate a voluntary separation program that was offered to qualifying salaried employees on April 2nd through the expiration date of April 12th. Direct production employees were not eligible for this program, which was geared toward reducing indirect costs. Subsequent to this action, we decided to adjust our production schedule, resulting in the reduction of certain direct production positions, and also initiated other cost reduction actions. As a result of these actions, we incurred $28 million in severance costs in the second quarter of 2013.

Bell

	Three Months Ended		Six Months Ended	
(Dollars in millions)	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Revenues				
V-22 program	$ 415	$ 391	$ 776	$ 787
Other military	241	229	466	478
Commercial	369	436	732	785
Total revenues	1,025	1,056	1,974	2,050
Operating expenses	890	904	1,710	1,753
Segment profit	135	152	264	297
Profit margin	13.2%	14.4%	13.4%	14.5%

Bell manufactures helicopters, tiltrotor aircraft, and related spare parts and provides services for military and commercial markets. Bell's major U.S. Government programs at this time are the V-22 tiltrotor aircraft and the H-1 helicopter platforms, which are both in the production stage and represent a significant portion of Bell's revenues from the U.S. Government. During the second quarter of 2013, we signed the second multi-year V-22 contract for production and delivery of 99 units beginning in late 2014 with options for 23 additional aircraft.

Bell Revenues and Operating Expenses

The following factors contributed to the change in Bell's revenues for the periods:

(In millions)	Q2 2013 versus Q2 2012	YTD 2013 versus YTD 2012
Volume	$ (36)	$ (86)
Other	5	10
Total change	$ (31)	$ (76)

Bell's revenues decreased $31 million, 3%, in the second quarter of 2013, compared with the corresponding period of 2012, primarily due to lower volume, which included the following factors:

- $72 million decrease in commercial volume, primarily reflecting lower deliveries and unfavorable mix of aircraft. Bell delivered 44 aircraft in the second quarter of 2013, compared with 47 aircraft in the second quarter of 2012.
- $24 million increase in volume related to the V-22 program, primarily due to higher aftermarket volume reflecting increased support of fielded aircraft. Bell delivered 9 V-22 aircraft in both the second quarter of 2013 and 2012.

- $12 million increase in other military volume, primarily reflecting higher development program volume. We delivered 6 H-1 aircraft in both the second quarter of 2013 and 2012, which was consistent with the contractual delivery schedule.

Bell's revenues decreased $76 million, 4%, in the first half of 2013, compared with the corresponding period of 2012, primarily due to lower volume which included the following factors:

- $63 million decrease in commercial volume, primarily reflecting an unfavorable mix of commercial aircraft that offset higher deliveries and $24 million in lower aftermarket volume, in part resulting from shipping delays related to the conversion to a new enterprise resource planning system in the first quarter of 2013. Bell delivered 84 aircraft in the first half of 2013, compared with 77 aircraft in the first half of 2012.
- $12 million decrease in other military volume, primarily reflecting lower H-1 deliveries. We delivered 12 H-1 aircraft in the first half of 2013, which was consistent with the contractual delivery schedule, compared with 13 aircraft in the first half of 2012.
- $11 million decrease in volume related to the V-22 program, primarily reflecting lower aircraft deliveries. Bell delivered 18 V-22 aircraft in the first half of 2013, compared with 19 aircraft in the first half of 2012.

Bell's operating expenses decreased $14 million, 2%, and $43 million, 2%, in the second quarter and first half of 2013, respectively, compared with the corresponding period of 2012, primarily due to lower sales volume as discussed above.

Bell Segment Profit

The following factors contributed to the change in Bell's segment profit for the periods:

(In millions)	Q2 2013 versus Q2 2012	YTD 2013 versus YTD 2012
Volume and mix	$ (18)	$ (35)
Other	1	2
Total change	$ (17)	$ (33)

Bell's segment profit decreased $17 million, 11%, in the second quarter of 2013, compared with the second quarter of 2012, primarily due to a change in mix of commercial aircraft delivered during the period.

Bell's segment profit decreased $33 million, 11%, in the first half of 2013, compared with the first half of 2012, primarily due to a change in mix of commercial aircraft delivered during the period and lower volume in our military programs, as described above.

Textron Systems

	Three Months Ended		Six Months Ended	
(Dollars in millions)	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Revenues	$ 422	$ 389	$ 851	$ 766
Operating expenses	388	349	779	691
Segment profit	34	40	72	75
Profit margin	8.1%	10.3%	8.5%	9.8%

Textron Systems Revenues and Operating Expenses

The following factors contributed to the change in Textron Systems' revenues for the periods:

(In millions)	Q2 2013 versus Q2 2012	YTD 2013 versus YTD 2012
Volume	$ 32	$ 83
Other	1	2
Total change	$ 33	$ 85

Revenues at Textron Systems increased $33 million, 8%, in the second quarter of 2013, compared with the second quarter of 2012, primarily due to higher product volume in the Weapons and Sensors product line of $28 million and higher product and service volume in the UAS product line of $26 million.

Revenues at Textron Systems increased $85 million, 11%, in the first half of 2013, compared with the first half of 2012, primarily due to higher product and service volume in the UAS product line of $65 million and higher product volume in the Weapons and Sensors product line of $41 million.

Textron Systems' operating expenses increased $39 million, 11%, and $88 million, 13%, in the second quarter and first half of 2013, respectively, compared with the corresponding period of 2012, primarily due to higher sales volume as discussed above.

Textron Systems Segment Profit

The following factors contributed to the change in Textron Systems' segment profit for the periods:

(In millions)	Q2 2013 versus Q2 2012	YTD 2013 versus YTD 2012
Volume and mix	$ 1	$ (1)
Other	(7)	(2)
Total change	$ (6)	$ (3)

Segment profit at Textron Systems decreased $6 million, 15%, and $3 million, 4%, in the second quarter and first half of 2013, respectively, compared with the corresponding period of 2012. Higher overall revenue volume in the segment did not have a significant impact on segment profit due to a higher proportion of lower margin service contract volume.

Industrial

	Three Months Ended		Six Months Ended	
(Dollars in millions)	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Revenues:				
Fuel Systems and Functional Components	$ 474	$ 468	$ 931	$ 960
Other Industrial	327	288	597	551
Total revenues	801	756	1,528	1,511
Operating expenses	722	695	1,392	1,377
Segment profit	79	61	136	134
Profit margin	9.9%	8.1%	8.9%	8.9%

Industrial Revenues and Operating Expenses

The following factors contributed to the change in Industrial's revenues for the periods:

(In millions)	Q2 2013 versus Q2 2012	YTD 2013 versus YTD 2012
Volume	$ 33	$ 5
Acquisitions	12	17
Other	—	(5)
Total change	$ 45	$ 17

Industrial segment revenues increased $45 million, 6%, in the second quarter of 2013, compared with the corresponding period of 2012, largely due to higher volume of $33 million reflecting higher market demand, primarily in the Golf, Turf Care and Light Transportation Vehicle product line and in the North America market for the Fuel Systems and Functional Components product line. Revenues in the second quarter of 2013 also included $12 million from acquisitions.

Industrial segment revenues increased $17 million, 1%, in the first half of 2013, compared with the corresponding period of 2012, largely due to acquisitions. Revenues were also impacted by higher volume of $17 million in the Other Industrial product lines, largely related to higher market demand in the Golf, Turf Care and Light Transportation Vehicle product line, partially offset by lower volume of $12 million in the Fuel Systems and Functional Components product line. The lower volume in the Fuel Systems and Functional Components product line was primarily due to lower automotive market demand in Europe and Asia, partially offset by higher demand in North America.

Operating expenses for the Industrial segment increased $27 million, 4%, in the second quarter of 2013, largely due to higher direct material costs resulting from greater sales volume and a $10 million impact from acquisitions, partially offset by improved performance of $12 million, largely reflecting cost efficiencies realized in the Fuel Systems and Functional Components product line.

Operating expenses for the Industrial segment increased $15 million, 1%, in the first half of 2013, largely due to cost inflation of $15 million, primarily due to higher commodity and material component costs and increased compensation and benefits expense, and a $15 million impact from acquisitions, partially offset by improved performance of $14 million, largely reflecting cost efficiencies realized in the Fuel Systems and Functional Components product line.

Industrial Segment Profit

The following factors contributed to the change in Industrial's segment profit for the periods:

(In millions)	Q2 2013 versus Q2 2012	YTD 2013 versus YTD 2012
Performance	$ 12	$ 14
Volume	7	(5)
Inflation, net of pricing	(4)	(11)
Other	3	4
Total change	$ 18	$ 2

Segment profit for the Industrial segment increased $18 million, 30%, in the second quarter of 2013, compared with the second quarter of 2012, primarily due to improved performance of $12 million, largely reflecting cost efficiencies realized in the Fuel Systems and Functional Components product line and higher volume as described above.

Segment profit for the Industrial segment increased $2 million, 1%, in the first half of 2013, compared with the first half of 2012, primarily due to improved performance of $14 million, largely reflecting cost efficiencies realized in the Fuel Systems and Functional Components product line, partially offset by cost inflation, net of pricing of $11 million, primarily due to higher commodity and material component costs and increased compensation and benefit expense.

Finance

	Three Months Ended		Six Months Ended	
(In millions)	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Revenues	$ 31	$ 55	$ 73	$ 116
Segment profit	15	22	34	34

Finance segment revenues decreased $24 million and $43 million in the second quarter and first half of 2013, respectively, compared with the corresponding period of 2012, primarily attributable to a $13 million and $26 million unfavorable impact from lower average finance receivables of $933 million and $962 million, respectively. Revenues in the second quarter of 2013 were also impacted by $11 million of lower portfolio gains, net of losses, associated with the Structured Capital portfolio. Revenues during the first half of 2013 were also lower due to a $9 million impact from the resolution of a Timeshare account that returned to accrual status in 2012.

Finance segment profit decreased $7 million in the second quarter of 2013, compared with the corresponding period of 2012, primarily resulting from $11 million of lower portfolio gains, net of losses in the Structured Capital portfolio and a $6 million unfavorable impact from lower average finance receivables. These decreases were partially offset by lower administrative expenses of $7 million, largely related to a reduction in compensation and benefit expense in connection with the exit of the non-captive business.

Finance segment profit was unchanged in the first half of 2013, compared with the corresponding period of 2012. Lower administrative expenses of $16 million and lower provision for loan losses of $13 million, primarily associated with the non-captive business, were mostly offset by a $14 million unfavorable impact from lower average finance receivables and the resolution of a Timeshare account in 2012 as discussed above.

Finance Portfolio Quality

The following table reflects information about the Finance segment's credit performance related to finance receivables held for investment. The credit performance statistics below do not include finance receivables held for sale.

(Dollars in millions)	June 29, 2013	December 29, 2012
Finance receivables	$ 1,577	$ 1,934
Nonaccrual finance receivables	124	143
Allowance for losses	67	84
Ratio of nonaccrual finance receivables to finance receivables	7.86%	7.39%
Ratio of allowance for losses on impaired nonaccrual finance receivables to impaired nonaccrual finance receivables	18.36%	21.24%
Ratio of allowance for losses on finance receivables to nonaccrual finance receivables	54.03%	58.74%
Ratio of allowance for losses on finance receivables to finance receivables	4.25%	4.34%
60+ days contractual delinquency as a percentage of finance receivables	4.12%	4.65%
60+ days contractual delinquency	$ 65	$ 90
Repossessed assets and properties	76	81

Liquidity and Capital Resources

Our financings are conducted through two separate borrowing groups. The Manufacturing group consists of Textron consolidated with its majority-owned subsidiaries that operate in the Cessna, Bell, Textron Systems and Industrial segments. The Finance group, which also is the Finance segment, consists of TFC, its consolidated subsidiaries and three other finance subsidiaries owned by Textron. We designed this framework to enhance our borrowing power by separating the Finance group. Our Manufacturing group operations include the development, production and delivery of tangible goods and services, while our Finance group provides financial services. Due to the fundamental differences between each borrowing group's activities, investors, rating agencies and analysts use different measures to evaluate each group's performance. To support those evaluations, we present balance sheet and cash flow information for each borrowing group within the Consolidated Financial Statements.

Key information that is utilized in assessing our liquidity is summarized below:

(Dollars in millions)	June 29, 2013	December 29, 2012
Manufacturing group		
Cash and equivalents	$ 459	$ 1,378
Debt	2,278	2,301
Shareholders' equity	3,380	2,991
Capital (debt plus shareholders' equity)	5,658	5,292
Net debt (net of cash and equivalents) to capital	35%	24%
Debt to capital	40%	44%
Finance group		
Cash and equivalents	$ 112	$ 35
Debt	1,331	1,686

We believe that our calculations of debt to capital and net debt to capital are useful measures as they provide a summary indication of the level of debt financing (i.e., leverage) that is in place to support our capital structure, as well as to provide an indication of the capacity to add further leverage. We believe that we will have sufficient cash to meet our future needs, based on our existing cash balances, the cash we expect to generate from our manufacturing operations and other available funding alternatives, as appropriate.

Textron has a senior unsecured revolving credit facility that expires in March 2015 for an aggregate principal amount of $1.0 billion, up to $200 million of which is available for the issuance of letters of credit. At June 29, 2013, there were no amounts borrowed against the facility. We also maintain an effective shelf registration statement filed with the Securities and Exchange Commission that allows us to issue an unlimited amount of public debt and other securities.

Manufacturing Group Cash Flows

Cash flows from continuing operations for the Manufacturing group as presented in our Consolidated Statements of Cash Flows are summarized below:

(In millions)	Six Months Ended June 29, 2013	Six Months Ended June 30, 2012
Operating activities	$ (742)	$ 81
Investing activities	(226)	(156)
Financing activities	66	106

Cash flows from operating activities decreased $823 million during the first half of 2013, compared with the corresponding period of 2012, largely due to working capital requirements as well as $61 million of lower income from continuing operations and $46 million of lower net dividends from the Finance group. A significant factor contributing to the change in working capital was the use of approximately $240 million more in cash to fund inventory growth at Bell. This change in inventory growth between the periods largely reflects an increase in spares, production stock and commercial inventories of approximately $140 million and a buildup of costs in excess of billings on military contracts of approximately $100 million, which were both in support of future military and commercial deliveries and, to a lesser extent, as a result of the conversion to a new enterprise resource planning system in the first quarter of 2013. In addition, the working capital change included a $203 million decrease in cash flows resulting from changes in net taxes received/paid between the periods. Net tax payments were $134 million in the first half of 2013, while net tax refunds were $69 million in the first half of 2012.

We expect the working capital increase to reverse during the second half of the year resulting in positive cash flows from operating activities for the full year as we deliver higher volumes at Bell and as we certify our new models and deliver higher volumes at Cessna.

Investing cash flows in the first half of 2013 and 2012 primarily included capital expenditures of $190 million and $158 million, respectively. Cash flows from investing activities also included $53 million of cash used in acquisitions in the first half of 2013.

In the first half of 2013, financing activities primarily consisted of the repayment of $527 million of outstanding debt, including the settlement of our convertible notes, which was partially offset by proceeds from long-term debt and the issuance of commercial paper. In the second quarter of 2013, we entered into a $150 million variable-rate term loan agreement maturing in May 2016. We began to issue commercial paper for our short-term financing needs in the first half of 2013 and ended the period with $366 million outstanding. We generated cash from financing activities in the first half of 2012, largely due to the receipt of $245 million from the Finance group in payment of a portion of its intergroup borrowing, partially offset by the repayment of $141 million of outstanding debt .

Capital Contributions Paid To and Dividends Received From TFC

Under a Support Agreement between Textron and TFC, Textron is required to maintain a controlling interest in TFC. The agreement also requires Textron to ensure that TFC maintains fixed charge coverage of no less than 125% and consolidated shareholder's equity of no less than $200 million. Cash contributions paid to TFC to maintain compliance with the Support Agreement and dividends paid by TFC to Textron are detailed below:

(In millions)	Six Months Ended June 29, 2013	Six Months Ended June 30, 2012
Dividends paid by TFC to Textron	$ 30	$ 315
Capital contributions paid to TFC under Support Agreement	—	(240)

Due to the nature of these contributions, we classify these contributions within cash flows used by operating activities for the Manufacturing group in the Consolidated Statements of Cash Flows. Capital contributions to support Finance group growth in the ongoing captive finance business are classified as cash flows from financing activities. The Finance group's net income is excluded from the Manufacturing group's cash flows, while dividends from the Finance group are included within cash flows from operating activities for the Manufacturing group as they represent a return on investment.

Finance Group Cash Flows

The cash flows from continuing operations for the Finance group are summarized below:

	Six Months Ended	
(In millions)	**June 29, 2013**	**June 30, 2012**
Operating activities	$ 8	$ (96)
Investing activities	459	580
Financing activities	(390)	(485)

The Finance group generated cash from operating activities in the first half of 2013, primarily due to changes in net taxes received/paid. Net tax refunds were $9 million in the first half of 2013, while net tax payments were $112 million in the first half of 2012. Net tax payments in 2012 were primarily attributable to a settlement related to the Internal Revenue Service's challenge of tax deductions claimed in prior years for certain leveraged lease transactions.

Cash flows from investing activities primarily included collections on finance receivables and proceeds from sales of finance receivables and other finance assets totaling $499 million and $665 million in the first half of 2013 and 2012, respectively, partially offset by finance receivable originations of $78 million and $114 million in the first half of 2013 and 2012, respectively.

Cash used for financing activities in the first half of 2013 largely related to the repayment of $613 million of long-term and nonrecourse debt, compared with $254 million in the first half of 2012. The payments in the first half of 2013 were partially offset by $252 million in proceeds from long-term debt. In the second quarter of 2013, we borrowed $200 million under a variable-rate term loan agreement maturing in May 2016. Cash used for financing activities in the first half of 2012 also included a $245 million payment to the Manufacturing group in payment of a portion of its intergroup borrowings .

Consolidated Cash Flows

The consolidated cash flows from continuing operations, after elimination of activity between the borrowing groups, are summarized below:

	Six Months Ended	
(In millions)	**June 29, 2013**	**June 30, 2012**
Operating activities	$ (462)	$ 28
Investing activities	(68)	306
Financing activities	(295)	(304)

Cash flows from operating activities decreased $490 million during the first half of 2013, compared with the corresponding period of 2012, largely due to working capital requirements and $64 million of lower income from continuing operations. A significant factor contributing to the change in working capital was the use of approximately $240 million more in cash to fund inventory growth at Bell. This change in inventory growth between the periods largely reflects an increase in spares, production stock and commercial inventories of approximately $140 million and the buildup of costs in excess of billings on military contracts of approximately $100 million, which were both in support of future military and commercial deliveries and, to a lesser extent, in connection with the conversion to a new enterprise resource planning system in the first quarter of 2013. In addition, the working capital change included an $82 million decrease in cash flows resulting from changes in net taxes received/paid between the periods. Net tax payments were $125 million and $43 million in the first half of 2013 and 2012, respectively.

Cash flows from investing activities in the first half of 2013 and 2012 primarily included capital expenditures of $190 million and $158 million, respectively, and collections on finance receivables and proceeds from sales of finance receivables and other finance assets totaling $165 million and $453 million, respectively. Cash flows from investing activities also included $53 million of cash used in acquisitions in the first half of 2013.

In the first half of 2013, financing activities primarily consisted of the repayment of $1.1 billion of outstanding debt, including the settlement of our convertible notes, partially offset by proceeds from long-term debt of $402 million and the issuance of commercial paper. We began to issue commercial paper for our short-term financing needs in the first half of 2013 and ended the period with $366 million outstanding. In the first half of 2012, cash from financing activities included the repayment of $395 million of outstanding debt.

Captive Financing and Other Intercompany Transactions

The Finance group finances retail purchases and leases for new and used aircraft and equipment manufactured by our Manufacturing group, otherwise known as captive financing. In the Consolidated Statements of Cash Flows, cash received from customers or from the sale of receivables is reflected as operating activities when received from third parties. However, in the cash flow information provided for the separate borrowing groups, cash flows related to captive financing activities are reflected based on the operations of each group. For example, when product is sold by our Manufacturing group to a customer and is financed by the Finance group, the origination of the finance receivable is recorded within investing activities as a cash outflow in the Finance group's statement of cash flows. Meanwhile, in the Manufacturing group's statement of cash flows, the cash received from the Finance group on the customer's behalf is recorded within operating cash flows as a cash inflow. Although cash is transferred between the two borrowing groups, there is no cash transaction reported in the consolidated cash flows at the time of the original financing. These captive financing activities, along with all significant intercompany transactions, are reclassified or eliminated from the Consolidated Statements of Cash Flows.

Reclassification and elimination adjustments included in the Consolidated Statements of Cash Flows are summarized below:

	Six Months Ended	
(In millions)	**June 29, 2013**	**June 30, 2012**
Reclassifications from investing activities:		
Finance receivable originations for Manufacturing group inventory sales	$ (58)	$ (95)
Cash received from customers and sale of receivables and other finance assets	334	212
Other	25	1
Total reclassifications from investing activities	301	118
Reclassifications from financing activities:		
Capital contribution paid by Manufacturing group to Finance group	1	240
Dividends received by Manufacturing group from Finance group	(30)	(315)
Total reclassifications from financing activities	(29)	(75)
Total reclassifications and adjustments to cash flow from operating activities	$ 272	$ 43

Critical Accounting Estimates

The accounting policies that we believe are most critical to the portrayal of our financial condition and results of operations are disclosed on pages 35 through 38 in our 2012 Annual Report on Form 10-K. The following section provides an update of the year-end disclosure for long-term contracts to include program profit adjustments made during the first half of 2013 and 2012 .

Long-Term Contracts

We make a substantial portion of our sales to government customers pursuant to long-term contracts. These contracts require development and delivery of products over multiple years and may contain fixed-price purchase options for additional products. We account for these long-term contracts under the percentage-of-completion method of accounting. Under this method, we estimate profit as the difference between total estimated revenues and cost of a contract. The percentage-of-completion method of accounting involves the use of various estimating techniques to project costs at completion and, in some cases, includes estimates of recoveries asserted against the customer for changes in specifications. Due to the size, length of time and nature of many of our contracts, the estimation of total contract costs and revenues through completion is complicated and subject to many variables relative to the outcome of future events over a period of several years. We are required to make numerous assumptions and estimates relating to items such as expected engineering requirements, complexity of design and related development costs, performance of subcontractors, availability and cost of materials, labor productivity and cost, overhead and capital costs, manufacturing efficiencies and the achievement of contract milestones, including product deliveries, technical requirements, or schedule.

At the outset of each contract, we estimate the initial profit booking rate. The initial profit booking rate of each contract considers risks surrounding the ability to achieve the technical requirements (for example, a newly-developed product versus a mature product), schedule (for example, the number and type of milestone events), and costs by contract requirements in the initial estimated costs at completion. Profit booking rates may increase during the performance of the contract if we successfully retire risks surrounding the technical, schedule, and costs aspects of the contract. Likewise, the profit booking rate may decrease if we are not successful in retiring the risks; and, as a result, our estimated costs at completion increase. All of the estimates are subject to change during the performance of the contract and, therefore, may affect the profit booking rate. When adjustments are required, any changes from prior estimates are recognized using the cumulative catch-up method with the impact of the change from inception-to-date recorded in the current period. The aggregate gross amount of all program profit adjustments that are included within segment profit are presented below.

	Three Months Ended		Six Months Ended	
(In millions)	**June 29, 2013**	**June 30, 2012**	**June 29, 2013**	**June 30, 2012**
Gross favorable	$ 9	$ 23	$ 18	$ 40
Gross unfavorable	(7)	(11)	(9)	(24)
Net adjustments	$ 2	$ 12	$ 9	$ 16

Forward-Looking Information

Certain statements in this Quarterly Report on Form 10-Q and other oral and written statements made by us from time to time are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements, which may describe strategies, goals, outlook or other non-historical matters, or project revenues, income, returns or other financial measures, often include words such as “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “guidance,” “project,” “target,” “potential,” “will,” “should,” “could,” “likely” or “may” and similar expressions intended to identify forward-looking statements. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause our actual results to differ materially from those expressed or implied by such forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update or revise any forward-looking statements. In addition to those factors described herein under “RISK FACTORS” in our Annual Report on Form 10-K, among the factors that could cause actual results to differ materially from past and projected future results are the following:

- Changing priorities or reductions in the U.S. Government defense budget, including those related to military operations in foreign countries;
- Our ability to perform as anticipated and to control costs under contracts with the U.S. Government;
- The U.S. Government’s ability to unilaterally modify or terminate its contracts with us for its convenience or for our failure to perform, to change applicable procurement and accounting policies, or, under certain circumstances, to withhold payment or suspend or debar us as a contractor eligible to receive future contract awards;
- Changes in foreign military funding priorities or budget constraints and determinations, or changes in government regulations or policies on the export and import of military and commercial products;
- Volatility in the global economy or changes in worldwide political conditions that adversely impact demand for our products;
- Volatility in interest rates or foreign exchange rates;
- Risks related to our international business, including establishing and maintaining facilities in locations around the world and relying on joint venture partners, subcontractors, suppliers, representatives, consultants and other business partners in connection with international business, including in emerging market countries;
- Our Finance segment’s ability to maintain portfolio credit quality or to realize full value of receivables and of assets acquired upon foreclosure of receivables;
- Performance issues with key suppliers or subcontractors;
- Legislative or regulatory actions, both domestic and foreign, impacting our operations or demand for our products;
- Our ability to control costs and successfully implement various cost-reduction activities;
- The efficacy of research and development investments to develop new products or unanticipated expenses in connection with the launching of significant new products or programs;
- The timing of our new product launches or certifications of our new aircraft products;
- Our ability to keep pace with our competitors in the introduction of new products and upgrades with features and technologies desired by our customers;
- Increases in pension expense or employee and retiree medical benefits;
- Difficult conditions in the financial markets which may adversely impact our customers’ ability to fund or finance purchases of our products; and
- Continued demand softness or volatility in the markets in which we do business.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no significant change in our exposure to market risk during the fiscal quarter ended June 29, 2013. For discussion of our exposure to market risk, refer to Item 7A. Quantitative and Qualitative Disclosures about Market Risk contained in Textron's 2012 Annual Report on Form 10-K.

Item 4. CONTROLS AND PROCEDURES

We have carried out an evaluation, under the supervision and with the participation of our management, including our Chairman, President and Chief Executive Officer (CEO) and our Executive Vice President and Chief Financial Officer (CFO), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Act)) as of the end of the fiscal quarter covered by this report. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures are effective in providing reasonable assurance that (a) the information required to be disclosed by us in the reports that we file or submit under the Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (b) such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during the fiscal quarter ended June 29, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 5. OTHER INFORMATION

Because this Quarterly Report on Form 10-Q is being filed within four business days from the date of the reportable event, we have elected to make the following disclosure in this Quarterly Report on Form 10-Q instead of in a Current Report on Form 8-K under Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year:

On July 23, 2013 Textron's Board of Directors approved an amendment to Section 3.02 of the Amended and Restated By-Laws of Textron Inc. increasing the age at which a person shall no longer be eligible to be elected as a director from 72 to 75 years old. The amendment was effective immediately.

Item 6. **EXHIBITS**

3.2	Amended and Restated By-Laws of Textron Inc., effective April 28, 2010 and as further amended April 27, 2011 and July 23, 2013
12.1	Computation of ratio of income to fixed charges of Textron Inc. Manufacturing Group
12.2	Computation of ratio of income to fixed charges of Textron Inc. including all majority-owned subsidiaries
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from Textron Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to the Consolidated Financial Statements.

SIGNATURES

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

TEXTRON INC.

Date: July 24, 2013

/s/ Richard L. Yates
Richard L. Yates
Senior Vice President and Corporate Controller
(principal accounting officer)

LIST OF EXHIBITS

3.2	Amended and Restated By-Laws of Textron Inc., effective April 28, 2010 and as further amended April 27, 2011 and July 23, 2013
12.1	Computation of ratio of income to fixed charges of Textron Inc. Manufacturing Group
12.2	Computation of ratio of income to fixed charges of Textron Inc. including all majority-owned subsidiaries
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from Textron Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to the Consolidated Financial Statements.

Exhibit 3.2

TEXTRON INC.
(a Delaware corporation)

AMENDED AND RESTATED BY-LAWS

Effective April 28, 2010 and

Further Amended April 27, 2011 and July 23, 2013

ARTICLE I.

Offices.

Section 1.01. *Registered Office.* The registered office of the Corporation in the State of Delaware shall be at No. 1209 Orange Street, City of Wilmington, County of New Castle. The name of the resident agent in charge thereof shall be The Corporation Trust Company.

Section 1.02. *Other Offices.* The Corporation may also have an office or offices in the City of Providence, State of Rhode Island, and at such other place or places either within or without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation require.

ARTICLE II.

Meetings of Stockholders.

Section 2.01. *Place of Meetings.* All meetings of the stockholders of the Corporation shall be held at such place either within or without the State of Delaware as shall be fixed by the Board of Directors and specified in the respective notices or waivers of notice of said meetings.

Section 2.02. *Annual Meetings.* (a) The annual meeting of the stockholders for the election of directors and for the transaction of such other business as properly may come before the meeting shall be held on such day, at such time and in such place (either within or without the State of Delaware) as shall be fixed by the Board of Directors.

(b) If the election of directors shall not be held on the day fixed by the Board of Directors for any annual meeting, or on the day of any adjourned session thereof, the Board of Directors shall cause the election to be held at a special meeting as soon thereafter as conveniently may be. At such special meeting the stockholders may elect the directors and transact other business with the same force and effect as at an annual meeting duly called and held.

Section 2.03. *Special Meetings.* (a) A special meeting of the stockholders for any purpose or purposes proper under applicable law may be called at any time by (i) the Chief Executive Officer, (ii) the Board of Directors or (iii) the Secretary of the Corporation at the written request of one or more holders of record of the Corporation that have owned continuously for a period of at least one year at least twenty-five percent (25%) (the "Requisite Percent") of the outstanding shares of common stock of the Corporation, provided a special meeting called at the request of one or more stockholders (a "Stockholder Requested Special Meeting") shall be called by the Secretary of the Corporation only if such request complies with Sections 2.03(b) hereof. The business which may be transacted at a special meeting is limited to that set forth in the notice of special meeting and, if the notice so provides, such other matters as the Chief Executive Officer or the Board of Directors may bring before the meeting.

(b) (1) In order for a Stockholder Requested Special Meeting to be called by the Secretary, one or more written requests for a special meeting (individually or collectively, a "Special Meeting Request") signed and dated by the stockholders of record that own the Requisite Percent of common stock of the Corporation (or their duly authorized agents), must be delivered to the Secretary at the principal executive offices of the Corporation and must set forth:

(i) as to each stockholder of the Corporation signing such request (or on whose behalf such request is signed) and the beneficial owner (s), if any, on whose behalf such request is made, the information required under Section 2.04(c)(iii), (iv) and (v) of these By-Laws, and an affidavit by each such person stating the number of shares of common stock of the Corporation that it has owned for at least one year as of such date;

(ii) in the case of any director nominations proposed to be presented at such Stockholder Requested Special Meeting, the information required by Section 2.04(c)(i);

(iii) in the case of any matter (other than a director nomination) proposed to be conducted at such Stockholder Requested Special Meeting, the information required by Section 2.04(c)(ii); and

(iv) an acknowledgement by the requesting stockholders and the beneficial owners, if any, on whose behalf the Special Meeting Request is being made that such Special Meeting Request shall be deemed to be revoked (and any meeting scheduled in response may be cancelled) if such requesting stockholders do not own at least the Requisite Percent at all times between the date on which such Special Meeting Request is delivered and the date of the applicable Stockholder Requested Special Meeting and an agreement by such stockholder(s) to notify the Corporation immediately in the case of any disposition of shares of common stock of the Corporation resulting in such revocation.

One or more written requests for a special meeting delivered to the Secretary shall constitute a valid Special Meeting Request only if each such written request satisfies the requirements set forth above and has been dated and delivered to the Secretary within sixty days of the earliest dated of such requests. If the record holder is not the signatory to the Special Meeting Request, such Special Meeting Request will not be valid unless documentary evidence is supplied to the Secretary at the time of delivery of such Special Meeting Request (or within ten business days thereafter) of such signatory's authority to execute the Special Meeting Request on behalf of the record holder. Any requesting stockholder may revoke his, her or its Special Meeting Request at any time by written revocation delivered to the Secretary at the principal executive offices of the Corporation; provided, however, that if following such revocation (or any deemed revocation pursuant to clause (iv) above), the unrevoked valid Special Meeting Requests represent in the aggregate less than the Requisite Percent, there shall be no requirement to hold a special meeting. The determination of the validity of a Special Meeting Request shall be made in good faith by the Board of Directors, which determination shall be conclusive and binding on the Corporation and the stockholders and the date of such determination is referred to herein as the "Request Receipt Date".

(2) A Special Meeting Request shall not be valid if:

(i) the Special Meeting Request relates to an item of business that is not a proper subject for stockholder action under, or involves a violation of, applicable law;

(ii) the Request Receipt Date occurs during the period commencing ninety days prior to the first anniversary of the date of the most recent annual meeting of stockholders and ending on the date of the next annual meeting of stockholders;

(iii) the purpose specified in the Special Meeting Request relates to an item of business (other than the election of directors) that is identical or substantially similar (as determined in good faith by the Board of Directors, a "Similar Item") to an item of business that was presented at any meeting of stockholders held within the twelve months prior to the Request Receipt Date; or

(iv) a Similar Item is included in the Corporation's notice as an item of business to be brought before a stockholder meeting that has been called or that is called for a date within ninety days of the Request Receipt Date.

(3) Any special meeting of stockholders shall be held at such date and time as may be fixed by the Board of Directors in accordance with these By-Laws and in compliance with the Delaware General Corporation Law; provided, however, that a Stockholder Requested Special Meeting shall be called for a date not more than ninety days after the Request Receipt Date unless a later date is required in order to allow the Corporation to file the information required under Schedule 14A under the Securities Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder (the "Exchange Act"), if applicable.

(4) Business transacted at any Stockholder Requested Special Meeting shall be limited to (i) the purpose(s) stated in the valid Special Meeting Request(s) received from the Requisite Percent of record holders and (ii) any

additional matters that the Board of Directors determines to include in the Corporation's notice of the meeting. If none of the stockholders who submitted the Special Meeting Request appears or sends a qualified representative to present the matters to be presented for consideration that were specified in the Stockholder Meeting Request, the Corporation need not present such matters for a vote at such meeting, notwithstanding that proxies in respect of such matter may have been received by the Corporation.

Section 2.04. *Notice of Stockholder Nominations and Other Business.* (a) In order to assure that stockholders and the Corporation have a reasonable opportunity to consider nominations and other business proposed to be brought before a meeting of stockholders and to allow for full information to be distributed to stockholders, at any annual meeting or special meeting of the stockholders only such nominations may be made and only such business shall be conducted as shall have been brought before the meeting pursuant to this Section 2.04 of these Amended and Restated By-Laws ("By-Laws"). Nominations of persons for election to the Board of Directors may be made at an annual meeting of stockholders, a special meeting held in lieu of an annual meeting pursuant to Section 2.02(b), or a special meeting of stockholders at which directors are to be elected that is called by the Chief Executive Officer or by order of the Board of Directors pursuant to Section 2.03, (i) by or at the direction of the Board of Directors or any nominating committee appointed by the Board of Directors or (ii) by any stockholder of the Corporation who shall have been a stockholder of record of the Corporation at the time the notice provided for in this Section 2.04 is delivered to the Corporation, who is entitled to vote at the meeting and who timely complies with the notice procedures set forth in this Section 2.04. Except as otherwise provided by statute, the Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation") or these By-Laws, the only business (other than the nominations of persons for election to the Board of Directors in accordance with the foregoing sentence) which shall be conducted at any annual meeting of the stockholders or special meeting in lieu thereof called pursuant to Section 2.02 (b) of these By-Laws shall be that business brought before the meeting (i) by or at the direction of the Board of Directors or the chairman of the meeting or (ii) by any stockholder of the Corporation who shall have been a stockholder of record of the Corporation at the time the notice provided for in this Section 2.04 is delivered to the Corporation, who is entitled to vote at the meeting and who timely complies with the notice procedures set forth in this Section 2.04, and such other business must be a proper subject for stockholder action under the Delaware General Corporation Law.

(b) To be timely in the case of an annual meeting, the stockholder's notice provided for in this Section 2.04 must be received at the principal executive offices of the Corporation not later than the close of business on the 90th day nor earlier than the close of business on the 150th day prior to the anniversary date of the immediately preceding annual meeting of stockholders, provided, however, that in the event the annual meeting is called for a date that is more than 30 days before or more than 60 days after such anniversary date, such notice must be so received not later than the close of business on the 90th day before the date of such annual meeting or the 10th day following the day on which public disclosure of the date of the annual meeting was first made, whichever occurs later. To be timely in the case of a special meeting (including a special meeting held in lieu of an annual meeting) that is called for a date that is more than 30 days before or more than 60 days after the anniversary date of the immediately preceding annual meeting of stockholders, such notice must be received at the principal executive offices of the Corporation not later than the close of business on the 90th day before the date of such special meeting or the 10th day following the day on which public disclosure of the date of the special meeting was first made, whichever occurs later, and otherwise must be received at the principal executive offices of the Corporation not later than the close of business on the date by which a notice must be received with respect to the annual meeting. In no event shall the public announcement of a postponement or adjournment of an annual meeting or a special meeting commence a new period for the giving of a stockholder's notice as described above.

(c) The stockholder's notice provided for in this Section 2.04 shall be addressed and delivered to the Secretary and shall set forth:

(i) as to each person whom the stockholder proposes to nominate for election or reelection as a director (A) the name, age, business address and residence address of the person; (B) the principal occupation or employment of the person; (C) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person; and (D) any other information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Regulation 14A under the Securities Exchange Act of 1934 (the "Exchange Act");

(ii) as to any business (other than the nominations of persons for election to the Board of Directors) that the stockholder proposes to bring before the meeting (A) a description of each item of business proposed to be brought before the meeting; (B) the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these By-Laws, the language of the proposed amendment); (C) the reasons for conducting such business at the meeting; and (D) any material interest in such business of such stockholder and the beneficial owner (within the meaning of Section 13(d) of the Exchange Act), if any, on whose behalf the business is being proposed, including any benefit that such person would derive therefrom;

(iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or other business is being proposed (A) the name and address of the stockholder as they appear on the Corporation's books and the name and address of the beneficial owner; (B) the class or series and number of shares of stock of the Corporation held of record by such stockholder and such beneficial owner as of the date of such notice by the stockholder, and a representation that the stockholder will notify the Corporation in writing within five business days after the record date for the meeting of the class or series and number of shares of stock of the Corporation owned of record by the stockholder and such beneficial owner as of the record date for the meeting; and (C) a representation that such stockholder intends to appear in person or by proxy at the meeting to propose such nomination or other business; and

(iv) as to the stockholder giving the notice or, if the notice is given on behalf of a beneficial owner on whose behalf the nomination or other business is being proposed, as to such beneficial owner (A) the class or series and number of shares of stock of the Corporation which are beneficially owned by such stockholder or beneficial owner as of the date of the notice, and a representation that the stockholder will notify the Corporation in writing within five business days after the record date for the meeting of the class or series and number of shares of stock of the Corporation beneficially owned by such stockholder or beneficial owner as of the record date for the meeting; (B) a description of any agreement, arrangement or understanding with respect to such nomination or other business between or among such stockholder or beneficial owner and any other person or persons (naming such persons), including without limitation any agreements that would be required to be disclosed pursuant to Item 5 or Item 6 of Exchange Act Schedule 13D (regardless of whether the requirement to file a Schedule 13D is applicable to the stockholder or beneficial owner) and a representation that the stockholder will notify the Corporation in writing within five business days after the record date for the meeting of any such agreement, arrangement or understanding in effect as of the record date for the meeting; (C) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, swaps, hedging transactions, and borrowed or loaned shares) that has been entered into and is in existence as of the date of the stockholder's notice by, or on behalf of, such stockholder or beneficial owner, the effect or intent of which is to mitigate loss, manage risk or benefit from changes in the share price of any class of the Corporation's capital stock, or increase or decrease the voting power of the stockholder or beneficial owner with respect to shares of stock of the Corporation or pursuant to which such stockholder or beneficial owner has a right to vote any stock of the Corporation, and a representation that the stockholder will notify the Corporation in writing within five business days after the record date for the meeting of any such agreement, arrangement or understanding in effect as of the record date for the meeting; (D) a representation as to whether the stockholder or the beneficial owner will engage in a solicitation with respect to such nomination or proposal and, if so, the name of each participant (as defined in Item 4 of Schedule 14A under the Exchange Act) in such solicitation and whether such person intends or is part of a group that intends to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the business to be proposed (in person or by proxy) by the stockholder; and (E) all other information which would be required to be included in a proxy statement filed with the Securities and Exchange Commission if, with respect to any such item of business, such stockholder or beneficial owner were a participant in a solicitation subject to Section 14 of the Securities Exchange Act; and

(v) as to the stockholder giving the notice and the beneficial owners, if any, on whose behalf the nomination or other business is being proposed, such stockholder's and beneficial owner's written consent to the public disclosure of information provided pursuant to paragraph (c) of this Section 2.04.

In the case of nominations, such notice must be accompanied by the written consent of each proposed nominee to being named as a nominee and to serve as a director of the Corporation if so elected. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation including information relevant to a determination whether such proposed nominee can be considered an independent director.

(d) The foregoing notice requirements of this Section 2.04 shall not apply to a stockholder if the stockholder has notified the Corporation of his or her intention to present a stockholder proposal at an annual meeting only pursuant to and in compliance with Rule 14a-8 under the Exchange Act and such stockholder proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such meeting.

(e) The Chairman of the Board of Directors may, if the facts warrant, determine that a notice received by the Corporation relating to a nomination proposed to be made or an item of business proposed to be introduced at a meeting of stockholders does not satisfy the requirements of this Section 2.04 (including if the stockholder does not provide the information and representations required under Section 2.04 (c)(iii)(B) and 2.04(c)(iv)(A)-(C) to the Corporation within five business days following the record date for the meeting), and if it be so determined, shall so declare and any such nomination or other business shall not be introduced at such meeting of stockholders, notwithstanding that proxies in respect of such matters may have been received. The chairman of a meeting of stockholders may, if the facts warrant, determine that a nomination proposed to be made or an item of business proposed to be introduced at such meeting was not properly brought before the meeting in accordance with the foregoing procedures (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's nominee or proposal in compliance with such stockholder's representation as required by Section 2.04 (c)(iv), and if it be so determined, the chairman of the meeting shall so declare to the meeting and that nomination or other business shall be disregarded. Notwithstanding the foregoing provisions of this Section 2.04, unless otherwise required by law, if the stockholder does not appear in person or by proxy at the meeting to present the nomination or proposed business, such nomination or other business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

(f) Notwithstanding the foregoing provisions of this Section 2.04, a stockholder in addition shall comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 2.04.

Section 2.05. *Notice of Meetings.* (a) Except as otherwise required by statute, notice of each annual or special meeting of the stockholders shall be given to each stockholder of record entitled to vote at such meeting not less than ten days nor more than sixty days before the day on which the meeting is to be held by delivering written notice thereof to such stockholder personally or by mailing such notice, postage prepaid, addressed to such stockholder at the stockholder's post-office address last shown in the records of the Corporation or by transmitting notice thereof to such stockholder by any other available method. Every such notice shall state the time and place of the meeting and, in case of a special meeting, shall state briefly the purposes thereof.

(b) Except as otherwise required by statute, notice of any meeting of stockholders shall not be required to be given to any stockholders who shall attend such meeting in person or by proxy or who shall waive such notice in writing or by electronic transmission either before or after such meeting. Notice of any adjourned meeting of the stockholders shall not be required to be given except when expressly required by statute.

Section 2.06. *Quorum.* (a) At each meeting of the stockholders, except as otherwise provided by statute, the Certificate of Incorporation or these By-Laws, the holders of record of a majority of the issued and outstanding shares of stock of the Corporation entitled to vote at such meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business.

(b) In the absence of a quorum a majority in interest of the stockholders of the Corporation entitled to vote, present in person or represented by proxy or, in the absence of all such stockholders, any officer entitled to preside at, or act as secretary of, such meeting, shall have the power to adjourn the meeting from time to time, until stockholders holding the requisite amount of stock shall be present or represented. At any such adjourned meeting at which a quorum shall be present any business may be transacted which might have been transacted at the meeting as originally called.

Section 2.07. *Organization.* At each meeting of the stockholders the Chairman of the Board or, in his or her absence, the Chief Executive Officer or, in the absence of the Chairman of the Board and the Chief Executive Officer, the Lead Director or, in the absence of the Chairman of the Board, the Chief Executive Officer and the Lead Director, the Vice Chairman of the Board or, in the absence of the Chairman of the Board, the Chief Executive

Officer, the Lead Director and the Vice Chairman of the Board, the President or any Vice President or, in the absence of all such officers, a chairman chosen by a majority vote of the stockholders entitled to vote thereat, present in person or by proxy, shall act as chairman, and the Secretary or an Assistant Secretary of the Corporation or, in the absence of the Secretary and all Assistant Secretaries, a person whom the chairman of such meeting shall appoint shall act as secretary of the meeting and keep the minutes thereof.

Section 2.08. *Voting.* (a) Except as otherwise provided by statute, the Certificate of Incorporation or these By-Laws, at every meeting of the stockholders each stockholder shall be entitled to one vote, in person or by proxy, for each share of capital stock of the Corporation registered in such stockholder's name on the books of the Corporation:

(i) on the date fixed pursuant to Section 8.03 of these By-Laws as the record date for the determination of stockholders entitled to vote at such meeting; or

(ii) if no such record date shall have been fixed, then the record date shall be at the close of business on the day next preceding the day on which notice of such meeting is given.

(b) Persons holding stock in a fiduciary capacity shall be entitled to vote the shares so held. In the case of stock held jointly by two or more executors, administrators, guardians, conservators, trustees or other fiduciaries, such fiduciaries may designate in writing one or more of their number to represent such stock and vote the shares so held, unless there is a provision to the contrary in the instrument, if any, defining their powers and duties. (c) Persons whose stock is pledged shall be entitled to vote thereon until such stock is transferred on the books of the Corporation to the pledgee, and thereafter only the pledgee shall be entitled to vote. (d) Any stockholder entitled to vote may do so in person or by such stockholder's proxy appointed by an instrument in writing subscribed by such stockholder or by such stockholder's attorney thereunto authorized, or by a telegram, cable or any other available method delivered to the secretary of the meeting; provided, however, that no proxy shall be voted after three years from its date, unless said proxy provides for a longer period. (e) At all meetings of the stockholders, all matters (except as otherwise provided by statute, the Certificate of Incorporation or these By-Laws) shall be decided by the vote of a majority in interest of the stockholders entitled to vote thereon, present in person or by proxy, at such meeting, a quorum being present.

Section 2.09. *Voting Procedures and Inspectors of Elections.* (a) The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. (b) The inspectors shall (i) ascertain the number of shares outstanding and the voting power of each, (ii) determine the shares represented at a meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors. (c) The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting. No ballot, proxies or votes, nor any revocations thereof or changes thereto, shall be accepted by the inspectors after the closing of the polls unless the Delaware Court of Chancery upon application by a stockholder shall determine otherwise.

Section 2.10. *List of Stockholders.* (a) It shall be the duty of the Secretary or other officer of the Corporation who shall have charge of its stock ledger to prepare and make, or cause to be prepared and made, at least ten days before every meeting of the stockholders, a complete list of the stockholders entitled to vote thereat, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open during ordinary business hours to the examination of any stockholder for any purpose germane to the meeting for a period of at least ten days prior to the meeting, either on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or during ordinary business hours at the principal place of business of the Corporation. (b) Such list shall be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. (c) Upon the willful neglect or refusal of the directors to produce such list at any meeting for the election of directors they shall be ineligible for election to any office at such meeting. (d) The stock ledger shall be conclusive evidence as to who are the stockholders entitled to examine the stock ledger and the list of stockholders required by this Section 2.10 on the books of the Corporation or to vote in person or by proxy at any meeting of stockholders.

ARTICLE III.

Board of Directors.

Section 3.01. *General Powers.* The business, property and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

Section 3.02. *Number, Qualifications and Term of Office.* (a) The number of directors of the Corporation which shall constitute the whole Board of Directors shall be such number as from time to time shall be fixed by the Board of Directors in accordance with the Certificate of Incorporation. (b) No person shall be elected a director who has attained the age of 75. (c) Each director shall hold office as set forth in the Certificate of Incorporation.

Section 3.03. *Election.* At each meeting of the stockholders for the election of directors at which a quorum is present, each director shall be elected by the vote of the majority of the votes cast; provided, that if the number of nominees exceeds the number of directors to be elected, based on nominations expected as of the record date for such meeting to be made by or at the direction of the Board of Directors or to be brought before the meeting by a stockholder who has given notice thereof or otherwise, the directors, not exceeding the authorized number of directors as fixed by the Board of Directors in accordance with the Certificate of Incorporation, receiving the greatest number of votes of the stockholders entitled to vote thereon, present in person or by proxy, shall be the directors for the term as set forth in the Certificate of Incorporation. For purposes of this Section 3.03, a majority of the votes cast means that the number of shares voted “for” a director must exceed the number of shares voted “against” that director. The Nominating and Corporate Governance Committee (or comparable committee of the Board) shall establish procedures under which any director who is not elected shall offer to tender his or her resignation to the Board and under which such committee and the Board shall consider and determine whether to accept or reject the resignation. If, for any cause, the Board of Directors shall not have been elected at an annual meeting, they may be elected thereafter at a special meeting of the stockholders called for that purpose in the manner provided in these By-Laws.

Section 3.04. *Quorum and Manner of Acting.* (a) Except as otherwise provided by statute, the Certificate of Incorporation or these By-Laws, a majority of the directors at the time in office shall constitute a quorum for the transaction of business at any meeting and the affirmative action of a majority of the directors present at any meeting at which a quorum is present shall be required for the taking of any action by the Board of Directors. (b) If one or more of the directors shall be disqualified to vote at such meeting, then the required quorum shall be reduced by one for each such director so disqualified; provided, however, that in no event shall the quorum as adjusted be less than one third of the total number of directors. (c) In the absence of a quorum at any meeting of the Board such meeting need not be held, or a majority of the directors present thereat or, if no director be present, the Secretary may adjourn such meeting from time to time until a quorum shall be present. Notice of any adjourned meeting need not be given. (d) From time to time, the independent directors may elect, from among their number, a Lead Director who shall perform such duties as shall be assigned to him or her by the Board of Directors.

Section 3.05. *Offices, Place of Meeting and Records.* The Board of Directors may hold meetings, have an office or offices and keep the books and records of the Corporation at such place or places within or without the State of Delaware as the Board may from time to time determine. The place of meeting shall be specified or fixed in the respective notices or waivers of notice thereof, except as otherwise provided by statute, the Certificate of Incorporation or these By-Laws.

Section 3.06. *Annual Meeting.* The Board of Directors shall meet for the purpose of organization, the election of officers and the transaction of other business, as soon as practicable following each annual election of directors.

Such meeting shall be called and held at the place and time specified in the notice or waiver of notice thereof as in the case of a special meeting of the Board of Directors.

Section 3.07. *Regular Meetings.* Regular meetings of the Board of Directors shall be held at such places and at such times as the Board shall from time to time by resolution determine. If any day fixed for a regular meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting which would otherwise be held on that day shall be held at said place at the same hour on the next succeeding business day. Notice of regular meetings need not be given.

Section 3.08. *Special Meetings; Notice.* Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board, the Lead Director or the Chief Executive Officer or by any two of the directors. Notice of each such meeting shall be mailed to each director, addressed to him or her at his or her residence or usual place of business, at least three days before the day on which the meeting is to be held, or shall be sent to him or her at his or her residence or at such place of business by other available means, or shall be delivered personally, by telephone or by electronic transmission, not later than two days (or such shorter period as the person or persons calling such meeting may deem necessary or appropriate in the circumstances) before the day on which the meeting is to be held. Each such notice shall state the time and place of the meeting but need not state the purposes thereof except as otherwise herein expressly provided. Notice of any such meeting need not be given to any director, however, if waived by him or her in writing or otherwise, whether before or after such meeting shall be held, or if he or she shall be present at such meeting.

Section 3.09. *Organization.* At each meeting of the Board of Directors, the Chairman of the Board or, in his or her absence, the Lead Director or, in the absence of each of them, the Chief Executive Officer, if the Chief Executive Officer is then serving on the Board, or, in the absence of each of them, the Vice Chairman of the Board or, in the absence of all such officers, a director chosen by a majority of the directors present shall act as chairman. The Secretary or, in his or her absence an Assistant Secretary or, in the absence of the Secretary and all Assistant Secretaries, a person whom the chairman of such meeting shall appoint shall act as secretary of such meeting and keep the minutes thereof.

Section 3.10. *Order of Business.* At all meetings of the Board of Directors business shall be transacted in the order determined by the Board.

Section 3.11. *Chairman of the Board.* The Chairman of the Board shall, when present, preside at all meetings of the Board of Directors and at all meetings of the stockholders and shall have such additional powers and shall perform such further duties as may from time to time be assigned to him or her by the Board of Directors or the Executive Committee.

Section 3.12. *Vice Chairman of the Board.* The Vice Chairman of the Board shall, in the absence of the Chairman of the Board, the Lead Director and the President, if the President is then serving on the Board, preside at all meetings of the Board of Directors, and, in the absence of the Chairman of the Board, the President and the Lead Director, at all meetings of the stockholders and shall have such powers and shall perform such further duties as may from time to time be assigned to him or her by the Board of Directors or the Executive Committee.

Section 3.13. *Removal of Directors.* Any director may be removed, with or without cause, at any time, by the affirmative vote of the holders of record of a majority of the issued and outstanding stock entitled to vote for the election of directors of the Corporation given at a special meeting of the stockholders called and held for the purpose; and the vacancy in the Board caused by any such removal may be filled by the Board in the manner provided in the Certificate of Incorporation.

Section 3.14. *Resignation.* Any director of the Corporation may resign at any time by giving written notice of his or her resignation to the Board of Directors or to the Chairman of the Board, the Vice Chairman of the Board, the President or the Secretary of the Corporation. Such resignation shall take effect at the date of receipt of such notice unless a later time is specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.15. *Vacancies.* Any vacancy in the Board of Directors caused by death, resignation, removal, disqualification, an increase in the number of directors, or any other cause may be filled by the remaining directors then in office as set forth in the Certificate of Incorporation. Each director so elected shall hold office as set forth in the Certificate of Incorporation.

Section 3.16. *Compensation.* Each director, in consideration of his or her serving as such, shall be entitled to receive from the Corporation such amount per annum or such fees for attendance at directors' meetings, or both, as the Board of Directors shall from time to time determine, together with reimbursement for the reasonable expenses incurred by him or her in connection with the performance of his or her duties; provided that nothing herein contained shall be construed to preclude any director from serving the Corporation or its subsidiaries in any other capacity and receiving proper compensation therefore.

ARTICLE IV.

Committees.

Section 4.01. *Executive Committee.* (a) The Board of Directors shall, by resolution or resolutions passed by a majority of the whole Board, appoint an Executive Committee to consist of not less than three nor more than eight members of the Board of Directors, including the Chairman of the Board, and shall designate one of the members as its chairman. Notwithstanding any limitation on the size of the Executive Committee, the Committee may invite members of the Board to attend its meetings. In such case such invitees shall be entitled to vote on matters considered at such meetings and shall receive such fee, if any, as shall be fixed by the Board of Directors for such attendance.

(b) Each member of the Executive Committee shall hold office, so long as he or she shall remain a director, until the first meeting of the Board of Directors held after the next annual election of directors and until his or her successor is duly appointed and qualified. The chairman of the Executive Committee or, in his or her absence, the Chairman of the Board or a member of the Committee chosen by a majority of the members present shall preside at meetings of the Executive Committee and the Secretary or an Assistant Secretary of the Corporation, or such other person as the Executive Committee shall from time to time determine, shall act as secretary of the Executive Committee.

(c) The Board of Directors, by action of the majority of the whole Board, shall fill vacancies in the Executive Committee.

Section 4.02. *Powers.* During the intervals between the meetings of the Board of Directors, the Executive Committee shall have and may exercise all the powers of the Board of Directors in all cases in which specific directions shall not have been given by the Board of Directors; but neither the Executive Committee nor any other committee created under these By-Laws shall have the power or authority to amend the Certificate of Incorporation, adopt an agreement of merger or consolidation, recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommend to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amend the By-Laws of the Corporation; and, unless the resolution, By-Laws, or Certificate of Incorporation expressly so provides, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of Delaware.

Section 4.03. *Procedure; Meetings; Quorum.* The Executive Committee shall fix its own rules of procedure subject to the approval of the Board of Directors, and shall meet at such times and at such place or places as may be provided by such rules. At every meeting of the Executive Committee the presence of a majority of all the members shall be necessary to constitute a quorum and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any resolution. In the absence of a quorum at any meeting of the Executive Committee such meeting need not be held, or a majority of the members present thereat or, if no members be present, the secretary of the meeting may adjourn such meeting from time to time until a quorum be present.

Section 4.04. *Compensation.* Each member of the Executive Committee shall be entitled to receive from the Corporation such fee, if any, as shall be fixed by the Board of Directors, together with reimbursement for the reasonable expenses incurred by him or her in connection with the performance of his or her duties.

Section 4.05. *Other Board Committees.* The Board of Directors may from time to time, by resolution passed by a majority of the whole Board, designate one or more committees in addition to the Executive Committee, each committee to consist of two or more of the directors of the Corporation. Any such committee, to the extent provided in the resolution or in the By-Laws of the Corporation, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation.

A majority of all the members of any such committee may determine its action and fix the time and place of its meetings, unless the Board of Directors shall otherwise provide. The Board of Directors shall have power to change the members of any committee at any time, to fill vacancies and to discharge any such committee, either with or without cause, at any time.

Section 4.06. *Alternates.* The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more directors as alternate members of any committee who may replace any absent or disqualified member at any meeting of the committee; provided, however, that in the absence of any such designation of alternates the member or members of any committee present at any meeting and not disqualified from acting, whether or not he, she or they constitute a quorum, may unanimously appoint another member to the Board to act at the meeting in the place of any absent or disqualified member.

Section 4.07. *Additional Committees.* The Board of Directors may from time to time create such additional committees of directors, officers, employees or other persons designated by it (or any combination of such persons) for the purpose of advising the Board, the Executive Committee and the officers and employees of the Corporation in all such matters as the Board shall deem advisable and with such functions and duties as the Board shall by resolutions prescribe.

A majority of all the members of any such committee may determine its action and fix the time and place of its meetings, unless the Board of Directors shall otherwise provide. The Board of Directors shall have power to change the members of any committee at any time, to fill vacancies and to discharge any such committee, either with or without cause, at any time.

ARTICLE V.

Action by Consent or Telephone.

Section 5.01. *Consent of Directors.* Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if prior to such action a written consent thereto is signed by all members of the Board or of such committee, as the case may be, and such written consent is filed with the minutes of the proceedings of the Board or such committee.

Section 5.02. *Telephone Meetings.* Members of the Board of Directors or any committee designated by the Board of Directors may participate in a meeting of such Board or Committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other.

ARTICLE VI.

Officers.

Section 6.01. *Number.* The principal officers of the Corporation shall be a Chief Executive Officer, a President, one or more Vice Presidents (the number thereof and variations in title to be determined by the Board of Directors), a Treasurer and a Secretary. In addition, there may be such other or subordinate officers, agents and employees as may be appointed in accordance with the provisions of Section 6.03. Any two or more offices, except those of President and Secretary, may be held by the same person.

Section 6.02. *Election, Qualifications and Term of Office.* Each officer of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 6.03, shall be elected annually by the Board of Directors and shall hold office until his or her successor shall have been duly elected and qualified, or until his or her death, or until he or she shall have resigned or shall have been removed in the manner herein provided.

Section 6.03. *Other Officers.* The Corporation may have such other officers, agents, and employees as the Board of Directors may deem necessary including a Controller, one or more Assistant Controllers, one or more Assistant Treasurers and one or more Assistant Secretaries, each of whom shall hold office for such period, have such authority, and perform such duties as the Board of Directors, the Chief Executive Officer or the President may from time to time determine. The Board of Directors may delegate to any principal officer the power to appoint or remove any such subordinate officers, agents or employees.

Section 6.04. *Removal.* Any officer may be removed, either with or without cause, by the vote of a majority of the whole Board of Directors or, except in case of any officer elected by the Board of Directors, by any committee or officer upon whom the power of removal may be conferred by the Board of Directors.

Section 6.05. *Resignation.* Any officer may resign at any time by giving written notice to the Board of Directors, the Chief Executive Officer or the President. Any such resignation shall take effect at the date of receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6.06. *Vacancies.* A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled for the unexpired portion of the term in the manner prescribed in these By-Laws for regular election or appointment to such office.

Section 6.07. *Chief Executive Officer.* The Chief Executive Officer of the Corporation shall, subject to the provisions of these By-Laws and the control of the Board of Directors, have direct charge of the business and affairs of the Corporation. He or she shall, in the absence of the Chairman of the Board and the Lead Director, preside at all meetings of the Board of Directors, if the Chief Executive Officer is then serving on the Board, and, in the absence of the Chairman of the Board, at all meetings of the stockholders, and shall perform all duties incident to the office of chief executive and such other duties as from time to time may be assigned to him or her by the Board of Directors. The Chief Executive Officer shall report directly to the Board of Directors and shall have the right to delegate any of his or her powers to any other officer or employee.

Section 6.08. *President.* The President shall have general direction of the operations of the Corporation, subject to the control of the Board of Directors, the Executive Committee and/or the Chief Executive Officer of the Corporation. He or she shall have such additional powers and shall perform such further duties as may from time to time be assigned to him or her by the Board of Directors, the Executive Committee or the Chief Executive Officer of the Corporation.

Section 6.09. *Vice Presidents.* Each Vice President shall have such powers and perform such duties as the Board of Directors or the Executive Committee may from time to time prescribe or as shall be assigned to him or her by the Chief Executive Officer or the President.

Section 6.10. *Treasurer.* The Treasurer shall have charge and custody of, and be responsible for, all funds and securities of the Corporation, and shall deposit all such funds to the credit of the Corporation in such banks, trust companies or other depositaries as shall be selected in accordance with the provisions of these By-Laws; he or she shall disburse the funds of the Corporation as may be ordered by the Board of Directors or the Executive Committee, making proper vouchers for such disbursements, and shall render to the Board of Directors or the stockholders, whenever the Board may require him or her so to do, a statement of all his or her transactions as Treasurer or the financial condition of the Corporation; and, in general, he or she shall perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the Board of Directors, any Committee of the Board designated by it so to act or the Chief Executive Officer or the President.

Section 6.11. *Secretary.* The Secretary shall record or cause to be recorded in books provided for the purpose the minutes of the meetings of the stockholders, the Board of Directors, and all committees of which a secretary shall not have been appointed; shall see that all notices are duly given in accordance with the provisions of these By-Laws and as required by law; shall be custodian of all corporate records (other than financial) and of the seal of the Corporation and see that the seal is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these By-Laws; shall keep, or cause to be kept, the list of stockholders as required by Section 2.10, which includes the post-office addresses of the stockholders and the number of shares held by them, respectively, and shall make or cause to be made, all proper changes therein, shall see that the books, reports, statements, certificates and all other documents and records required by law are properly kept and filed; and, in general, shall perform all duties incident to the office of Secretary and such other duties as may from time to time be assigned to him or her by the Board of Directors, the Executive Committee or the Chief Executive Officer or the President.

Section 6.12. *Controller.* The Controller shall be in charge of the books and records of account of the Corporation and of its statistical records. He or she shall keep or cause to be kept, at such office or offices as the Board of Directors may from time to time designate, complete and accurate accounts of all assets, liabilities, receipts, disbursements and other transactions of the Corporation; shall cause regular audits of such books and records to be made; shall be responsible for the preparation and filing of all reports and actions related to or based upon the books and records of the Corporation; shall render financial statements at the annual meeting of stockholders, if called upon so to do, or at the request of any director or the Board of Directors; shall render to the Board of Directors such statistical reports and analyses as the Board from time to time may require; and, in general, shall perform all the duties incident to the office of Controller and such other duties as from time to time may be assigned to him or her by the Board of Directors, the Executive Committee or the Chief Executive Officer or the President.

Section 6.13. *Salaries.* The salaries of the principal officers of the Corporation shall be fixed from time to time by the Board of Directors or an appropriate Committee of the Board, and none of such officers shall be prevented from receiving a salary by reason of the fact that he or she is also a director of the Corporation.

ARTICLE VII.

Contracts, Checks, Drafts, Bank Accounts, Etc.

Section 7.01. *Execution of Contracts.* Unless the Board of Directors or the Executive Committee shall otherwise determine, the Chief Executive Officer, the President, any Vice President or the Treasurer and the Secretary or any Assistant Secretary may enter into any contract or execute any contract or other instrument, the execution of which is not otherwise specifically provided for, in the name and on behalf of the Corporation. The Board of Directors, or any committee designated thereby with power so to act, except as otherwise provided in these By-Laws, may authorize any other or additional officer or officers or agent or agents of the Corporation to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation, and such authority may be general or confined to specific instances. Unless authorized so to do by these By-Laws or by the Board of Directors or by any such committee, no officer, employee or agent shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

Section 7.02. *Loans.* No loan shall be contracted on behalf of the Corporation, and no evidence of indebtedness shall be issued, endorsed or accepted in its name, unless authorized by the Board of Directors or Executive Committee or other committee designated by the Board so to act. Such authority may be general or confined to specific instances. When so authorized, the officer or officers thereunto authorized may effect loans and advances at any time for the Corporation from any bank, trust company or other institution, or from any firm, corporation or individual, and for such loans and advances may make, execute and deliver promissory notes or other evidences of indebtedness of the Corporation, and, when authorized as aforesaid, as security for the payment of any and all loans, advances, indebtedness and liabilities of the Corporation, may mortgage, pledge hypothecate or transfer any real or personal property at any time owned or held by the Corporation, and to that end execute instruments of mortgage or pledge or otherwise transfer such property.

Section 7.03. *Checks, Drafts, etc.* All checks, drafts, bills of exchange or other orders for the payment of money, obligations, notes, or other evidence of indebtedness, bills of lading, warehouse receipts and insurance certificates of the Corporation shall be signed or endorsed by such officer or officers, agent or agents, attorney or attorneys, employee or employees, of the Corporation as shall from time to time be determined by resolution of the Board of Directors or Executive Committee or other committee designated by the Board so to act.

Section 7.04. *Deposits.* All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositaries as the Board of Directors or Executive Committee or other committee designated by the Board so to act may from time to time designate, or as may be designated by any officer or officers or agent or agents of the Corporation to whom such power may be delegated by the Board of Directors or Executive Committee or other committee designated by the Board so to act and, for the purpose of such deposit and for the purposes of collection for the account of the Corporation, all checks, drafts, and other orders for the payment of money which are payable to the order of the Corporation may be endorsed, assigned and delivered by any officer, agent or employee of the Corporation or in such other manner as may from time to time be designated or determined by resolution of the Board of Directors or Executive Committee or other committee designated by the Board so to act.

Section 7.05. *Proxies in Respect of Securities of Other Corporations.* Unless otherwise provided by resolution adopted by the Board of Directors or the Executive Committee or other committee so designated to act by the Board, the Chief Executive Officer or the President or any Vice President may from time to time appoint an attorney or attorneys or agent or agents of the Corporation, in the name and on behalf of the Corporation, to cast the votes which the Corporation may be entitled to cast as the holder of stock or other securities in any other corporation, association or trust any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporation, association or trust, or to consent in writing, in the name of the Corporation as such holder, to any action by such other corporation, association or trust, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, all such written proxies or other instruments as he or she may deem necessary or proper in the premises.

ARTICLE VIII.

Books and Records.

Section 8.01. *Place.* The books and records of the Corporation may be kept at such places within or without the State of Delaware as the Board of Directors may from time to time determine. The stock record books and the blank stock certificate books shall be kept by the Secretary or by any other officer or agent designated by the Board of Directors.

Section 8.02. *Addresses of Stockholders.* Each stockholder shall furnish to the Secretary of the Corporation or to the transfer agent of the Corporation an address at which notices of meetings and all other corporate notices may be served upon or mailed to such stockholder, and if any stockholder shall fail to designate such address, corporate notices may be served upon such stockholder by mail, postage prepaid, to such stockholder at the post-office address last known to the Secretary or to the transfer agent of the Corporation or by transmitting a notice thereof to such stockholder at such address by other available method.

Section 8.03. *Record Dates.* The Board of Directors may fix in advance a date, not exceeding sixty days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of any rights, or the date when any change or conversion or exchange of capital stock of the Corporation shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting or any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any change, conversion or exchange of capital stock of the Corporation, or to give such consent, and in each such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to notice of, or to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

Section 8.04. *Audit of Books and Accounts.* The books and accounts of the Corporation shall be audited at least once in each fiscal year by independent public accountants of good standing, appointed by the Audit Committee (or comparable committee) of the Board.

ARTICLE IX.

Shares and Their Transfer.

Section 9.01. *Certificates of Stock.* Every owner of stock of the Corporation shall be entitled to have a certificate certifying the number of shares owned by such stockholder in the Corporation and designating the class of stock to which such shares belong. Such certificate shall otherwise be in such form as the Board of Directors shall prescribe from time to time, provided that the Board of Directors may provide by resolution that some or all of any or all classes or series of stock of the Corporation shall be uncertificated shares. Notwithstanding the foregoing, each holder of uncertificated shares shall be entitled, upon request, to a certificate representing such shares. Except as otherwise provided by law, the rights and obligations of the holders of uncertificated shares and the rights and obligations of the holders of certificated shares of the same class and series shall be identical. Each certificate representing shares shall be signed by the Chairman of the Board or the Vice Chairman of the Board or the President or a Vice President and the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary of the Corporation; provided, however, that where such certificate is signed or countersigned by a transfer agent or registrar the signatures of such officers of the Corporation and the seal of the Corporation may be in facsimile form. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers of the Corporation, whether because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates may nevertheless be issued and delivered by the Corporation as though the person or persons who signed such certificate or whose facsimile signature or signatures shall have been used thereon had not ceased to be such officer or officers of the Corporation.

Section 9.02. *Record.* A record shall be kept of the name of the person, firm or corporation owning the stock represented by each certificate for stock of the Corporation issued, the number of shares represented by each such certificate, and the date thereof, and, in the case of cancellation, the date of cancellation. The person, firm or corporation in whose name shares of stock stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation.

Section 9.03. *Transfer of Stock.* Transfers of shares of the stock of the Corporation shall be made only on the books of the Corporation by the registered holder thereof, or by such holder's attorney thereunto authorized. If such shares of stock are represented by a certificate, upon the surrender of the certificate for such shares to the Corporation or its transfer agent, with an assignment or power of transfer endorsed thereon or delivered therewith, duly executed, and with such proof of the authenticity of the signature and of authority to transfer, and of payment of transfer taxes, as the Corporation or its agents may require, the Corporation may issue a new certificate, or, upon request, evidence of the equivalent uncertificated shares, to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Upon receipt of proper transfer instructions from the holder of uncertificated shares, the Corporation shall cancel such uncertificated shares and issue new equivalent uncertificated shares, or, upon such holder's request, certificated shares, to the person entitled thereto, and record the transaction upon its books.

Section 9.04. *Transfer Agent and Registrar; Regulations.* The Corporation shall, if and whenever the Board of Directors shall so determine, maintain one or more transfer offices or agencies, each in charge of a transfer agent designated by the Board of Directors, where the shares of the capital stock of the Corporation shall be directly transferable, and also if and whenever the Board of Directors shall so determine, maintain one or more registry offices, each in charge of a registrar designated by the Board of Directors, where such shares of stock shall be registered. The Board of Directors may make such rules and regulations as it may deem expedient, not inconsistent with these By-Laws, concerning the issue, transfer and registration of certificates for shares of the capital stock of the Corporation.

Section 9.05. *Lost, Destroyed or Mutilated Certificates.* In case of the alleged loss or destruction or the mutilation of a certificate representing capital stock of the Corporation, a new certificate or uncertificated shares may be issued in place thereof, in the manner and upon such terms as the Board of Directors may prescribe.

ARTICLE X.

Seal.

The Board of Directors shall provide a corporate seal, which shall be in the form of a circle and shall bear the name of the Corporation and the words and figures: Incorporated 1967, Delaware.

ARTICLE XI.

Fiscal Year.

The fiscal year of the Corporation shall begin at the opening of business on the Sunday nearest to the first day of January and end at the close of business on the Saturday nearest to the thirty-first day of December in each year, whether such Sunday or Saturday, as the case may be, falls in December or in January.

ARTICLE XII.

Indemnification.

(a) The Corporation shall indemnify, to the full extent permitted by law, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that the person is or was a director, officer or employee of the Corporation or while a director, officer or employee of the Corporation is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (each such person being referred to hereafter as an "Indemnitee"), against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person's conduct was unlawful.

(b) The Corporation shall indemnify, to the full extent permitted by law, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that the person is or was an Indemnitee against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Corporation and except that no such indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action, suit or proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such Court of Chancery or such other court shall deem proper.

(c) Notwithstanding the foregoing, except with respect to a proceeding to enforce rights to indemnification or advancement of expenses under this Article XII, the Corporation shall be required to indemnify an Indemnitee under this Article XII in connection with an action, suit or proceeding (or part thereof) initiated by such person only if such action, suit or proceeding (or part thereof) was authorized by the Board of Directors.

(d) To the extent that an Indemnitee shall be successful on the merits or otherwise (including dismissal of an action without prejudice or the settlement of an action without admission of liability) in defense of any action, suit or proceeding referred to in paragraphs (a) and (b), or in defense of any claim, issue or matter therein, or in any action, suit or proceeding brought by an Indemnitee to enforce rights to indemnification or advancement of expenses granted pursuant to this Article XII, such person shall be indemnified, to the full extent permitted by law, against expenses (including attorneys’ fees) actually and reasonably incurred by such person in connection therewith.

(e) Any indemnification under paragraphs (a) and (b) (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the Indemnitee is proper in the circumstances because such person has met the applicable standard of conduct set forth in paragraph (a) or (b), as applicable. Such determination shall be made (1) by the Board of Directors by a majority vote of directors who were not parties to such action, suit or proceeding, even though less than a quorum, (2) by a committee of such disinterested directors designated by a majority vote of such directors, even though less than a quorum, (3) if there are no disinterested directors, or the disinterested directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders.

(f) Expenses (including attorneys’ fees) incurred by an Indemnitee in defending a civil, criminal, administrative or investigative action, suit or proceeding referred to in paragraphs (a) and (b) shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such Indemnitee to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article XII. Notwithstanding the foregoing, no advance shall be made by the Corporation if a determination is reasonably and promptly made (1) as to any person who is or was a director or officer of the Corporation (i) by the Board of Directors by a majority vote of disinterested directors, even though less than a quorum, (ii) by a committee of such disinterested directors designated by a majority vote of such directors, even though less than a quorum, or (iii) if there are no disinterested directors, or the disinterested directors so direct, by independent legal counsel in a written opinion, that, based upon the facts known to the Board of Directors, the committee or counsel at the time such determination is made such director or officer acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal proceeding, that such director or officer believed or had reasonable cause to believe such person’s conduct was unlawful, and (2) as to any Indemnitee who is not or was not a director or officer of the Corporation, by the Chief Executive Officer, the President or any Vice President so authorized by the Chief Executive Officer or the President, that, based upon the facts known to the Chief Executive Officer, the President or such Vice President at the time such determination is made such Indemnitee acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal proceeding, that such person believed or had reasonable cause to believe such person’s conduct was unlawful, provided that such Indemnitee shall have the right to present a written appeal of any determination made by the Chief Executive Officer, the President or such Vice President to the persons specified under clause (1) of this paragraph (f), as determined by the Board of Directors. In no event shall any advance be made in instances where the persons specified under clause (1) or (2) of this paragraph (f) reasonably determine that an Indemnitee deliberately breached such person’s duty to the Corporation or its stockholders.

(g) The rights granted pursuant to this Article XII shall not be deemed exclusive of any other rights to which those seeking indemnification and advancement of expenses may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. All rights granted pursuant to this Article XII shall vest at the time a person becomes an Indemnitee of the Corporation and shall be deemed to be provided by a contract between the Corporation and each Indemnitee who serves in such capacity at any time while this Article XII is in effect. Any repeal or modification of the provisions of this Article XII shall be prospective only and shall not adversely affect the rights of any Indemnitee in effect under this Article XII at the time of any act or omission occurring prior to such repeal or modification.

(h) The Corporation may purchase and maintain insurance on behalf of any person who is or was an Indemnitee against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article XII.

(i) For purposes of this Article XII, references to "the Corporation" shall include, in addition to the resulting or surviving corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger, which, if its separate existence had continued would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer or employee of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article XII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

(j) For purposes of this Article XII, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer or employee of the Corporation which imposes duties on, or involves services by, such director, officer or employee with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article XII.

(k) The rights granted pursuant to, this Article XII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be an Indemnitee and shall inure to the benefit of the heirs, executors and administrators of such a person.

(l) If any provision or provisions of this Article XII shall be held to be invalid, illegal or unenforceable for any reason whatsoever (1) the validity, legality and enforceability of the remaining provisions of this Article XII (including, without limitation, all portions of any paragraphs of this Article XII containing any such provisions held to be invalid, illegal or unenforceable, that are not by themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby, and (2) to the fullest extent possible, the provisions of this Article XII (including, without limitation, all portions of any paragraph of this Article XII containing any such provision held to be invalid, illegal or unenforceable, that are not by themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

ARTICLE XIII.

Waiver of Notice.

Whenever any notice whatever is required to be given by statute, the Certificate of Incorporation or these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE XIV.

Amendments.

These By-Laws may be altered, amended or repealed, in whole or in part, and new By-Laws may be adopted, in whole or in part, by the affirmative vote of the holders of record of a majority of the outstanding stock of the Corporation present in person or represented by proxy and entitled to vote in respect thereof, given at an annual meeting or at any special meeting at which a quorum shall be present, or by the affirmative vote of a majority of the whole Board of Directors given at any meeting. Any By-Law made, altered, amended or repealed by the Board of Directors shall be subject to alteration, amendment or repeal by vote of stockholders as provided above.

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EXHIBIT 12.1

TEXTRON INC.
MANUFACTURING GROUP
COMPUTATION OF RATIO OF INCOME TO FIXED CHARGES
(unaudited)
(In millions, except ratio)

	Six Months Ended June 29, 2013
Fixed charges:	
Interest expense*	$ 68
Estimated interest portion of rents	8
Total fixed charges	$ 76
Income:	
Income from continuing operations before income taxes	$ 306
Fixed charges	76
Dividends received from TFC	30
Capital contributions paid to TFC	(1)
Eliminate pretax income of Finance group	(34)
Adjusted income	$ 377
Ratio of income to fixed charges	4.96

* Includes interest expense on all third-party indebtedness, except for interest related to unrecognized tax benefits, which is included in income tax expense.

EXHIBIT 12.2

TEXTRON INC.
INCLUDING ALL MAJORITY-OWNED SUBSIDIARIES
COMPUTATION OF RATIO OF INCOME TO FIXED CHARGES
(unaudited)
(In millions, except ratio)

	Six Months Ended June 29, 2013
Fixed charges:	
Interest expense*	$ 93
Estimated interest portion of rents	8
Total fixed charges	$ 101
Income:	
Income from continuing operations before income taxes	$ 306
Fixed charges	101
Adjusted income	$ 407
Ratio of income to fixed charges	4.03

* Includes interest expense on all third-party indebtedness, except for interest related to unrecognized tax benefits, which is included in income tax expense.

Exhibit 31.1

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Scott C. Donnelly, Chairman, President and Chief Executive Officer of Textron Inc. certify that:

1. I have reviewed this quarterly report on Form 10-Q of Textron Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 24, 2013	/s/ Scott C. Donnelly
	Scott C. Donnelly
	Chairman, President and Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Frank T. Connor, Executive Vice President and Chief Financial Officer of Textron Inc. certify that:

1. I have reviewed this quarterly report on Form 10-Q of Textron Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 24, 2013

/s/ Frank T. Connor
Frank T. Connor
Executive Vice President and Chief Financial Officer

Exhibit 32.1

TEXTRON INC.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Textron Inc. (the "Company") on Form 10-Q for the period ended June 29. 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott C. Donnelly, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 24, 2013

/s/ Scott C. Donnelly
Scott C. Donnelly
Chairman, President and Chief Executive Officer

Exhibit 32.2

TEXTRON INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Textron Inc. (the "Company") on Form 10-Q for the period ended June 29, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Frank T. Connor, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 24, 2013

/s/ Frank T. Connor
Frank T. Connor
Executive Vice President and Chief Financial Officer