

# TEXTRON INC

## FORM 10-Q (Quarterly Report)

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

FORM 10-Q

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

For the fiscal quarter ended June 30, 2007

OR

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

Commission file number 1-5480

TEXTRON INC.

*(Exact name of registrant as specified in its charter)*

Delaware  
(State or other jurisdiction of  
incorporation or organization)

05-0315468  
(I.R.S. Employer Identification No.)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Common stock outstanding at July 14, 2007 – 124,865,625 shares

TEXTRON INC.

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**PART I. FINANCIAL INFORMATION**

**Item 1. FINANCIAL STATEMENTS**

**TEXTRON INC.**  
**Consolidated Statements of Operations (Unaudited)**  
(In millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
<b>Revenues</b>				
Manufacturing revenues	\$ 2,996	\$ 2,628	\$ 5,750	\$ 5,078
Finance revenues	239	192	449	374
Total revenues	3,235	2,820	6,199	5,452
<b>Costs, expenses and other</b>				
Cost of sales	2,374	2,081	4,554	4,036
Selling and administrative	429	376	801	737
Interest expense, net	124	109	247	203
Provision for losses on finance receivables	11	(1)	16	8
Total costs, expenses and other	2,938	2,565	5,618	4,984
Income from continuing operations before income taxes	297	255	581	468
Income taxes	(82)	(78)	(168)	(133)
<b>Income from continuing operations</b>	215	177	413	335
Loss from discontinued operations, net of income taxes	(5)	(108)	(7)	(98)
<b>Net income</b>	\$ 210	\$ 69	\$ 406	\$ 237
<b>Basic earnings per share:</b>				
Continuing operations	\$ 1.72	\$ 1.38	\$ 3.30	\$ 2.59
Discontinued operations, net of income taxes	(0.03)	(0.84)	(0.05)	(0.76)
<b>Basic earnings per share</b>	\$ 1.69	\$ 0.54	\$ 3.25	\$ 1.83
<b>Diluted earnings per share:</b>				
Continuing operations	\$ 1.69	\$ 1.34	\$ 3.24	\$ 2.53
Discontinued operations, net of income taxes	(0.03)	(0.81)	(0.05)	(0.74)
<b>Diluted earnings per share</b>	\$ 1.66	\$ 0.53	\$ 3.19	\$ 1.79
<b>Dividends per share:</b>				
\$2.08 Preferred stock, Series A	\$ 0.52	\$ 0.52	\$ 1.04	\$ 1.04
\$1.40 Preferred stock, Series B	\$ 0.35	\$ 0.35	\$ 0.70	\$ 0.70
Common stock	\$ 0.3875	\$ 0.3875	\$ 0.775	\$ 0.775

See Notes to the consolidated financial statements.

3.

**TEXTRON INC.**  
**Consolidated Balance Sheets (Unaudited)**  
(Dollars in millions)

	June 30, 2007	December 30, 2006
<b>Assets</b>		
Manufacturing group		

Cash and cash equivalents	\$	631	\$	733
Accounts receivable, less allowance for doubtful accounts of \$34 and \$34		1,075		964
Inventories		2,518		2,069
Other current assets		510		521
<b>Total current assets</b>		<b>4,734</b>		<b>4,287</b>
Property, plant and equipment, less accumulated depreciation and amortization of \$2,258 and \$2,147		1,807		1,773
Goodwill		1,262		1,257
Other assets		1,264		1,233
<b>Total Manufacturing group assets</b>		<b>9,067</b>		<b>8,550</b>
<b>Finance group</b>				
Cash		66		47
Finance receivables, less allowance for losses of \$86 and \$93		8,253		8,217
Goodwill		169		169
Other assets		568		567
<b>Total Finance group assets</b>		<b>9,056</b>		<b>9,000</b>
<b>Total assets</b>	\$	<b>18,123</b>	\$	<b>17,550</b>
<b>Liabilities and shareholders' equity</b>				
<b>Liabilities</b>				
<b>Manufacturing group</b>				
Current portion of long-term debt and short-term debt	\$	86	\$	80
Accounts payable		936		814
Accrued liabilities		2,135		2,100
<b>Total current liabilities</b>		<b>3,157</b>		<b>2,994</b>
Other liabilities		2,328		2,329
Long-term debt		1,709		1,720
<b>Total Manufacturing group liabilities</b>		<b>7,194</b>		<b>7,043</b>
<b>Finance group</b>				
Other liabilities		567		499
Deferred income taxes		492		497
Debt		6,937		6,862
<b>Total Finance group liabilities</b>		<b>7,996</b>		<b>7,858</b>
<b>Total liabilities</b>		<b>15,190</b>		<b>14,901</b>
<b>Shareholders' equity</b>				
Capital stock:				
Preferred stock		10		10
Common stock		26		26
Capital surplus		1,893		1,786
Retained earnings		6,509		6,211
Accumulated other comprehensive loss		(564)		(644)
		7,874		7,389
Less cost of treasury shares		4,941		4,740
<b>Total shareholders' equity</b>		<b>2,933</b>		<b>2,649</b>
<b>Total liabilities and shareholders' equity</b>	\$	<b>18,123</b>	\$	<b>17,550</b>
<b>Common shares outstanding</b> (in thousands)		<b>124,855</b>		<b>125,596</b>

See Notes to the consolidated financial statements.

4.

**TEXTRON INC.**  
**Consolidated Statements of Cash Flows (Unaudited)**  
For the Six Months Ended June 30, 2007 and July 1, 2006, respectively  
(In millions)

	<b>Consolidated</b>	
	2007	2006
<b>Cash flows from operating activities:</b>		
Net income	\$	406
Loss from discontinued operations		7
Income from continuing operations		413
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Earnings of Finance group, net of distributions		-
Depreciation and amortization		153

Provision for losses on finance receivables	16	8
Share-based compensation	18	17
Deferred income taxes	10	2
Changes in assets and liabilities excluding those related to acquisitions and divestitures:		
Accounts receivable, net	(103)	(109)
Inventories	(447)	(398)
Other assets	49	25
Accounts payable	118	257
Accrued and other liabilities	36	58
Captive finance receivables, net	(171)	(205)
Other operating activities, net	31	32
Net cash provided by operating activities of continuing operations	123	160
Net cash (used in) provided by operating activities of discontinued operations	(3)	65
Net cash provided by operating activities	120	225
<b>Cash flows from investing activities:</b>		
Finance receivables:		
Originated or purchased	(5,964)	(5,475)
Repaid	5,463	4,658
Proceeds on receivables sales and securitization sales	689	50
Capital expenditures	(142)	(134)
Proceeds on sale of property, plant and equipment	3	3
Other investing activities, net	12	38
Net cash provided by (used in) investing activities of continuing operations	61	(860)
Net cash provided by (used in) investing activities of discontinued operations	32	(21)
Net cash provided by (used in) investing activities	93	(881)
<b>Cash flows from financing activities:</b>		
(Decrease) increase in short-term debt	(145)	389
Proceeds from issuance of long-term debt	1,070	1,034
Principal payments and retirements of long-term debt	(992)	(655)
Proceeds from employee stock ownership plans	69	143
Purchases of Textron common stock	(221)	(598)
Dividends paid	(97)	(147)
Dividends paid to Manufacturing group	-	-
Capital contributions paid to Finance group	-	-
Excess tax benefits related to stock option exercises	12	18
Net cash (used in) provided by financing activities of continuing operations	(304)	184
Net cash used in financing activities of discontinued operations	-	(6)
Net cash (used in) provided by financing activities	(304)	178
Effect of exchange rate changes on cash and cash equivalents	8	7
<b>Net decrease in cash and cash equivalents</b>	<b>(83)</b>	<b>(471)</b>
Cash and cash equivalents at beginning of period	780	796
Cash and cash equivalents at end of period	\$ 697	\$ 325
<b>Supplemental schedule of non-cash investing and financing activities from continuing operations:</b>		
Capital expenditures financed through capital leases	\$ 22	\$ 5

See Notes to the consolidated financial statements.

5.

**TEXTRON INC.**  
**Consolidated Statements of Cash Flows (Unaudited) (Continued)**  
For the Six Months Ended June 30, 2007 and July 1, 2006, respectively  
(In millions)

	<b>Manufacturing Group*</b>		<b>Finance Group*</b>	
	2007	2006	2007	2006
<b>Cash flows from operating activities:</b>				
Net income	\$ 406	\$ 237	\$ 76	\$ 67
Loss from discontinued operations	7	98	-	-
Income from continuing operations	413	335	76	67
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:				
Earnings of Finance group, net of distributions	59	13	-	-
Depreciation and amortization	134	119	19	19
Provision for losses on finance receivables	-	-	16	8

Share-based compensation	18	17	-	-
Deferred income taxes	(2)	(3)	12	5
Changes in assets and liabilities excluding those related to acquisitions and divestitures:				
Accounts receivable, net	(103)	(109)	-	-
Inventories	(438)	(356)	-	-
Other assets	24	18	20	1
Accounts payable	118	257	-	-
Accrued and other liabilities	24	7	12	51
Captive finance receivables, net	-	-	-	-
Other operating activities, net	33	28	(2)	4
Net cash provided by operating activities of continuing operations	280	326	153	155
Net cash (used in) provided by operating activities of discontinued operations	(3)	69	-	(4)
Net cash provided by operating activities	277	395	153	151
<b>Cash flows from investing activities:</b>				
Finance receivables:				
Originated or purchased	-	-	(6,489)	(5,996)
Repaid	-	-	5,795	4,974
Proceeds on receivables sales and securitization sales	-	-	711	50
Capital expenditures	(138)	(129)	(4)	(5)
Proceeds on sale of property, plant and equipment	3	3	-	-
Other investing activities, net	(2)	(4)	10	6
Net cash (used in) provided by investing activities of continuing operations	(137)	(130)	23	(971)
Net cash provided by (used in) investing activities of discontinued operations	32	(21)	-	-
Net cash (used in) provided by investing activities	(105)	(151)	23	(971)
<b>Cash flows from financing activities:</b>				
(Decrease) increase in short-term debt	(44)	(123)	(101)	512
Proceeds from issuance of long-term debt	1	-	1,069	1,034
Principal payments and retirements of long-term debt	(3)	(3)	(989)	(652)
Proceeds from employee stock ownership plans	69	143	-	-
Purchases of Textron common stock	(221)	(598)	-	-
Dividends paid	(97)	(147)	-	-
Dividends paid to Manufacturing group	-	-	(135)	(80)
Capital contributions paid to Finance Group	-	(18)	-	18
Excess tax benefits related to stock option exercises	12	18	-	-
Net cash (used in) provided by financing activities of continuing operations	(283)	(728)	(156)	832
Net cash used in financing activities of discontinued operations	-	(6)	-	-
Net cash (used in) provided by financing activities	(283)	(734)	(156)	832
Effect of exchange rate changes on cash and cash equivalents	9	6	(1)	1
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(102)</b>	<b>(484)</b>	<b>19</b>	<b>13</b>
Cash and cash equivalents at beginning of period	733	786	47	10
Cash and cash equivalents at end of period	\$ 631	\$ 302	\$ 66	\$ 23
<b>Supplemental schedule of non-cash investing and financing activities from continuing operations:</b>				
Capital expenditures financed through capital leases	\$ 22	\$ 5	\$ -	\$ -

\*Textron is segregated into a Manufacturing group and a Finance group, as described in Note 1 to the consolidated financial statements. The Finance group's pre-tax income in excess of dividends paid is excluded from the Manufacturing group's cash flows. All significant transactions between the borrowing groups have been eliminated from the consolidated column provided on page 5.

See Notes to the consolidated 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 30, 2006. 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 the entities that operate in the Bell, Cessna and Industrial segments, while the Finance group consists of the Finance segment, comprised of Textron Financial Corporation and its subsidiaries. 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 that is financed by our Finance group.

## Note 2: Inventories

<i>(In millions)</i>	June 30, 2007	December 30, 2006
Finished goods	\$ 785	\$ 665
Work in process	1,794	1,562
Raw materials	463	435
	3,042	2,662
Less progress/milestone payments	524	593
	\$ 2,518	\$ 2,069

## Note 3: Finance Receivables

In the first quarter of 2007, we adopted Financial Accounting Standards Board ("FASB") Staff Position No. 13-2 "Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction" ("FSP 13-2"). FSP 13-2 requires a recalculation of returns on leveraged leases if there is a change or projected change in the timing of cash flows related to income taxes generated by the leveraged leases. The impact of any estimated change in projected cash flows must be reported as an adjustment to the net leveraged lease investment and retained earnings at the date of adoption. Our Finance group has leveraged leases with an initial investment balance of \$209 million that we estimate could be impacted by changes in the timing of cash flows related to income taxes. Upon the adoption, we reduced retained earnings for the \$33 million cumulative effect of a change in accounting principle, and reduced our investment in these leveraged leases by \$50 million and deferred income tax liabilities by \$17 million.

7.

## Note 4: Comprehensive Income

Our comprehensive income for the periods is provided below:

<i>(In millions)</i>	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Net income	\$ 210	\$ 69	\$ 406	\$ 237
Other comprehensive income:				
Currency translation adjustment	27	-	29	(3)
Net deferred gain on hedge contracts	27	12	22	14
Recognition of prior service cost and unrealized losses on pension and postretirement benefits	14	-	29	-
Other	(1)	(4)	-	(2)
Comprehensive income	\$ 277	\$ 77	\$ 486	\$ 246

## Note 5: Earnings per Share

We calculate basic and diluted earnings per share based on income available to common shareholders, which approximates net income for each period. We use the weighted-average number of common shares outstanding during the period for the computation of basic earnings per share. Diluted earnings per share includes the dilutive effect of convertible preferred shares, stock options and restricted stock in the weighted-average number of common shares outstanding.

The weighted-average shares outstanding for basic and diluted earnings per share are as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
<i>(In thousands)</i>				
Basic weighted-average shares outstanding	124,851	128,453	125,013	129,185
Dilutive effect of convertible preferred shares, stock options and restricted stock	2,285	2,841	2,357	2,817
Diluted weighted-average shares outstanding	127,136	131,294	127,370	132,002

#### Note 6: Share-Based Compensation

The compensation expense we recorded in net income for our share-based compensation plans is as follows:

	Three Months Ended		Six Month Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
<i>(In millions)</i>				
Compensation expense, net of hedge income or expense	\$ 28	\$ 18	\$ 41	\$ 40
Income tax benefit	(17)	(5)	(19)	(18)
Total net compensation cost included in net income	\$ 11	\$ 13	\$ 22	\$ 22
Net compensation costs included in discontinued operations	\$ -	\$ 1	\$ -	\$ 2
Net compensation costs included in continuing operations	\$ 11	\$ 12	\$ 22	\$ 20

8.

Stock option activity under the 1999 Long-Term Incentive Plan for the six months ended June 30, 2007 is as follows:

	Number of Options <i>(In thousands)</i>	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life <i>(In years)</i>	Aggregate Intrinsic Value <i>(In millions)</i>
Outstanding at beginning of year	5,420	\$ 63.77		
Granted	929	91.70		
Exercised	(1,159)	59.25		
Canceled, expired or forfeited	(65)	78.25		
Outstanding at end of period	5,125	\$ 69.67	6.52	\$ 104
Exercisable at end of period	3,275	\$ 59.49	5.12	\$ 99

There were no significant issuances of stock options in the second quarter of 2007 or 2006.

#### Note 7: 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 for the three months ended June 30, 2007 and July 1, 2006 are as follows:

	Pension Benefits		Postretirement Benefits Other Than Pensions	
	2007	2006	2007	2006
<i>(In millions)</i>				
Service cost	\$ 34	\$ 36	\$ 2	\$ 3
Interest cost	73	69	11	10
Expected return on plan assets	(99)	(96)	-	-
Amortization of prior service cost (credit)	5	4	(1)	(2)
Amortization of net loss	12	12	5	5
Net periodic benefit cost	\$ 25	\$ 25	\$ 17	\$ 16

The components of net periodic benefit cost for the six months ended June 30, 2007 and July 1, 2006 are as follows:

	Pension Benefits		Postretirement Benefits Other Than Pensions	
	2007	2006	2007	2006
<i>(In millions)</i>				
Service cost	\$ 67	\$ 71	\$ 4	\$ 5
Interest cost	146	138	21	20



Expected return on plan assets	(198)	(192)	-	-
Amortization of prior service cost (credit)	9	9	(2)	(3)
Amortization of net loss	25	24	11	11
Net periodic benefit cost	\$ 49	\$ 50	\$ 34	\$ 33

## Note 8: Income Taxes

We adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109" ("FIN 48") at the beginning of fiscal 2007, which resulted in an increase of approximately \$22 million to our December 31, 2006 retained earnings balance. FIN 48 provides a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. Unrecognized tax benefits represent tax positions for which reserves have been established.

9.

As of the date of adoption, our unrecognized tax benefits totaled approximately \$356 million, of which \$225 million in benefits, if recognized, would favorably affect our effective tax rate in any future period. The remaining \$131 million in unrecognized tax benefits are related to discontinued operations. We do not believe that it is reasonably possible that our estimates of unrecognized tax benefits will change significantly in the next 12 months.

We conduct business globally and, as a result, file numerous consolidated and separate income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world, including such major jurisdictions as Belgium, Canada, Germany, the United Kingdom and the U.S. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations for years before 1997 in these major jurisdictions.

We recognize interest and penalties related to unrecognized tax benefits in income tax expense in our consolidated statements of operations. At the date of adoption, we had \$77 million of accrued interest included in other liabilities on our consolidated balance sheet.

## 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 private sector 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.

In connection with the 2002 recall of certain of our Lycoming turbocharged airplane engines, a former third-party supplier filed a lawsuit against Lycoming claiming that the former supplier had been wrongly blamed for aircraft engine failures resulting from its crankshaft forging process and that Lycoming's design was the cause of the engine failures. In February 2005, a jury returned a verdict against Lycoming for \$86 million in punitive damages, \$2.7 million in expert fees and \$1.7 million in increased insurance costs. The jury also found that the former supplier's claim that it had incurred \$5.3 million in attorneys' fees was reasonable. Judgment was entered on the verdict on March 29, 2005, awarding the former supplier \$9.7 million in alleged compensatory damages and attorneys' fees and \$86 million in alleged punitive damages. While the ultimate outcome of the litigation cannot be assured, management strongly disagrees with the verdict and believes that it is probable that the verdict will be reversed through the appellate process.

The Internal Revenue Service ("IRS") has challenged both the ability to accelerate the timing of tax deductions and the amounts of those deductions related to certain leveraged lease transactions within the Finance segment. These transactions, along with other transactions with similar characteristics, have an initial investment of approximately \$209 million. Resolution of these issues may result in an adjustment to the timing of taxable income and deductions that reduce the effective yield of the leveraged lease transactions. In addition, resolution of these issues could result in the acceleration of cash payments to the IRS. Deferred tax liabilities of \$172 million are recorded on our consolidated balance sheet related to these leases at June 30, 2007. We believe that the proposed IRS adjustments are inconsistent with the tax law in existence at the time the leases were originated and intend to vigorously defend our position.

### Armed Reconnaissance Helicopter Program

Bell Helicopter is performing under a U.S. Government contract for System Development and Demonstration ("SDD") of the Armed Reconnaissance Helicopter ("ARH"). In March 2007, we received correspondence from the U.S. Government that indicated limitations of funding on the ARH SDD contract. Accordingly, in the first quarter of 2007 we provided for losses of \$25 million related to the ARH program, consisting of \$7 million in SDD costs and supplier obligations which exceeded the original SDD contract funding limit and \$18 million in supplier obligations incurred in the first quarter for long-lead, low-rate initial production ("LRIP") ARH component production.

10.

In the second quarter of 2007, the Army agreed to re-plan the ARH program and we reached a non-binding memorandum of understanding ("MOU") related to aircraft specifications, pricing methodology and delivery schedules for 62 LRIP aircraft in two lots. The re-planned program

also included additional funding for SDD costs through the end of the second quarter of 2007, which resulted in recovery of the \$7 million in SDD costs previously expensed in the first quarter. Further, we have agreed to conduct additional SDD activities on a funded-basis.

Based on the plan outlined in the MOU and our related estimates of aircraft production costs, including costs related to risks associated with achieving learning curve and schedule assumptions, it is our best estimate at this time that we will lose approximately \$73 million on the production of the 62 LRIP aircraft. Accordingly, a net charge of \$48 million was recorded in the second quarter, reflecting an additional charge of \$55 million for LRIP-related costs, offset by the \$7 million of SDD cost recovery. We anticipate that the contract awards will be finalized beginning in 2008, and we expect that these awards will be based on the terms outlined in the MOU.

The U.S. Government continues to have an option related to production of 18 to 36 aircraft under the original ARH program. However, it is unlikely that the option would be exercised before its term expires in December 2007 due to certain additional development requirements under the SDD contract that must be met before the option can be exercised. As a result, the U.S. Government has agreed in the MOU to include the units under this option within the 62 LRIP aircraft specified in the MOU.

#### Note 10: Guarantees and Indemnifications

As disclosed under the caption “Guarantees and Indemnifications” in Note 17 to the consolidated financial statements in our 2006 Annual Report on Form 10-K, we have issued or are party to certain guarantees. As of June 30, 2007, there has been no material change to these guarantees.

We provide limited warranty and product maintenance programs, including parts and labor, for certain products for periods ranging from one to five years. We estimate the costs that may be incurred under warranty programs and record a liability in the amount of such costs at the time product revenue is recognized. Factors that affect this liability include the number of products sold, historical and anticipated rates of warranty claims, and cost per claim. We assess the adequacy of our recorded warranty and product maintenance liabilities periodically and adjust the amounts as necessary.

Changes in our warranty and product maintenance liability are as follows:

<i>(In millions)</i>	Six Months Ended	
	June 30, 2007	July 1, 2006
Accrual at the beginning of period	\$ 315	\$ 318
Provision	93	95
Settlements	(89)	(73)
Adjustments to prior accrual estimates	2	(19)
Accrual at the end of period	\$ 321	\$ 321

#### Note 11: Recently Announced Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards (“SFAS”) No. 157, “Fair Value Measurements.” This Statement replaces multiple existing definitions of fair value with a single definition, establishes a consistent framework for measuring fair value and expands financial statement disclosures regarding fair value measurements. This Statement applies only to fair value measurements that already are required or permitted by other accounting standards and does not require any new fair value measurements. SFAS No. 157 is effective for the first quarter of 2008, and we currently are evaluating the impact of adoption on our financial position and results of operations.

11.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment to FASB Statement No. 115.” SFAS 159 allows companies to choose to measure eligible assets and liabilities at fair value with changes in value recognized in earnings. Fair value treatment for eligible assets and liabilities may be elected either prospectively upon initial recognition, or if an event triggers a new basis of accounting for an existing asset or liability. SFAS 159 is effective in the first quarter of 2008, and we currently are evaluating the impact of adoption on our financial position and results of operations.

#### Note 12: Segment Information

Our four reportable segments are: Bell, Cessna, Industrial and Finance. These segments reflect the manner in which we manage our operations. Segment profit is an important measure used to evaluate 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. 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.

A summary of continuing operations by segment is provided below:

<i>(In millions)</i>	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
<b>REVENUES</b>				

<b>MANUFACTURING:</b>												
Bell	\$	915	\$	805	\$	1,854	\$	1,588				
Cessna		1,203		1,005		2,171		1,874				
Industrial		878		818		1,725		1,616				
		2,996		2,628		5,750		5,078				
<b>FINANCE</b>						239		192		449		374
<b>Total revenues</b>					\$	3,235	\$	2,820	\$	6,199	\$	5,452

### SEGMENT OPERATING PROFIT

<b>MANUFACTURING:</b>												
Bell	\$	59	\$	65	\$	150	\$	134				
Cessna		200		153		355		270				
Industrial		59		54		119		103				
		318		272		624		507				
<b>FINANCE</b>						68		56		120		105
<b>Segment profit</b>						386		328		744		612
<b>Corporate expenses and other, net</b>						(66)		(48)		(116)		(97)
<b>Interest expense, net</b>						(23)		(25)		(47)		(47)
<b>Income from continuing operations before income taxes</b>					\$	297	\$	255	\$	581	\$	468

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### Note 13: Subsequent Events

On July 18, 2007, the Board of Directors approved a two-for-one split of our common stock, which will be effected in the form of a 100% stock dividend to be distributed on August 24, 2007 to shareholders of record on August 3, 2007. As a result of the stock split, we will issue approximately 125 million additional shares of common stock to our shareholders. The stock split will require restatement of all historical shares and per share data in the third quarter of 2007.

Pro forma earnings per share for income from continuing operations amounts on a post-split basis for the three years ended December 30, 2006 would be as follows:

		2006		2005		2004
<b>Basic</b>						
As reported	\$	5.53	\$	3.86	\$	2.73
Pro forma (unaudited)	\$	2.76	\$	1.93	\$	1.37
<b>Diluted</b>						
As reported	\$	5.43	\$	3.78	\$	2.68
Pro forma (unaudited)	\$	2.71	\$	1.89	\$	1.34

Quarterly unaudited pro forma earnings per share for income from continuing operations amounts on a post-split basis would be as follows:

		Three Months Ended		Six Months Ended				
		June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006			
<b>Basic</b>								
As reported	\$	1.72	\$	1.38	\$	3.30	\$	2.59
Pro forma	\$	0.86	\$	0.69	\$	1.65	\$	1.30
<b>Diluted</b>								
As reported	\$	1.69	\$	1.34	\$	3.24	\$	2.53
Pro forma	\$	0.85	\$	0.67	\$	1.62	\$	1.27

The Board of Directors also approved the retirement of approximately 85 million shares of treasury stock to reduce annual exchange listing costs. The retirement will result in a reduction in treasury stock of approximately \$4.9 billion, which is offset by reductions in capital surplus of approximately \$764 million and retained earnings of approximately \$4.1 billion, with no impact on total shareholders' equity.

13.

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

### Consolidated Results of Operations

#### Revenues and Segment Profit

## Second Quarter of 2007

Revenues increased \$415 million, or 15%, to \$3.2 billion in the second quarter of 2007 compared with the corresponding quarter in 2006. This increase is primarily due to higher manufacturing volume and product mix of \$240 million, higher pricing of \$83 million, more revenues in our Finance segment of \$47 million, favorable foreign exchange impact of \$30 million in the Industrial segment and the benefit from acquisitions of \$32 million, largely due to Overwatch Systems. These increases were partially offset by the 2006 divestiture of non-core product lines of \$16 million in the Industrial segment.

Segment profit increased \$58 million, or 18%, to \$386 million in the second quarter of 2007, compared with the corresponding period in 2006. This increase is primarily due to higher pricing of \$83 million, a net benefit from higher volume and product mix of \$34 million and more profit in the Finance segment of \$12 million. These increases were partially offset by inflation of \$60 million and unfavorable cost performance of \$20 million, which included a charge for Bell Helicopter's Armed Reconnaissance Helicopter ("ARH") program of \$48 million in the second quarter of 2007.

## First Half of 2007

Revenues increased \$747 million, or 14%, to \$6.2 billion in the first half of 2007 compared with the corresponding period in 2006. This increase is primarily due to higher manufacturing volume and product mix of \$397 million, higher pricing of \$154 million, more revenues in our Finance segment of \$75 million, favorable foreign exchange impact of \$65 million in the Industrial segment and the benefit from acquisitions of \$59 million, largely due to Overwatch Systems, and the reimbursement of costs related to Hurricane Katrina of \$28 million. These increases were partially offset by the 2006 divestiture of non-core product lines of \$32 million in the Industrial segment.

Segment profit increased \$132 million, or 22%, to \$744 million in the second half of 2007, compared with the corresponding period in 2006. This increase is primarily due to higher pricing of \$154 million, a net benefit from higher volume and product mix of \$48 million, favorable cost performance of \$23 million and more profit in the Finance segment of \$15 million. These increases were partially offset by inflation of \$110 million. Our favorable cost performance includes the reimbursement of costs related to Hurricane Katrina of \$28 million and is net of a charge for Bell Helicopter's ARH program of \$73 million.

## Backlog

Backlog in the Cessna and Bell Helicopter businesses grew to \$14.0 billion at the end of second quarter of 2007, compared to the end of 2006, reflecting an increase of approximately \$1.9 billion at Cessna and \$500 million at Bell Helicopter, primarily for the V-22 Lot 11 contract. At Cessna, new business jet orders outpaced deliveries by 2.5 to 1 in the first half of 2007, essentially filling out the 2008 delivery plan of approximately 470 jets. In comparison, we expect to deliver about 380 jets in 2007.

## Corporate Expenses and Other, net

Corporate expenses and other, net increased \$18 million in the second quarter of 2007, compared with 2006, primarily due to \$12 million of higher compensation expenses, primarily as a result of our stock price appreciation, and \$4 million of higher professional fees.

14.

Corporate expenses and other, net increased \$19 million in the first half of 2007 compared with 2006, primarily due to \$5 million of higher compensation expenses, \$5 million of increased costs for divested operations and \$5 million of higher professional fees.

## Income Taxes

A reconciliation of the federal statutory income tax rate to the effective income tax rate is provided below:

	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Federal statutory income tax rate	35.0%	35.0%	35.0%	35.0%
Increase (decrease) in taxes resulting from:				
State income taxes	1.4	1.6	1.3	1.6
Foreign tax rate differential	(1.6)	(3.7)	(1.6)	(3.7)
Manufacturing deduction	(1.6)	(0.6)	(1.6)	(0.6)
Equity hedge income	(1.9)	(1.0)	(1.0)	(0.9)
Export sales benefit	-	(1.1)	-	(1.1)
Canadian functional currency	-	-	(0.3)	-
Favorable tax settlements	(3.3)	-	(1.7)	(2.6)
Other, net	(0.4)	0.4	(1.2)	0.7
Effective income tax rate	27.6%	30.6%	28.9%	28.4%

The effective tax rate for the full year is expected to be in the range of 31% to 32%.

## Segment Analysis

Our four reportable segments are: Bell, Cessna, Industrial and Finance. These segments reflect the manner in which we manage our operations. Segment profit is an important measure used to evaluate 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.

### Bell

(In millions)	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Revenues	\$ 915	\$ 805	\$ 1,854	\$ 1,588
Segment profit	59	65	150	134

#### U.S. Government Business

In the second quarter of 2007, revenues increased \$70 million, compared with 2006 primarily due to higher net volume of \$50 million and the benefit from acquisitions of \$22 million. The volume increase is primarily due to higher V-22 volume of \$47 million, more Armored Security Vehicle (“ASV”) deliveries worth \$31 million and higher Intelligent Battlefield Systems (“IBS”) volume of \$11 million, partially offset by \$26 million in lower helicopter spares and service sales, and lower volume of \$17 million for Joint Direct Attack Munitions (“JDAM”). Our ASV deliveries are well ahead of last year and a recent order from the U.S. Army will allow us to continue current production levels well into 2008.

In the second quarter of 2007, profit in our U.S. Government business decreased \$40 million, compared with 2006, primarily due to unfavorable performance of \$45 million. We recorded a \$48 million charge in the second quarter of 2007 for the ARH program resulting in higher charges of \$42 million over the corresponding quarter of 2006. In addition, we had lower profitability for the V-22 program of \$12 million that was partially offset by

15.

favorable ASV performance of \$11 million. The lower profitability in the V-22 program is primarily due to a \$7 million award fee received in 2006. Additionally, higher overhead costs incurred and absorbed into inventory in 2006 have negatively impacted current year V-22 margins. V-22 aircraft delivered in 2007 were in production during 2006 and absorbed higher overhead costs resulting from our prior year investments to improve operational systems. Improved ASV performance reflects overhead improvements of \$5 million as well as other manufacturing efficiencies.

In the first half of 2007, revenues increased \$199 million, compared with 2006 primarily due to higher net volume and mix of \$137 million, the benefit from acquisitions of \$38 million and a cost reimbursement related to Hurricane Katrina of \$28 million. The volume increase is primarily due to more ASV deliveries of \$94 million, higher H-1 revenue of \$59 million, higher V-22 volume of \$39 million and higher IBS volume of \$26 million, partially offset by \$42 million in lower helicopter spares and service sales, and lower volume of \$31 million for JDAM.

In the first half of 2007, profit in our U.S. Government business decreased \$28 million, compared with 2006. The decrease was primarily due to unfavorable performance of \$31 million and the net impact from inflation and pricing of \$13 million, partially offset by higher net volume and mix of \$13 million. The unfavorable performance reflected higher charges recorded for the ARH program of \$64 million and lower V-22 profitability of \$20 million, partially offset by the Hurricane Katrina cost reimbursement of \$28 million and favorable ASV performance of \$11 million.

*ARH Program* - Bell Helicopter is performing under a U.S. Government contract for System Development and Demonstration (“SDD”) of the ARH. In March 2007, we received correspondence from the U.S. Government that indicated limitations of funding on the ARH SDD contract. Accordingly, in the first quarter of 2007 we provided for losses of \$25 million related to the ARH program, consisting of \$7 million in SDD costs and supplier obligations which exceeded the original SDD contract funding limit and \$18 million in supplier obligations incurred in the first quarter for long-lead, low-rate initial production (“LRIP”) ARH component production.

In the second quarter of 2007, the Army agreed to re-plan the ARH program and we reached a non-binding memorandum of understanding (“MOU”) related to aircraft specifications, pricing methodology and delivery schedules for 62 LRIP aircraft in two lots. The re-planned program also included additional funding for SDD costs through the end of the second quarter of 2007, which resulted in recovery of the \$7 million in SDD costs previously expensed in the first quarter. Further, we have agreed to conduct additional SDD activities on a funded-basis.

Based on the plan outlined in the MOU and our related estimates of aircraft production costs, including costs related to risks associated with achieving learning curve and schedule assumptions, it is our best estimate at this time that we will lose approximately \$73 million on the production of the 62 LRIP aircraft. Accordingly, a net charge of \$48 million was recorded in the second quarter, reflecting an additional charge of \$55 million for LRIP-related costs, offset by the \$7 million of SDD cost recovery. We anticipate that the contract awards will be finalized beginning in 2008, and we expect that these awards will be based on the terms outlined in the MOU. We expect that any contracts for lots subsequent to the initial two LRIP lots will be priced to fully recover costs plus a reasonable profit.

The U.S. Government continues to have an option related to production of 18 to 36 aircraft under the original ARH program. However, it is unlikely that the option would be exercised before its term expires in December 2007 due to certain additional development requirements under the SDD contract that must be met before the option can be exercised. As a result, the U.S. Government has agreed in the MOU to include the



units under this option within the 62 LRIP aircraft specified in the MOU.

### Commercial Business

In the second quarter of 2007, commercial revenues increased \$40 million, compared with 2006 primarily due to higher pricing of \$21 million, the benefit from acquisitions of \$10 million and higher volume of \$9 million. Higher volume reflects more helicopter deliveries of \$39 million, partially offset by lower spares and service volume of \$13 million and lower Huey II kit deliveries of \$12 million.

16.

In the second quarter of 2007, commercial profit increased \$34 million, compared with 2006 primarily due to higher pricing of \$21 million, favorable cost performance of \$15 million and lower engineering, research and development expense of \$13 million, partially offset by inflation of \$10 million. The lower engineering, research and development expense resulted from the delay of spending for such cost to the second half of 2007.

In the first half of 2007, commercial revenues increased \$67 million, compared with 2006 primarily due to higher pricing of \$40 million and the benefit from acquisitions of \$21 million. Volume increased slightly as higher helicopter deliveries of \$52 million were partially offset by lower Huey II kit deliveries of \$34 million and lower spares and service volume of \$11 million.

In the first half of 2007, commercial profit increased \$44 million, compared with 2006 primarily due to higher pricing of \$40 million, favorable cost performance of \$22 million and lower engineering, research and development expense of \$17 million, partially offset by inflation of \$19 million and the net impact of unfavorable product mix of \$14 million.

### Cessna

<i>(In millions)</i>	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Revenues	\$ 1,203	\$ 1,005	\$ 2,171	\$ 1,874
Segment profit	200	153	355	270

Cessna has continued to grow its revenues and segment profit due, in part, to its increased international deliveries, as over half of our 95 Citation business jets in the second quarter of 2007 went to international customers, primarily in Europe and Latin America. We delivered a total of 76 jets in the second quarter of 2006. In May, the Mustang became the first new-generation entry level jet to be certified in Europe. We have continued to ramp up our Mustang production with 10 aircraft delivered in the second quarter of 2007.

Revenues at Cessna increased \$198 million in the second quarter of 2007, compared with 2006 due to higher volume of \$147 million, primarily related to Citation business jets, and higher pricing of \$51 million. Segment profit increased \$47 million at Cessna in the second quarter of 2007, compared with 2006 primarily due to higher pricing of \$51 million and the impact of the higher volume of \$31 million, partially offset by inflation of \$26 million and increased product development expense of \$9 million. Favorable warranty performance of \$9 million resulting from lower point of sale warranty costs for aircraft sold during the second quarter of 2007, compared with 2006, was offset by other favorable warranty performance of \$10 million recorded in 2006.

Revenues at Cessna increased \$297 million in the first half of 2007, compared with 2006 due to higher volume of \$202 million, primarily related to Citation business jets, and higher pricing of \$95 million. Segment profit increased \$85 million at Cessna in the first six months of 2007, compared with 2006 primarily due to higher pricing of \$95 million and the impact of the higher volume of \$47 million, partially offset by inflation of \$44 million and increased product development expense of \$16 million. Favorable warranty performance of \$16 million resulting from lower point of sale warranty costs for aircraft sold during the first half of 2007, compared with 2006, was offset by other favorable warranty performance of \$19 million recorded in 2006.

### Industrial

<i>(In millions)</i>	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Revenues	\$ 878	\$ 818	\$ 1,725	\$ 1,616
Segment profit	59	54	119	103

17.

Revenues in the Industrial segment increased \$60 million in the second quarter of 2007, compared with 2006 primarily due to higher volume of \$34 million, favorable foreign exchange impact of \$30 million and higher pricing of \$13 million, partially offset by the divestiture of non-core product lines of \$16 million. Profit in the Industrial segment increased \$5 million in the second quarter of 2007, compared with 2006 mainly due to \$13 million of higher pricing, \$7 million of improved cost performance and \$2 million each in higher volume and favorable foreign exchange, partially offset by \$19 million of inflation.

Revenues in the Industrial segment increased \$109 million in the first half of 2007, compared with 2006 primarily due to favorable foreign exchange impact of \$65 million, higher volume of \$52 million and higher pricing of \$23 million, partially offset by the divestiture of non-core

product lines of \$32 million. Profit in the Industrial segment increased \$16 million in the first half of 2007, compared with 2006 mainly due to \$26 million of improved cost performance and higher pricing of \$23 million, partially offset by \$38 million of inflation.

## Finance

<i>(In millions)</i>	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Revenues	\$ 239	\$ 192	\$ 449	\$ 374
Segment profit	68	56	120	105

The Finance segment continued to grow its managed finance receivables with a 5%, or \$507 million, increase since the end of 2006. In addition, our already strong portfolio quality statistics continued to improve.

Revenues in the Finance segment increased \$47 million in the second quarter of 2007, compared with 2006. The increase was primarily due to a \$26 million increase related to higher average finance receivables and a \$21 million gain on the sale of a leveraged lease investment. Average finance receivables increased primarily due to growth in the aviation, distribution and resort finance businesses, partially offset by an increase in the level of distribution finance receivables sold.

Profit in the Finance segment increased \$12 million in the second quarter of 2007, compared with 2006 primarily due to a \$21 million gain on the sale of a leveraged lease investment and a \$12 million increase related to higher average finance receivables, partially offset by a \$12 million increase in the provision for losses and \$8 million related to the impact of competitive pricing pressures. The increase in provision for losses is primarily attributable to \$5 million of higher provision for losses related to specific reserving actions taken on one account in the media finance portfolio, and a \$6 million reduction in 2006 in the rate utilized to establish the allowance for losses in several portfolios due to improvements in credit quality.

Revenues in the Finance segment increased \$75 million in the first half of 2007, compared with 2006. The increase was primarily due to a \$59 million increase related to higher average finance receivables, a \$21 million gain on the sale of a leveraged lease investment and a \$15 million increase from a higher interest rate environment, partially offset by \$13 million in lower leveraged lease earnings due to an unfavorable cumulative earnings adjustment attributable to the recognition of residual value impairments. Average finance receivables increased primarily due to growth in the aviation, distribution and resort finance businesses, partially offset by an increase in the level of distribution finance receivables sold.

Profit in the Finance segment increased \$15 million in the first half of 2007, compared with 2006 primarily due to a \$28 million increase related to higher average finance receivables and a \$21 million gain on the sale of a leveraged lease investment, partially offset by \$13 million in lower leveraged lease earnings due to an unfavorable cumulative earnings adjustment attributable to the recognition of residual value impairments, \$12 million related to the impact of competitive pricing pressures and an \$8 million increase in the provision for losses, largely due to one account.

18.

The following table presents information about the Finance segment's portfolio quality:

<i>(Dollars in millions)</i>	June 30, 2007	December 30, 2006
Nonperforming assets	\$ 89	\$ 113
Nonaccrual finance receivables	\$ 51	\$ 75
Allowance for losses	\$ 86	\$ 93
Ratio of nonperforming assets to total finance assets	1.00%	1.28%
Ratio of allowance for losses on receivables to nonaccrual finance receivables	171.3%	123.1%
60+ days contractual delinquency as a percentage of finance receivables	0.56%	0.77%

The Finance segment has continued to sustain improvements in portfolio quality as indicated by an improved nonperforming assets percentage and 60+ days contractual delinquency percentage. Net charge-offs as a percentage of average finance receivables increased to 0.52% during the first half of 2007 as compared with 0.35% for the corresponding period of 2006. The increase in the percentage reflects charge-off activity in 2007 that primarily relates to accounts for which a specific allowance for losses had been established in previous periods. As a result of these charge-offs, the allowance for losses on receivables decreased by \$7 million in the first half of 2007. This decrease corresponds with a \$24 million decrease in nonaccrual finance receivables during the same period and results in an increase in the allowance for losses as a percentage of nonaccrual finance receivables.

## Liquidity and Capital Resources

Our financings are conducted through two separate borrowing groups. The Manufacturing group consists of Textron Inc., consolidated with the entities that operate in the Bell, Cessna and Industrial segments, while the Finance group consists of the Finance segment, comprised of Textron Financial Corporation and its subsidiaries. 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.

Through our Finance group, we provide diversified commercial financing to third parties. In addition, this 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 securitizations is reflected as operating activities when received. 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 that is financed by the Finance group, the origination of the finance receivable is recorded within investing activities as a cash outflow on our Finance group's statement of cash flows. Meanwhile, the Manufacturing group records the cash received from the Finance group on the customer's behalf within operating cash flows as a cash inflow on our Manufacturing group's statement of cash flows. 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, as detailed below in the operating cash flows of continuing operations section.

19.

The debt (net of cash)-to-capital ratio for our Manufacturing group as of June 30, 2007 was 28%, compared with 29% at December 30, 2006, and the gross debt-to-capital ratio as of June 30, 2007 was 38%, compared with 40% at December 30, 2006. Our Manufacturing group targets a gross debt-to-capital ratio that is consistent with an A rated company.

We have a policy of maintaining unused committed bank lines of credit in an amount not less than outstanding commercial paper balances. These facilities are in support of commercial paper and letters of credit issuances only, and neither of these primary lines of credit was drawn at June 30, 2007 or December 30, 2006.

Our primary committed credit facilities at June 30, 2007 include the following:

<i>(In millions)</i>	Facility Amount	Commercial Paper Outstanding	Letters of Credit Outstanding	Amount Not Reserved as Support for Commercial Paper and Letters of Credit
Manufacturing group – multi-year facility expiring in 2012*	\$ 1,250	\$ -	\$ 20	\$ 1,230
Finance group - multi-year facility expiring in 2012	\$ 1,750	\$ 1,624	\$ 12	\$ 114

\* The Finance group is permitted to borrow under this multi-year facility.

At June 30, 2007, our Finance group had \$2.7 billion in debt and \$475 million in other liabilities that are payable within the next 12 months.

### Operating Cash Flows of Continuing Operations

<i>(In millions)</i>	Six Months Ended	
	June 30, 2007	July 1, 2006
Manufacturing group	\$ 280	\$ 326
Finance group	153	155
Reclassifications and elimination adjustments	(310)	(321)
Consolidated	\$ 123	\$ 160

Our consolidated operating cash flows decreased in the first half of 2007 compared with the first half of 2006 primarily due to the timing of payments of accounts payable for the Manufacturing group, as well as a \$49 million increase in inventory levels to support continued growth in our Cessna and Bell Helicopter businesses, partially offset by an increase in income from continuing operations and a \$40 million decrease in accounts receivable and captive finance receivables.

Reclassifications between operating and investing cash flows and eliminations adjustments are summarized below:

<i>(In millions)</i>	Six Months Ended	
	June 30, 2007	July 1, 2006
Reclassifications from investing activities:		
Finance receivable originations for Manufacturing group inventory sales	\$ (525)	\$ (521)
Cash received from customers and securitizations for captive financing	354	316
Other	(4)	(36)
Total reclassifications from investing activities	(175)	(241)



Dividends paid by Finance group to Manufacturing group	(135)	(80)
Total reclassifications and adjustments	\$ (310)	\$ (321)

20.

In the first quarter of 2007, the Finance group paid a \$135 million dividend to the Manufacturing group compared to \$80 million paid in 2006, representing the distribution of its retained earnings to achieve its targeted leverage ratio.

### Investing Cash Flows of Continuing Operations

<i>(In millions)</i>	Six Months Ended	
	June 30, 2007	July 1, 2006
Manufacturing group	\$ (137)	\$ (130)
Finance group	23	(971)
Reclassifications to operating activities	175	241
Consolidated	\$ 61	\$ (860)

Our consolidated investing cash flows increased largely due to a \$639 million increase in proceeds from receivable sales and securitizations, including the sale of \$588 million of receivables into the distribution finance revolving securitization, and a net increase of \$316 million in finance receivable collections, net of originations.

### Financing Cash Flows of Continuing Operations

<i>(In millions)</i>	Six Months Ended	
	June 30, 2007	July 1, 2006
Manufacturing group	\$ (283)	\$ (728)
Finance group	(156)	832
Dividends paid by Finance group to Manufacturing group	135	80
Consolidated	\$ (304)	\$ 184

Cash flows received from consolidated financing activities decreased during the first half of 2007 primarily due a reduction in short-term debt borrowings in the Finance group of \$613 million and higher payments on long-term debt in the Finance group of \$337 million. These amounts were partially offset by less cash used to repurchase our stock of \$377 million and a reduction in the cash used to pay dividends of \$50 million due to the timing of payments.

#### *Stock Repurchases*

In the first half of 2007 and 2006, we repurchased 2,271,292 and 6,979,672 shares of common stock, respectively, under Board-authorized share repurchase programs for an aggregate cost of \$219 million and \$610 million, respectively.

#### *Dividends*

We paid a quarterly dividend of \$0.3875 per share in the first and second quarters of 2007 and 2006. Dividend payments to shareholders totaled \$97 million in the first half of 2007, compared with \$147 million in the first half of 2006. The decrease in dividend payments reflects the fourth quarter 2005 dividend that was paid in the first half of 2006, while the fourth quarter 2006 dividend was paid in the fourth quarter.

On July 18, 2007, the Board of Directors approved a two-for-one split of our common stock, which will be effected in the form of a 100% stock dividend to be distributed on August 24, 2007 to shareholders of record on August 3, 2007. Accordingly, we will issue approximately 125 million additional shares of common stock to our shareholders. The Board of Directors also approved the retirement of approximately 85 million shares of treasury stock to reduce annual exchange listing costs, which will result in a reduction in treasury stock of approximately \$4.9 billion, which is offset by reductions in capital surplus of approximately \$764 million and retained earnings of approximately \$4.1 billion, with no impact on total shareholders' equity.

Also on July 18, 2007, the Board of Directors approved a 19% increase in our annualized common stock dividend rate from \$1.55 per share to \$1.84 per share (\$0.775 per share to \$0.92 per share on a post-split basis) and authorized the repurchase of up to 24 million shares of our common stock on a post-split basis.

21.

### Capital Resources

Under a shelf registration statement previously filed with the Securities and Exchange Commission, our Manufacturing group may issue public debt and other securities in one or more offerings up to a total maximum offering of \$2.0 billion. At June 30, 2007, we had \$1.6 billion available under this registration statement.

Under a previously filed registration statement, the Finance group may issue an unlimited amount of public debt. Our Finance group issued \$640 million of term debt and CAD 140 million of term debt during the first half of 2007 under this registration statement. In addition, during the first quarter of 2007, the Finance group issued \$300 million of 6% Fixed-to-Floating Rate Junior Subordinated Notes, which mature in 2067. The Finance group has the right to redeem the notes at par beginning in 2017, and is obligated to redeem the notes beginning in 2042.

## Foreign Exchange Risks

Our financial results are affected by changes in foreign currency exchange rates and economic conditions in the foreign markets in which our products are manufactured and/or sold. For the first half of 2007, the impact of foreign exchange rate changes from the first half of 2006 increased revenues by approximately \$65 million (1.2%) and increased segment profit by approximately \$4 million (0.7%).

## Recently Announced Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 157, “Fair Value Measurements.” This Statement replaces multiple existing definitions of fair value with a single definition, establishes a consistent framework for measuring fair value and expands financial statement disclosures regarding fair value measurements. This Statement applies only to fair value measurements that already are required or permitted by other accounting standards and does not require any new fair value measurements. SFAS No. 157 is effective for the first quarter of 2008, and we currently are evaluating the impact of adoption on our financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment to FASB Statement No. 115.” SFAS 159 allows companies to choose to measure eligible assets and liabilities at fair value with changes in value recognized in earnings. Fair value treatment for eligible assets and liabilities may be elected either prospectively upon initial recognition, or if an event triggers a new basis of accounting for an existing asset or liability. SFAS 159 is effective in the first quarter of 2008, and we currently are evaluating the impact of adoption on our financial position and results of operations.

## Forward-Looking Information

*Certain statements in this Quarterly Report on Form 10-Q and other oral and written statements made by Textron from time to time are forward-looking statements, including those that discuss strategies, goals, outlook or other non-historical matters; or project revenues, income, returns or other financial measures. These forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update or revise any forward-looking statements. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those contained in the statements, including the following: [a] changes in worldwide economic and political conditions that impact demand for our products, interest rates and foreign exchange rates; [b] the interruption of production at Textron facilities or Textron’s customers or suppliers; [c] Textron’s ability to perform as anticipated and to control costs under contracts with the U.S. Government; [d] the U.S. Government’s ability to unilaterally modify or terminate its contracts with Textron for the U.S. Government’s convenience or for Textron’s failure to perform, to change applicable procurement and accounting policies, and, under certain circumstances, to suspend or debar Textron as a contractor eligible to receive future contract awards; [e] changes in national or international funding priorities and government policies on the export and import of military and commercial products; [f] the ability to control costs and successful implementation of various cost-reduction programs; [g] the timing of new product launches and*

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*certifications of new aircraft products; [h] the occurrence of slowdowns or downturns in customer markets in which Textron products are sold or supplied or where Textron Financial Corporation offers financing; [i] changes in aircraft delivery schedules or cancellation of orders; [j] the impact of changes in tax legislation; [k] the extent to which Textron is able to pass raw material price increases through to customers or offset such price increases by reducing other costs; [l] Textron’s ability to offset, through cost reductions, pricing pressure brought by original equipment manufacturer customers; [m] Textron’s ability to realize full value of receivables; [n] the availability and cost of insurance; [o] increases in pension expenses and other postretirement employee costs; [p] Textron Financial Corporation’s ability to maintain portfolio credit quality; [q] Textron Financial Corporation’s access to debt financing at competitive rates; [r] uncertainty in estimating contingent liabilities and establishing reserves to address such contingencies; [s] performance of acquisitions; [t] the efficacy of research and development investments to develop new products; [u] the launching of significant new products or programs which could result in unanticipated expenses; and [v] bankruptcy or other financial problems at major suppliers or customers that could cause disruptions in Textron’s supply chain or difficulty in collecting amounts owed by such customers.*

### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There has been no significant change in Textron’s exposure to market risk during the six months ended June 30, 2007. For discussion of Textron’s exposure to market risk, refer to Item 7A. Quantitative and Qualitative Disclosures About Market Risk contained in Textron’s 2006 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 (the “CEO”) and our Executive Vice President and Chief Financial Officer (the “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 Textron's internal control over financial reporting during the fiscal quarter ended June 30, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## PART II. OTHER INFORMATION

### Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

#### ISSUER REPURCHASES OF EQUITY SECURITIES

	Total Number of Shares Purchased	Average Price Paid per Share (Excluding Commissions)	Total Number of Shares Purchased as Part of Publicly Announced Plan**	Maximum Number of Shares that May Yet Be Purchased Under the Plan**
Month 1 (April 1, 2007 – May 5, 2007)	53,731*	\$ 103.15	50,000*	2,575,208
Month 2 (May 6, 2007 - June 2, 2007)	107,700	\$ 105.82	107,700	2,467,508
Month 3 (June 3, 2007 - June 30, 2007)	351,000	\$ 108.57	351,000	2,116,508
<b>Total</b>	<b>512,431</b>	<b>\$ 107.42</b>	<b>508,700</b>	

\*During the first month of the second quarter of 2007, Textron received a total of 3,731 shares as payments for the exercise price of employee stock options, which are not included in the publicly announced repurchase plan.

\*\*These shares were purchased pursuant to a plan authorizing the repurchase of up to 12 million shares of Textron common stock that had been announced on January 26, 2006, and had no expiration date. On July 18, 2007, Textron's Board of Directors approved a new share repurchase plan under which Textron is authorized to repurchase up to 24 million shares of common stock (equivalent of 12 million shares prior to the two-for-one stock split in the form of a stock dividend to be distributed on August 24, 2007). The new plan has no expiration date and supercedes the existing repurchase plan, which was cancelled effective July 18, 2007.

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### Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At Textron's annual meeting of shareholders held on April 25, 2007, the following items were voted upon:

- The following persons were elected to serve as directors in Class II for three year terms expiring in 2010 and received the votes listed.

Name	For	Against	Abstain
Kathleen M. Bader	106,395,916	4,099,063	1,408,580
R. Kerry Clark	77,636,120	31,651,038	2,616,399
Ivor J. Evans	77,145,801	32,069,071	2,688,955
Lord Powell of Bayswater KCMG	74,350,733	34,935,484	2,617,614
James L. Ziemer	106,568,550	3,792,374	1,542,908

The following directors have terms of office which continued after the meeting: H. Jesse Arnelle, Paul E. Gagne, Dain M. Hancock, Thomas B. Wheeler, Lewis B. Campbell, Lawrence K. Fish and Joe T. Ford.

- The Textron Inc. Short-Term Incentive Plan was approved by the following vote:

For	Against	Abstain	Broker Non-Votes
104,270,558	6,448,285	1,184,508	0

- The Textron Inc. 2007 Long-Term Incentive Plan was approved by the following vote:

	For	Against	Abstain	Broker Non-Votes
	85,343,991	11,142,924	1,138,657	14,278,263
4.	The appointment of Ernst & Young LLP by the Audit Committee as Textron's independent registered public accounting firm for 2007 was ratified by the following vote:			
	For	Against	Abstain	Broker Non-Votes
	109,058,147	1,821,746	1,023,667	0
5.	A shareholder proposal relating to a report related to foreign military sales was rejected by the following vote:			
	For	Against	Abstain	Broker Non-Votes
	6,662,476	78,399,832	12,564,073	14,277,454

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**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.

Effective as of July 25, 2007, Textron's Board of Directors amended and restated Textron's By-Laws to allow Textron's securities to be eligible for issuance under the direct registration system to comply with paragraph 501.00(b) of the New York Stock Exchange Listed Company Manual, to reflect changes previously made in corporate governance practices at Textron, to update the By-Laws and to revise them to be gender-neutral.

**Item 6. EXHIBITS**

- 3.1 Amended and Restated By-Laws of Textron Inc.
- 10.1 Textron Inc. 2007 Long-Term Incentive Plan (amended and restated as of May 1, 2007)
- 10.2 Form of Non-Qualified Stock Option Agreement
- 10.3 Form of Incentive Stock Option Agreement
- 10.4 Form of Restricted Stock Unit Grant Agreement
- 10.5 Textron Spillover Savings Plan
- 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. Section 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. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

26.

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 27, 2007

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

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### LIST OF EXHIBITS

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

Name of Exhibit

- 3.1 Amended and Restated By-Laws of Textron Inc.
- 10.1 Textron Inc. 2007 Long-Term Incentive Plan (amended and restated as of May 1, 2007)
- 10.2 Form of Non-Qualified Stock Option Agreement
- 10.3 Form of Incentive Stock Option Agreement
- 10.4 Form of Restricted Stock Unit Grant Agreement
- 10.5 Textron Spillover Savings Plan
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- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

# TEXTRON INC.

(a Delaware corporation)

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## AMENDED AND RESTATED BY-LAWS

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Effective July 25, 2007

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**TEXTRON INC.**  
(a Delaware corporation)

**AMENDED AND RESTATED BY-LAWS**

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 I I.

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. (c) At any annual meeting, or special meeting held in lieu thereof, only such business shall be conducted as shall have been brought before the meeting by or at the direction of the Board of Directors or by any stockholder who complies with the procedures set forth in this Section 2.02(c). Except as otherwise provided by statute, the Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation") or these Amended and Restated By-Laws ("By-Laws"), the only business which shall be conducted at any such meeting of the stockholders shall (i) have been specified in the written notice of the meeting (or any supplement thereto) given pursuant to Section 2.04, (ii) be brought before the meeting at the direction of the Board of Directors or the chairman of the meeting or (iii) have been specified in a timely written notice to the Secretary, in accordance with all of the following requirements, by or on behalf of any stockholder who shall have been a stockholder of record on the record date for such meeting and who shall continue to be entitled to vote thereat. To be timely in the case of an annual meeting, each such notice must be delivered to, or be mailed and received at, the principal executive offices of the Corporation not less than 90 days nor more than 120 days 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 not within 30 days of such anniversary date, such notice must be so delivered or so mailed and received, not later than the close of business on the 10th day following the day on which such notice of the annual meeting was mailed or public disclosure of the date of annual meeting was first made, whichever first occurs. To be timely in the case of a special meeting held in lieu of an annual meeting, such notice must be delivered to or be mailed and received at, the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which notice of the special meeting was mailed or such public disclosure of the date of special meeting was first made, whichever first occurs. In no event shall the public announcement of an adjournment of an annual meeting, or a special meeting held in lieu thereof, commence a new period for the giving of a stockholder's notice as described above. Such stockholder's notice to the Secretary shall set forth: (i) a description of each item of business proposed to be brought before the meeting; and the reasons for conducting such business at the annual meeting; (ii) the name and address of the stockholder proposing to bring such item of business before the meeting; (iii) the class or series and number of shares of stock held of record, owned beneficially and represented by proxy by such stockholder as of the record date for the meeting (if such date shall then have been made publicly available) and as of the date of such notice by the stockholder; (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business; (v) a representation that such stockholder intends to appear in person or by proxy at the meeting to bring such business before the meeting; and (vi) 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 were a participant in a solicitation subject to Section 14 of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (collectively, the "Proxy Rules").

The chairman of the meeting may, if the facts warrant, determine that an item of business was not brought before the meeting in accordance with the foregoing procedure, and if he or she should so determine, he or she shall so declare to the meeting and that business shall be disregarded.

**Section 2.03. Special Meetings.** A special meeting of the stockholders for any purpose or purposes may be called at any time by the chief executive officer or by order of the Board of Directors. 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.

**Section 2.04. 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 2.05. Quorum.** (a) At each meeting of the stock holders, except as otherwise provided by statute, the Certificate of Incorporation or these By-Laws, the holders or 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 2.06. Organization.** At each meeting of the stockholders the Chairman of the Board or, in his or her absence, the President or, in the absence of the Chairman of the Board and the President, the Lead Director or, in the absence of the Chairman of the Board, the President and the Lead Director, the Vice Chairman of the Board or, in the absence of the Chairman of the Board, the President, the Lead Director and the Vice Chairman of the Board, 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 2.07. *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 2.08. *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 2.09. *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 election, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting or, if not so specified, at the place where the meeting is to be held. (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 2.09 on the books of the Corporation or to vote in person or by proxy at any meeting of stockholders.

## ARTICLE I II.

### 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 72. (c) Each director shall hold office as set forth in the Certificate of Incorporation.

Section 3.03. *Nomination and Election of Directors.* Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of persons for election to the Board of Directors at a meeting of the stockholders may be made at a meeting of stockholders by or at the direction of the Board of Directors by any nominating committee or person appointed by the Board or at an annual meeting or special meeting held in lieu thereof, by any stockholder of the Corporation entitled to vote for the election of directors at such meeting who complies with the notice procedures set forth in this Section 3.03. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary. To be timely, in the case of a nomination to be made at an annual meeting, each such notice must be delivered to, or be mailed and received at, the principal executive offices of the Corporation not less than 90 days nor more than 120 days 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 not within 30 days of such anniversary date, such notice must be so delivered, or so mailed and received, not later than the close of business on the 10th day following the day on which such notice of the annual meeting was mailed or public disclosure of the date of annual meeting was first made, whichever first occurs. To be timely in the case of a nomination to be made at a special meeting held in lieu of an annual meeting, such notice must be delivered to, or be mailed and received at, the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which notice of the special meeting was mailed or public disclosure of the date of special meeting was first made, whichever first occurs. In no event, shall the public announcement of an adjournment of an annual meeting, or a special meeting held in lieu thereof, commence a new period for the giving of a stockholder's notice as described above. Such stockholder's notice to the Secretary shall set forth: (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) 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 (iv) 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 pursuant to the Proxy Rules, and (b) as to the stockholder giving the notice (i) the name and record address of stockholder, (ii) the class or series and number of shares of capital stock of the Corporation held of record, owned beneficially and represented by proxy by such stockholder as of the record date for the meeting (if such date shall then have been made publicly available) and as of the date of such notice by the stockholder, (iii) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, (iv) a description of all arrangements or understandings between such stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such stockholder, and (v) such other information regarding such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitation of proxies for election of directors pursuant to the Proxy Rules. 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. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein.

The chairman of the meeting may, if the facts warrant, determine that a nomination was not made in accordance with the foregoing procedures, and if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded. 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 as of the record date for such meeting the number of nominees exceeds the number of directors to be elected, 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. If a director is not elected, the director shall offer to tender his or her resignation to the Board. The Nominating and Corporate Governance Committee (or comparable committee of the Board) will make a recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken. The Board will act on the Committee's recommendation and publicly disclose its decision within 90 days from the date of the certification of the election results. 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 nonmanagement 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 President 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 President, if the President 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. *Removal of Directors.* Any director may be removed, with 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 3.12. *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, to the Chairman of the Board, the Vice Chairman of the Board, the President, any Vice President or the Secretary of the Corporation. 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 3.13. *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 3.14. *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.* 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.

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.

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 or to authorize the issuance of stock.

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 with 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 Chairman of the Board, 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 a Vice Chairman and 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. The Chairman of the Board and the Vice Chairman, if any, shall be and remain directors.

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 Chairman of the Board 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 Chairman of the Board 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. *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, the Executive Committee or the chief executive officer of the Corporation.

Section 6.08. *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, the Executive Committee or the chief executive officer of the Corporation.

Section 6.09. *Chief Executive Officer.* The Board of Directors shall designate either the Chairman of the Board or the President as the chief executive officer of the Corporation. The chief executive officer shall have direct charge of the business and affairs of the Corporation.

Section 6.10. *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 or the chief executive officer 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 President is then serving on the Board, and, in the absence of the Chairman of the Board, 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, the Executive Committee or the chief executive officer of the Corporation.

Section 6.11. *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 Chairman of the Board or the President.

Section 6.12. *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 depositories 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 Chairman of the Board or the President.

Section 6.13. *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 2.09, 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 Chairman of the Board or the President.

Section 6.14. *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 Chairman of the Board or the President.

Section 6.15. *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 Chairman of the Board, the Vice Chairman of the Board, 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, agent or employee 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 pecuniary for any purpose or to any amount.

Section 7.02. *Loans.* No loan shall be contracted or be half 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 and 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 depositories 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 Chairman of the Board or the Vice Chairman of the Board 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 or Executive Committee 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 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 “Agent”), 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 or suit 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 Agent against expenses (including attorneys’ fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit 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 or suit 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)To the extent that an Agent 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, 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.

(d)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 Agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in paragraphs (a) and (b). Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders.

(e)Expenses (including attorneys’ fees) incurred by an Agent 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 Agent 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 by the Board of Directors by a majority vote of a quorum of disinterested directors, or (if such a quorum is not obtainable or, even if obtainable, a quorum of disinterested directors so directs) by independent legal counsel in a written opinion, that, based upon the facts known to the Board of Directors or counsel at the time such determination is made such Agent 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 Agent believed or had reasonable cause to believe such person’s conduct was unlawful. In no event shall any advance be made in instances where the Board of Directors or independent legal counsel reasonably determines that such person deliberately breached such person’s duty to the Corporation or its stockholders.

(f)The indemnification and advancement of expenses provided by, or granted pursuant to, the other paragraphs of 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 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 to indemnification under this Article XII shall be deemed to be provided by a contract between the Corporation and each Agent who serves in such capacity at any time while this Article XII is in effect. Any repeal or modification of this Article XII shall not affect any rights or obligations then existing.

(g)The Corporation may purchase and maintain insurance on behalf of any person who is or was an Agent 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.

(h)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.

(i)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.



(j)The indemnification and advancement of expenses provided by, or 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 Agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

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 X IV.

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.

TEXTRON INC.

I, \_\_\_\_\_,

Secretary of Textron Inc., a Delaware corporation, do hereby certify that the foregoing is a true and complete copy of the By-Laws of said Corporation, and that such By-Laws are now in full force and effect.

In Witness Whereof, I have hereunto subscribed my name and affixed the seal of said Corporation this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

.....  
Secretary

**TEXTRON INC.**  
**2007 LONG-TERM INCENTIVE PLAN**

**(AMENDED AND RESTATED AS OF MAY 1, 2007)**

**1. Purposes of the Plan**

The purposes of the Plan are to (a) promote the long-term success of the Company and its Subsidiaries and to increase stockholder value by providing Eligible Individuals with incentives to contribute to the long-term growth and profitability of the Company and (b) assist the Company in attracting, retaining and motivating highly qualified individuals who are in a position to make significant contributions to the Company and its Subsidiaries.

Upon the Effective Date, no further Awards will be granted under the Prior Plan.

**2. Definitions and Rules of Construction**

(a) *Definitions.* For purposes of the Plan, the following capitalized words shall have the meanings set forth below:

“*Affiliate*” means any Parent or Subsidiary and any person that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the Company.

“*Award*” means an Option, Restricted Stock, Restricted Stock Unit, Stock Appreciation Right, Performance Stock, Performance Share Unit or Other Award granted by the Committee pursuant to the terms of the Plan.

“*Award Document*” means an agreement, certificate or other type or form of document or documentation approved by the Committee that sets forth the terms and conditions of an Award. An Award Document may be in paper, electronic or other media, may be limited to a notation on the books and records of the Company and, unless the Committee requires otherwise, need not be signed by a representative of the Company or a Participant.

“*Beneficial Owner*” and “*Beneficially Owned*” have the meaning set forth in Rule 13d-3 under the Exchange Act.

“*Board*” means the Board of Directors of the Company, as constituted from time to time.

“*Change of Control*” means:

(i) Any “person” or “group” (within the meaning of Sections 13 (d) and 14 (d)(2) of the Exchange Act other than the Company, any “person” who on the Effective Date was a director or officer of the Company, any trustee or other fiduciary holding Common Stock under an employee benefit plan of the Company or a Subsidiary, or any corporation which is owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of Common Stock, is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Act) of more than thirty percent (30%) of the then outstanding voting stock of the Company, or

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

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

(iv) the shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company’s assets.

If an Award is subject to Section 409A of the Code, the payment or settlement of the Award shall accelerate upon a Change of Control only if the event also constitutes a “change in ownership,” “change in effective control,” or “change in the ownership of a substantial portion of the Company’s assets” as defined under Section 409A of the Code. Any adjustment to the Award that does not affect the Award’s status under Section 409A (including, but not limited to, accelerated vesting or adjustment of the amount of the Award) may occur upon a Change in Control as defined in the Plan, regardless of whether the event also constitutes a change in control under Section 409A.

“ **Code** ” means the Internal Revenue Code of 1986, as amended, and the applicable rulings and regulations promulgated thereunder.

“ **Committee** ” means the Organization and Compensation Committee of the Board, any successor committee thereto or any other committee appointed from time to time by the Board to administer the Plan, which committee shall meet the requirements of Section 162 (m) of the Code, Section 16(b) of the Exchange Act and the applicable rules of the NYSE; *provided, however*, that, if any Committee member is found not to have met the qualification requirements of Section 162(m) of the Code and Section 16(b) of the Exchange Act, any actions taken or Awards granted by the Committee shall not be invalidated by such failure to so qualify.

“ **Common Stock** ” means the common stock of the Company, par value \$0.125 per share, or such other class of share or other securities as may be applicable under Section 13 of the Plan.

“ **Company** ” means Textron Inc., a Delaware corporation, or any successor to all or substantially all of the Company’s business that adopts the Plan.

“ **Early Retirement** ” means the attainment of age 60, or age 55 with 10 years of service, or 20 years of service.

“ **Effective Date** ” means April 25, 2007, the date on which the Plan was approved by the shareholders of the Company.

“ **Eligible Individuals** ” means the individuals described in Section 4(a) of the Plan who are eligible for Awards under the Plan.

“ **Exchange Act** ” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“ **Fair Market Value** ” means, with respect to a share of Common Stock, the closing selling price of a share of Common Stock on the relevant date of determination as reported on the composite tape for securities listed on the NYSE, or such national securities exchange as may be designated by the Committee. If there were no sales on the relevant date, the fair market value shall equal the closing share price on the most recent day preceding the relevant date during which a sale occurred.

“ **Family Member** ” means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, and any person sharing the Participant’s household (other than a tenant or employee).

“ **Incentive Stock Option** ” means an Option that is intended to comply with the requirements of Section 422 of the Code or any successor provision thereto.

“ **Non-Employee Director** ” means any member of the Board who is not an officer or employee of the Company or any Subsidiary.

“ **Nonqualified Stock Option** ” means an Option that is not intended to comply with the requirements of Section 422 of the Code or any successor provision thereto.

“ **NYSE** ” means the New York Stock Exchange.

“ **Option** ” means an Incentive Stock Option or Nonqualified Stock Option granted pursuant to Section 7 of the Plan.

“ **Other Award** ” means any form of Award other than an Option, Restricted Stock, Restricted Stock Unit, Performance Stock, Performance Share Unit, or Stock Appreciation Right granted pursuant to Section 11 of the Plan.

“ **Parent** ” means a corporation which owns or beneficially owns a majority of the outstanding voting stock or voting power of the Company. Notwithstanding the above, with respect to an Incentive Stock Option, Parent shall have the same meaning as “parent corporation” set forth in Section 424(e) of the Code.

“ **Participant** ” means an Eligible Individual who has been granted an Award under the Plan.

“ **Performance Period** ” means the period established by the Committee and set forth in the applicable Award Document over which Performance Targets are measured.

“ **Performance Stock** ” means a Target Number of Shares granted pursuant to Section 10(b) of the Plan.

“ **Performance Target** ” means the performance measures established by the Committee, from among the performance criteria provided in Section 6(g), and set forth in the applicable Award Document.

“ **Performance Share Unit** ” means a right to receive a Target Number of Shares or cash in the future granted pursuant to Section 10(c) of the Plan.

“ **Permitted Transferees** ” means (i) a Participant’s Family Member, (ii) one or more trusts in which Family Members have more than fifty percent of the beneficial interest, (iii) a foundation in which the Participant or Family Members control the management of assets; or (iv) any other entity in which the Participants or Family Members own more than fifty percent of the voting interests.

“ **Plan** ” means this Textron Inc. 2007 Long-Term Incentive Plan, as amended or restated from time to time.

“ **Plan Limit** ” means the maximum aggregate number of Shares that may be issued for all purposes under the Plan as set forth in Section 5(a) of the Plan.

“ **Prior Plan** ” means the 1999 Long-Term Incentive Plan, as amended and restated from time to time.

“ **Restricted Stock** ” means one or more Shares granted pursuant to Section 8(b) of the Plan.

“ **Restricted Stock Unit** ” means a right to receive one or more Shares (or cash, if applicable) in the future granted pursuant to Section 8(c) of the Plan.

“ **Shares** ” means shares of Common Stock, as may be adjusted pursuant to Section 13(b).

“ **Stock Appreciation Right** ” means a right to receive all or some portion of the appreciation on Shares granted pursuant to Section 9 of the Plan.

“ **Subsidiary** ” means (i) a corporation or other entity with respect to which the Company, directly or indirectly, has the power, whether through the ownership of voting securities, by contract or otherwise, to elect at least a majority of the members of such corporation’s board of directors or analogous governing body, or (ii) any other corporation or other entity in which the Company, directly or indirectly, has an equity or similar interest greater than 50% and which the Committee designates as a Subsidiary for purposes of the Plan. For purposes of determining eligibility for the grant of Incentive Stock Options under the Plan, the term “Subsidiary” shall be defined in the manner required by Section 424(f) of the Code.

“ **Substitute Award** ” means any Award granted upon assumption of, or in substitution or exchange for, outstanding employee equity awards previously granted by a company or other entity acquired by the Company or with which the Company combines pursuant to the terms of an equity compensation plan that was approved by the stockholders of such company or other entity.

“ **Target Number** ” means, if applicable, the target number of Shares or cash value established by the Committee and set forth in the applicable Award Document.

(b) *Rules of Construction.* The masculine pronoun shall be deemed to include the feminine pronoun, and the singular form of a word shall be deemed to include the plural form, unless the context requires otherwise. Unless the text indicates otherwise, references to sections are to sections of the Plan.

### **3. Administration**

(a) **Committee.** The Plan shall be administered by the Committee, which shall have full power and authority, subject to the express provisions hereof, to:

- (i) select the Participants from the Eligible Individuals;
- (ii) grant Awards in accordance with the Plan;
- (iii) determine the number of Shares subject to each Award or the cash amount payable in connection with an Award;
- (iv) determine the terms and conditions of each Award, including, without limitation, those related to term, permissible methods of exercise, vesting, cancellation, payment, settlement, exercisability, Performance Periods, Performance Targets, and the effect, if any, of a Participant’s termination of employment with the Company or any of its Subsidiaries or, subject to Section 6(d), a Change of Control of the Company;
- (v) subject to Sections 6(g), 16 and 17(e) of the Plan, amend the terms and conditions of an Award after the granting thereof;
- (vi) specify and approve the provisions of the Award Documents delivered to Participants in connection with their Awards;
- (vii) construe and interpret any Award Document delivered under the Plan;
- (viii) make factual determinations in connection with the administration or interpretation of the Plan;
- (ix) adopt, prescribe, amend, waive and rescind administrative regulations, rules and procedures relating to the Plan;
- (x) employ such legal counsel, independent auditors and consultants as it deems desirable for the administration of the Plan and to rely upon any advice, opinion or computation received therefrom;
- (xi) vary the terms of Awards to Participants in non-US jurisdictions to take account of local tax and securities law and other regulatory requirements or to procure favorable tax treatment for Participants;

(xii) correct any defects, supply any omission or reconcile any inconsistency in any Award Document or the Plan; and

(xiii) make all other determinations and take any other action desirable or necessary to interpret, construe or implement properly the provisions of the Plan or any Award Document.

(b) *Plan Construction and Interpretation.* The Committee shall have full power and authority, subject to the express provisions hereof, to construe and interpret the Plan.

(c) *Determinations of Committee Final and Binding.* All determinations by the Committee in carrying out and administering the Plan and in construing and interpreting the Plan shall be made in the Committee's sole discretion and shall be final, binding and conclusive for all purposes and upon all persons interested herein.

(d) *Delegation of Authority.* To the extent not prohibited by applicable laws, rules and regulations, the Committee may, from time to time, delegate some or all of its authority under the Plan to a subcommittee or subcommittees thereof or other persons or groups of persons as it deems necessary, appropriate or advisable under such conditions or limitations as it may set at the time of such delegation or thereafter; *provided, however*, that the Committee may not delegate its authority (i) to make Awards to employees (A) who are subject on the date of the Award to the reporting rules under Section 16(a) of the Exchange Act, (B) who are executive officers whose compensation may be subject to the limit on deductible compensation pursuant to Section 162(m) of the Code, or (C) who are officers of the Company who are delegated authority by the Committee hereunder, or (ii) pursuant to Section 16 of the Plan. For purposes of the Plan, reference to the Committee shall be deemed to refer to any subcommittee, subcommittees, or other persons or groups of persons to whom the Committee delegates authority pursuant to this Section 3(d). In addition, notwithstanding the foregoing, an independent Committee of the Board is required to approve any grants under this plan to non-employee directors.

(e) *Liability of Committee.* Subject to applicable laws, rules and regulations: (i) no member of the Board or Committee (or its delegates) shall be liable for any good faith action or determination made in connection with the operation, administration or interpretation of the Plan and (ii) the members of the Board or the Committee (and its delegates) shall be entitled to indemnification and reimbursement in the manner provided in the Company's Certificate of Incorporation as it may be amended from time to time. In the performance of its responsibilities with respect to the Plan, the Committee shall be entitled to rely upon information and/or advice furnished by the Company's officers or employees, the Company's accountants, the Company's counsel and any other party the Committee deems necessary, and no member of the Committee shall be liable for any action taken or not taken in reliance upon any such information and/or advice.

(f) *Action by the Board.* Anything in the Plan to the contrary notwithstanding, subject to applicable laws, rules and regulations, any authority or responsibility that, under the terms of the Plan, may be exercised by the Committee may alternatively be exercised by the Board.

#### **4. Eligibility**

(a) *Eligible Individuals.* Awards may be granted to employees and Non-Employee Directors of the Company or any of its Subsidiaries; *provided, however*, that only employees of the Company or a Parent or Subsidiary may be granted Incentive Stock Options. The Committee shall have the authority to select the persons to whom Awards may be granted and to determine the type, number and terms of Awards to be granted to each such Participant. Under the Plan, references to "employment" or "employed" include service of Participants who are Non-Employee Directors, except for purposes of determining eligibility to be granted Incentive Stock Options.

(b) *Grants to Participants.* The Committee shall have no obligation to grant any Eligible Individual an Award or to designate an Eligible Individual as a Participant solely by reason of such Eligible Individual having received a prior Award or having been previously designated as a Participant. The Committee may grant more than one Award to a Participant and may designate an Eligible Individual as a Participant for overlapping periods of time.

#### **5. Shares Subject to the Plan**

(a) *Plan Limit.* Subject to adjustment in accordance with Section 13 of the Plan, the maximum aggregate number of Shares that may be issued for all purposes under the Plan shall be 6,000,000 plus any Shares that become available for issuance upon cancellation, forfeiture, or expiration of awards granted under the Prior Plan without having been exercised or settled. Shares to be issued under the Plan may be authorized and unissued shares, issued shares that have been reacquired by the Company (in the open-market or in private transactions) and that are being held in treasury, or a combination thereof. No more than 6,000,000 Shares may be issued pursuant to Incentive Stock Options.

(b) *Rules Applicable to Determining Shares Available for Issuance.* The number of Shares remaining available for issuance will be reduced by the number of Shares subject to outstanding Awards that are both denominated and intended to be settled in Shares and, for all other awards, by the number of Shares actually delivered upon settlement or payment of the Award. For purposes of determining the number of Shares that remain available for issuance under the Plan, (i) the number of Shares that are tendered by a Participant or withheld by the Company to pay the exercise price of an Award or to satisfy the Participant's tax withholding obligations in connection with the exercise or settlement of an Award and (ii) all of the Shares covered by a stock-settled Stock Appreciation Right to the extent exercised, will not be added back to the Plan Limit. In addition, for purposes of determining the number of Shares that remain available for issuance under the Plan, the number of Shares corresponding to Awards that are both denominated and intended to be settled in Shares under the Plan that are forfeited or cancelled or otherwise expire for any reason without having been exercised or settled or that is settled through issuance of consideration other than Shares (including, without limitation, cash) shall be added back to the Plan Limit and again be available for the grant of Awards; *provided, however*, that this provision shall not be applicable with respect to (i) the cancellation of a Stock Appreciation Right granted in tandem with an Option upon the exercise of the Option or (ii) the cancellation of an Option granted in tandem with a Stock Appreciation Right upon the exercise of the Stock Appreciation Right.

(c) *Special Limits.* Anything to the contrary in Section 5(a) above notwithstanding, but subject to adjustment under Sections 5(b) and 13 of the Plan, the following special limits shall apply to Shares available for Awards under the Plan:

(i) the maximum number of Shares that may be issued pursuant to awards of Restricted Stock, Restricted Stock Units, Performance Stock, Performance Share Units and Other Awards that are payable in Shares granted under the Plan shall equal 1,500,000 Shares in the aggregate.

(ii) the maximum number of Shares that may be made subject to Options and Stock Appreciation Rights granted to any Eligible Individual in any calendar year shall equal 200,000 Shares, and if any Option or Stock Appreciation Right is forfeited, cancelled or otherwise expires for any reason without having been exercised, the Shares subject to such Option or Stock Appreciation Right shall be included in the determination of the aggregate number of Shares issued to such employee under the Plan.

(iii) the maximum amount of Awards (other than those Awards set forth in Section 5(c)(ii)) that may be (1) awarded to any Eligible Individual in any calendar year (with respect to Awards settled in Shares) is 200,000 Shares measured as of the date of grant, or (2) paid to any Eligible Individual in any calendar year (with respect to Awards settled in cash) is \$15 million; and

(iv) A maximum of five percent (5%) of the aggregate number of Shares available for issuance under the Plan may be issued as Restricted Stock, Restricted Stock Units, Performance Stock, or Performance Share Units, having no minimum vesting period as specified in Sections 8(a) and 10(a).

(d) Any Shares underlying Substitute Awards shall not be counted against the number of Shares remaining for issuance and shall not be subject to Section 5(c).

## 6. Awards in General

(a) *Types of Awards.* Awards under the Plan may consist of Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Performance Stock, Performance Share Units and Other Awards. Any Award described in Sections 7 through 11 of the Plan may be granted singly or in combination or tandem with any other Award, as the Committee may determine. Awards under the Plan may be made in combination with, in replacement of, or as alternatives to awards or rights under any other compensation or benefit plan of the Company, including the plan of any acquired entity.

(b) *Terms Set Forth in Award Document.* The terms and conditions of each Award shall be set forth in an Award Document in a form approved by the Committee for such Award, which Award Document shall contain terms and conditions not inconsistent with the Plan. Notwithstanding the foregoing, and subject to applicable laws, the Committee may accelerate (i) the vesting or payment of any Award, (ii) the lapse of restrictions on any Award or (iii) the date on which any Award first becomes exercisable. The Committee shall exercise this discretion only in the event of death, disability, Change of Control, retirement, or termination without cause. If an Award is subject to Section 409A of the Code, or if an Award is intended to qualify as “performance-based compensation” for purposes of Section 409A or Section 162(m) of the Code, the Committee shall have discretion to alter the terms of the Award only to the extent that the alteration would not cause the Award to fail to satisfy the requirements of Section 409A or the “performance-based compensation” exemption under Section 162(m), respectively. The terms of Awards may vary among Participants, and the Plan does not impose upon the Committee any requirement to make Awards subject to uniform terms. Accordingly, the terms of individual Award Documents may vary.

(c) *Termination of Employment.* The Committee shall specify at or after the time of grant of an Award the provisions governing the disposition of an Award in the event of a Participant’s termination of employment with the Company or any of its Subsidiaries. Subject to applicable laws, rules and regulations, in connection with a Participant’s termination of employment, the Committee shall have the discretion to accelerate the vesting, exercisability or settlement of, eliminate the restrictions and conditions applicable to, alter the form of payment, or extend the post-termination exercise period of an outstanding Award. Such provisions may be specified in the applicable Award Document or determined at a subsequent time. If an Award is subject to Section 409A of the Code, or if an Award is intended to qualify as “performance-based compensation” for purposes of Section 409A or Section 162(m) of the Code, the Committee shall have discretion to alter the terms of the Award only to the extent that the alteration would not cause the Award to fail to satisfy the requirements of Section 409A or the “performance-based compensation” exemption under Section 162(m), respectively.

(d) *Change of Control.* (i) The Committee shall have full authority to determine the effect, if any, of a Change of Control of the Company or any Subsidiary on the vesting, exercisability, settlement, payment or lapse of restrictions applicable to an Award, which effect may be specified in the applicable Award Document or determined at a subsequent time. Subject to applicable laws, rules and regulations, the Board or the Committee shall, at any time prior to, coincident with or after the effective time of a Change of Control, take such actions as it may consider appropriate, including, without limitation: (A) providing for the acceleration of any vesting conditions relating to the exercise or settlement of an Award or that an Award shall terminate or expire unless exercised or settled in full on or before a date fixed by the Committee; (B) making such adjustments to the Awards then outstanding as the Committee deems appropriate to reflect such Change of Control; (C) causing the Awards then outstanding to be assumed, or new rights substituted therefor, by the surviving corporation in such Change of Control; or (D) permitting or requiring Participants to surrender outstanding Options and Stock Appreciation Rights in exchange for a cash payment equal to the difference, if any, between the highest price paid for a Share in the Change of Control transaction and the Exercise Price of the Award. If an Award is subject to Section 409A of the Code, the Committee shall have discretion to alter the terms of the Award only to the extent that the alteration would not cause the Award to fail to satisfy the requirements of Section 409A. In addition, except as otherwise specified in an Award Document (or a Participant’s written employment agreement with the Company or any Subsidiary):

(1) any and all Options and Stock Appreciation Rights outstanding as of the effective date of the Change of Control shall

become immediately exercisable;

(2) any restrictions imposed on Restricted Stock and Restricted Stock Units outstanding as of the effective date of the Change of Control shall lapse;

(3) the Performance Targets with respect to all Performance Share Units, Performance Stock and other performance-based Awards granted pursuant to Sections 6(g) or 10 outstanding as of the effective date of the Change of Control shall be deemed to have been attained at the specified target level of performance;

(4) the vesting of all Awards denominated in Shares outstanding as of the effective date of the Change of Control shall be accelerated; and

(5) any Award that became earned or vested as a result of the Change in Control shall be paid in full within 30 days after the vesting date (unless the payment would constitute an impermissible acceleration of a distribution that is subject to Section 409A of the Code, in which case the payment shall be made on the original distribution date).

(ii) Subject to applicable laws, rules and regulations, the Committee may provide, in an Award Document or subsequent to the grant of an Award for the accelerated vesting, exercisability and/or the deemed attainment of a Performance Target with respect to an Award upon specified events similar to a Change of Control.

(iii) Notwithstanding any other provision of the Plan or any Award Document, the provisions of this Section 6(d) may not be terminated, amended, or modified upon or after a Change of Control in a manner that would adversely affect a Participant's rights with respect to an outstanding Award without the prior written consent of the Participant. Subject to Section 16, the Board, upon recommendation of the Committee, may terminate, amend or modify this Section 6(d) at any time and from time to time prior to a Change of Control.

(e) *Dividends and Dividend Equivalents* . The Committee may provide Participants with the right to receive dividends or payments equivalent to dividends or interest with respect to an outstanding Award, which payments can either be paid currently or deemed to have been reinvested in Shares, and can be made in Shares, cash or a combination thereof, as the Committee shall determine; *provided, however*, that the terms of any payment or reinvestment of dividends (including the time and form in which reinvested dividends will be paid to the Participant) must be specified in the Award Document when the Award is granted and must comply with all applicable laws, rules and regulations, including, without limitation, Section 409A of the Code. Dividends or dividend equivalents that are paid currently with respect to any non-vested Award generally shall be paid at the same time as dividends are paid to the Company's shareholders, and in no event later than 2½ months after the end of the year in which the dividend record date falls. Dividends or dividend equivalents that are reinvested with respect to any non-vested Award shall vest and be paid out at the same time and under the same conditions as the underlying Award. Notwithstanding the foregoing, no dividends or dividend equivalents shall be paid with respect to Options or Stock Appreciation Rights.

(f) *Rights of a Stockholder* . A Participant shall have no rights as a stockholder with respect to Shares covered by an Award (including voting rights) until the date the Participant or his or her nominee becomes the holder of record of such Shares. No adjustment shall be made for dividends or other rights for which the record date is prior to such date, except as provided in Section 13.

(g) *Performance-Based Awards* . (i) The Committee may determine whether any Award (or portion of an Award) under the Plan is intended to be "performance-based compensation" as that term is used in Section 162(m) of the Code. Any such Awards (or portions of Awards) designated to be "performance-based compensation" shall be conditioned on the achievement of one or more Performance Targets to the extent required by Section 162(m) of the Code and will be subject to all other conditions and requirements of Section 162(m). The Performance Targets will consist of specified levels of one or more of the following performance criteria as the Committee deems appropriate: operating cash flows from continuing operations, operating working capital, free cash flow, revenues, segment profit, corporate expenses, special charges, gain (loss) on sale of business, income from continuing operations, net income, EBITDA—earnings before interest, taxes, depreciation and amortization, EBIT—earnings before interest and taxes, EPS—earnings per share, as adjusted EPS, ROA - return on assets, ROS—return on sales, ROE—return on equity, ROIC—return on invested capital, WACC—weighted average cost of capital, total shareholder return, stock price appreciation, growth in managed assets, organic growth, cost performance, net cost reductions, inventory turns, selling and administrative expense as a percentage of sales, days sales outstanding, ratio of income to fixed charges, segment profit margins, total profit margin, EVA—economic value added, intrinsic value and effective income tax rate, in each case determined in accordance with generally accepted accounting principles (subject to modifications approved by the Committee) consistently applied on a business unit, divisional, subsidiary or consolidated basis or any combination thereof. The Performance Targets may be described in terms of objectives that are related to the individual Participant or objectives that are Company-wide or related to a Subsidiary, division, department, region, function or business unit and may be measured on an absolute or cumulative basis or on the basis of percentage of improvement over time, and may be measured in terms of Company performance (or performance of the applicable Subsidiary, division, department, region, function or business unit) or measured relative to selected peer companies or a market index. In addition, for Awards or portions of Awards not intended to qualify as "performance-based compensation" under Section 162(m) of the Code, the Committee may establish Performance Targets based on other criteria as it deems appropriate.

(ii) The Participants will be designated, and the applicable Performance Targets will be established, by the Committee within ninety (90) days following the commencement of the applicable Performance Period (or such earlier or later date permitted or required by Section 162(m) of the Code). Each Participant will be assigned a Target Number payable if Performance Targets are achieved. Any payment of an Award granted with Performance Targets shall be conditioned on the written certification of the Committee in each case that the Performance Targets and any other material conditions were satisfied. The Committee may determine, at the time of Award grant and to the extent permitted by Code Section 162(m) and the regulations and interpretive rulings thereunder, that if performance exceeds the specified Performance Targets, the Award may be settled with payment greater than the Target Number, but in no event may such

payment exceed the limits set forth in Section 5(c). Similarly, the Committee may establish a payment that is below the Target Number but above a threshold level of payment if performance is below established Performance Targets. The Committee retains the right to reduce any Award notwithstanding the attainment of the Performance Targets. Notwithstanding the above, for any Award or portion of an Award designated to be “performance-based compensation” under Section 162(m) of the Code, the Committee does not retain any right to increase any amount otherwise determined under the provisions of the Plan and the Award.

(h) *Deferrals* . All Awards that are subject to a substantial risk of forfeiture when granted shall be paid to the Participant in a lump sum (in cash, Shares, or a combination of the two) no later than the end of the year in which the Award vests (or, if later, by the 15th day of the third calendar month after the Award vests), unless the Participant has made a valid election under a deferred compensation plan sponsored by the Company to defer all or part of the Award. No deferral opportunity shall exist with respect to an Award unless explicitly permitted by the Committee at the time of grant. No Option or Stock Appreciation Right shall include a right to defer gain upon exercise or any other deferral feature.

(i) *Repricing of Options and Stock Appreciation Rights* . Notwithstanding anything in the Plan to the contrary, except as may be specifically authorized by the Company’s shareholders, an Option or Stock Appreciation Right shall not be granted in substitution for a previously granted Option or Stock Appreciation Right being canceled or surrendered as a condition of receiving a new Award, if the new Award would have a lower exercise price than the Award it replaces, nor shall the exercise price of an Option or Stock Appreciation Right be reduced once the Option or Stock Appreciation Right is granted. The foregoing shall not (i) prevent adjustments pursuant to Section 13 or (ii) apply to grants of Substitute Awards.

## 7. Terms and Conditions of Options

(a) *General* . The Committee, in its discretion, may grant Options to Eligible Individuals and shall determine whether such Options shall be Incentive Stock Options or Nonqualified Stock Options. Each Option shall be evidenced by an Award Document that shall expressly identify the Option as an Incentive Stock Option or Nonqualified Stock Option, and be in such form and contain such provisions as the Committee shall from time to time deem appropriate.

(b) *Exercise Price* . The exercise price of an Option shall be fixed by the Committee at the time of grant or shall be determined by a method specified by the Committee at the time of grant. In no event shall the exercise price of an Option be less than one hundred percent (100%) of the Fair Market Value of a Share on the date of grant; *provided, however* that the exercise price of a Substitute Award granted as an Option shall be determined in accordance with Section 409A of the Code and, with respect to Incentive Stock Options, Section 424 of the Code and may be less than one hundred percent (100%) of the Fair Market Value.

(c) *Term* . An Option shall be effective for such term as shall be determined by the Committee and as set forth in the Award Document relating to such Option, and the Committee may extend the term of an Option after the time of grant; *provided, however*, that the term of an Option may in no event extend beyond the tenth (10<sup>th</sup>) anniversary of the date of grant of such Option.

(d) *Exercise; Payment of Exercise Price* . Options shall be exercised by delivery of a notice of exercise in a form approved by the Company. Subject to the provisions of the applicable Award Document, the exercise price of an Option may be paid (i) in cash or cash equivalents, (ii) by actual delivery or attestation to ownership of freely transferable Shares already owned by the person exercising the Option, (iii) by a combination of cash and Shares equal in value to the exercise price, (iv) through net share settlement or similar procedure involving the withholding of Shares subject to the Option with a value equal to the exercise price or (v) by such other means as the Committee may authorize. In accordance with the rules and procedures authorized by the Committee for this purpose, the Option may also be exercised through a “cashless exercise” procedure authorized by the Committee from time to time that permits Participants to exercise Options by delivering irrevocable instructions to a broker to deliver promptly to the Company the amount necessary to pay the exercise price and the amount of any required tax or other withholding obligations or such other procedures determined by the Company from time to time.

(e) *Incentive Stock Options* . The exercise price per Share of an Incentive Stock Option shall be fixed by the Committee at the time of grant or shall be determined by a method specified by the Committee at the time of grant, but in no event shall the exercise price of an Incentive Stock Option be less than one hundred percent (100%) of the Fair Market Value of a Share on the date of grant. No Incentive Stock Option may be issued pursuant to the Plan to any individual who, at the time the Incentive Stock Option is granted, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries, unless (i) the exercise price determined as of the date of grant is at least one hundred ten percent (110%) of the Fair Market Value on the date of grant of the Shares subject to such Incentive Stock Option and (ii) the Incentive Stock Option is not exercisable more than five (5) years from the date of grant thereof. No Participant shall be granted any Incentive Stock Option which would result in such Participant receiving a grant of Incentive Stock Options that would have an aggregate Fair Market Value in excess of one hundred thousand dollars (\$100,000), determined as of the time of grant, that would be exercisable for the first time by such Participant during any calendar year. No Incentive Stock Option may be granted under the Plan after February 28, 2017, the tenth (10<sup>th</sup>) anniversary of the date on which the Plan was adopted by the Board. The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision thereto, as amended from time to time.

## 8. Terms and Conditions of Restricted Stock and Restricted Stock Units

(a) *Minimum Vesting Provisions* . Restricted Stock or Restricted Stock Units settled in Shares that are granted without any other performance-based qualification criteria other than the Participant’s continued service shall have a minimum period of restriction of three (3) years. Performance-based grants shall feature a minimum period of restriction of one (1) year.

(b) *Restricted Stock* . The Committee, in its discretion, may grant Restricted Stock to Eligible Individuals. An Award of Restricted



Stock shall consist of one or more Shares granted to an Eligible Individual, and shall be subject to the terms, conditions and restrictions set forth in the Plan and established by the Committee in connection with the Award and specified in the applicable Award Document. Restricted Stock may, among other things, be subject to restrictions on transferability, vesting requirements or other specified circumstances under which it may be canceled.

(c) *Restricted Stock Units.* The Committee, in its discretion, may grant Restricted Stock Units to Eligible Individuals. A Restricted Stock Unit shall entitle a Participant to receive, subject to the terms, conditions and restrictions set forth in the Plan and the applicable Award Document, one or more Shares. Restricted Stock Units may, among other things, be subject to restrictions on transferability, vesting requirements or other specified circumstances under which they may be canceled. If and when the cancellation provisions lapse, the Restricted Stock Units shall become Shares owned by the applicable Participant or, at the sole discretion of the Committee, cash, or a combination of cash and Shares, with a value equal to the Fair Market Value of the Shares at the time of payment.

## 9. Stock Appreciation Rights

(a) *General.* The Committee, in its discretion, may grant Stock Appreciation Rights to Eligible Individuals. A Stock Appreciation Right shall entitle a Participant to receive, upon satisfaction of the conditions to payment specified in the applicable Award Document, an amount equal to the excess, if any, of the Fair Market Value on the exercise date of the number of Shares for which the Stock Appreciation Right is exercised over the grant price for such Stock Appreciation Right specified in the applicable Award Document. The grant price per share of Shares covered by a Stock Appreciation Right shall be fixed by the Committee at the time of grant or, alternatively, shall be determined by a method specified by the Committee at the time of grant, but in no event shall the grant price of a Stock Appreciation Right be less than one hundred percent (100%) of the Fair Market Value of a Share on the date of grant; *provided, however*, that the grant price of a Substitute Award granted as a Stock Appreciation Rights shall be in accordance with Section 409A of the Code and may be less than one hundred percent (100%) of the Fair Market Value. Payments to a Participant upon exercise of a Stock Appreciation Right may be made in cash or Shares, or a combination of cash and Shares having an aggregate Fair Market Value as of the date of exercise equal to the excess, if any, of the Fair Market Value on the exercise date of the number of Shares for which the Stock Appreciation Right is exercised over the grant price for such Stock Appreciation Right. The term of a Stock Appreciation Right settled in Shares shall not exceed ten (10) years.

(b) *Stock Appreciation Rights in Tandem with Options.* A Stock Appreciation Right granted in tandem with an Option may be granted either at the same time as such Option or subsequent thereto. If granted in tandem with an Option, a Stock Appreciation Right shall cover the same number of Shares as covered by the Option (or such lesser number of Shares as the Committee may determine) and shall be exercisable only at such time or times and to the extent the related Option shall be exercisable, and shall have the same term as the related Option. The grant price of a Stock Appreciation Right granted in tandem with an Option shall equal the per-share exercise price of the Option to which it relates. Upon exercise of a Stock Appreciation Right granted in tandem with an Option, the related Option shall be canceled automatically to the extent of the number of Shares covered by such exercise; conversely, if the related Option is exercised as to some or all of the Shares covered by the tandem grant, the tandem Stock Appreciation Right shall be canceled automatically to the extent of the number of Shares covered by the Option exercise.

## 10. Terms and Conditions of Performance Stock and Performance Share Units

(a) *Minimum Vesting Provisions.* Performance Stock or Performance Share Units shall feature a minimum period of restriction of one (1) year.

(b) *Performance Stock.* The Committee may grant Performance Stock to Eligible Individuals. An Award of Performance Stock shall consist of a Target Number of Shares granted to an Eligible Individual based on the achievement of Performance Targets over the applicable Performance Period, and shall be subject to the terms, conditions and restrictions set forth in the Plan and established by the Committee in connection with the Award and specified in the applicable Award Document.

(c) *Performance Share Units.* The Committee, in its discretion, may grant Performance Share Units to Eligible Individuals. A Performance Share Unit shall entitle a Participant to receive, subject to the terms, conditions and restrictions set forth in the Plan and established by the Committee in connection with the Award and specified in the applicable Award Document, a Target Number of Shares or cash based upon the achievement of Performance Targets over the applicable Performance Period. At the sole discretion of the Committee, Performance Share Units shall be settled through the delivery of Shares or cash, or a combination of Shares and cash.

## 11. Other Awards

The Committee shall have the authority to specify the terms and provisions of other forms of equity- or cash-based Awards not described above that the Committee determines to be consistent with the purpose of the Plan and the interests of the Company, which Awards may provide for cash payments or settlement in Shares. To the extent that any such Awards which constitute “full value” awards are to be settled in Shares and are performance-based, the minimum period of restriction shall be one (1) year. Awards which constitute “full value” awards and are to be settled in Shares that have no performance-based criteria other than the Participant’s continued service shall have a minimum period of restriction of three (3) years.

## 12. Certain Restrictions

(a) *Transfers.* No Award shall be transferable other than pursuant to a beneficiary designation under Section 12(c), by last will and testament or by the laws of descent and distribution or, except in the case of an Incentive Stock Option, pursuant to a domestic relations order, as the case may be; *provided, however*, that the Committee may, subject to applicable laws, rules and regulations and such terms and conditions as it shall specify, permit the transfer of an Award, other than an Incentive Stock Option, for no consideration to a Permitted Transferee. Any

Award transferred to a Permitted Transferee shall be further transferable only by last will and testament or the laws of descent and distribution or, for no consideration, to another Permitted Transferee of the Participant.

(b) *Award Exercisable Only by Participant.* During the lifetime of a Participant, an Award shall be exercisable only by the Participant or by a Permitted Transferee to whom such Award has been transferred in accordance with Section 12(a) above. The grant of an Award shall impose no obligation on a Participant to exercise or settle the Award.

(c) *Beneficiary Designation.* The beneficiary or beneficiaries of the Participant to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit shall be determined under the Company's Group Life Insurance Plan. A Participant may, from time to time, name any beneficiary or beneficiaries to receive any benefit in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, including the beneficiary designated under the Company's Group Life Insurance Plan, and will be effective only when filed by the Participant in writing (in such form or manner as may be prescribed by the Committee) with the Company during the Participant's lifetime. In the absence of a valid designation under the Company's Group Life Insurance Plan or otherwise, if no validly designated beneficiary survives the Participant or if each surviving validly designated beneficiary is legally impaired or prohibited from receiving the benefits under an Award, the Participant's beneficiary shall be the Participant's estate.

### **13. Recapitalization or Reorganization**

(a) *Authority of the Company and Stockholders.* The existence of the Plan, the Award Documents and the Awards granted hereunder shall not affect or restrict in any way the right or power of the Company or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or business, any merger or consolidation of the Company, any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Shares or the rights thereof or which are convertible into or exchangeable for Shares, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(b) *Change in Capitalization.* Notwithstanding any provision of the Plan or any Award Document, the number and kind of Shares authorized for issuance under Section 5 of the Plan, including the maximum number of Shares available under the special limits provided for in Section 5(c), shall be equitably adjusted in the sole discretion of the Committee in the event of a stock split, reverse stock split, stock dividend, recapitalization, reorganization, partial or complete liquidation, reclassification, merger, consolidation, separation, extraordinary cash dividend, split-up, spin-off, combination, exchange of Shares, warrants or rights offering to purchase Shares at a price substantially below Fair Market Value, or any other corporate event or distribution of stock or property of the Company affecting the Shares in order to preserve, but not increase, the benefits or potential benefits intended to be made available under the Plan. In addition, upon the occurrence of any of the foregoing events, the number and kind of Shares subject to any outstanding Award and the exercise price per Share (or the grant price per Share, as the case may be), if any, under any outstanding Award shall be equitably adjusted (including by payment of cash to a Participant) in the sole discretion of the Committee in order to preserve the benefits or potential benefits intended to be made available to Participants. Such adjustments shall be made by the Committee. Unless otherwise determined by the Committee, such adjusted Awards shall be subject to the same restrictions and vesting or settlement schedule to which the underlying Award is subject.

### **14. Term of the Plan**

Unless earlier terminated pursuant to Section 16, the Plan shall terminate on the tenth (10<sup>th</sup>) anniversary of the Effective Date, except with respect to Awards then outstanding. No Awards may be granted under the Plan after the tenth (10<sup>th</sup>) anniversary of the Effective Date. No Incentive Stock Option may be granted under the Plan after February 28, 2017, the tenth (10<sup>th</sup>) anniversary of the date on which the Plan was adopted by the Board. To the extent (but only to the extent) required by Section 162(m) of the Code, no Award that is intended to be "performance-based compensation" under Section 162(m) shall be granted after the first shareholder meeting in 2012 unless the material terms of the performance goal for the Award have been disclosed to and reapproved by shareholders before that date.

### **15. Effective Date**

The Plan shall become effective on the Effective Date.

### **16. Amendment and Termination**

Subject to applicable laws, rules and regulations, the Board may at any time terminate or, from time to time, amend, modify or suspend the Plan; *provided, however*, that no termination, amendment, modification or suspension (i) will be effective without the approval of the stockholders of the Company if such approval is required under applicable laws, rules and regulations, including the rules of NYSE and (ii) shall materially and adversely alter or impair the rights of a Participant in any Award previously made under the Plan without the consent of the holder thereof. Notwithstanding the foregoing, the Board shall have broad authority to amend the Plan or any Award under the Plan without the consent of a Participant to the extent it deems necessary or desirable (a) to comply with, take into account changes in, or interpretations of, applicable tax laws, securities laws, employment laws, accounting rules and other applicable laws, rules and regulations, (b) to take into account unusual or nonrecurring events or market conditions (including, without limitation, the events described in Section 13(b)), or (c) to take into account significant acquisitions or dispositions of assets or other property by the Company.

### **17. Miscellaneous**

(a) *Tax Withholding.* The Company or a Subsidiary, as appropriate, may require any individual entitled to receive a payment of an Award to remit to the Company, prior to payment, an amount sufficient to satisfy any applicable tax withholding requirements. In the case of an Award payable in Shares, the Company or a Subsidiary, as appropriate, may permit or require a Participant to satisfy, in whole or in part, such obligation to remit taxes by the Company withholding Shares that would otherwise be received by such individual or repurchasing Shares that were issued to the Participant to satisfy the (i) minimum statutory withholding rates within the United States, or (ii) in accordance with local tax jurisdictions outside the United States, as applicable, for any applicable tax withholding purposes, in accordance with all applicable laws and pursuant to such rules as the Committee may establish from time to time. The Company or a Subsidiary, as appropriate, shall also have the right to deduct from all cash payments made to a Participant (whether or not such payment is made in connection with an Award) any applicable taxes required to be withheld with respect to such payments.

(b) *No Right to Awards or Employment.* No person shall have any claim or right to receive Awards under the Plan. Neither the Plan, the grant of Awards under the Plan nor any action taken or omitted to be taken under the Plan shall be deemed to create or confer on any Eligible Individual any right to be retained in the employ of the Company or any Subsidiary or other affiliate thereof, or to interfere with or to limit in any way the right of the Company or any Subsidiary or other affiliate thereof to terminate the employment of such Eligible Individual at any time. No Award shall constitute salary or contractual compensation for the year of grant, any later year or any other period of time. Payments received by a Participant under any Award made pursuant to the Plan shall not be included in, nor have any effect on, the determination of employment-related rights or benefits under any other employee benefit plan or similar arrangement provided by the Company and the Subsidiaries, unless otherwise specifically provided for under the terms of such plan or arrangement or by the Committee.

(c) *Securities Law Restrictions.* An Award may not be exercised or settled, and no Shares may be issued in connection with an Award, unless the issuance of such Shares (i) has been registered under the Securities Act of 1933, as amended, (ii) has qualified under applicable state “blue sky” laws (or the Company has determined that an exemption from registration and from qualification under such state “blue sky” laws is available) and (iii) complies with all applicable foreign securities laws. All certificates for Shares delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any exchange upon which the Shares are then listed, and any applicable securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(d) *Section 162(m) of the Code.* The Plan is intended to comply in all respects with Section 162(m) of the Code; *provided, however*, that in the event the Committee determines that compliance with Section 162(m) of the Code is not desired with respect to a particular Award (or portion of an Award), compliance with Section 162(m) of the Code will not be required. In addition, if any provision of this Plan would cause Awards or portions of Awards that are intended to constitute “qualified performance-based compensation” under Section 162(m) of the Code, to fail to so qualify, that provision shall be severed from, and shall be deemed not to be a part of, the Plan, but the other provisions hereof shall remain in full force and effect.

(e) *Section 409A of the Code.* Notwithstanding any contrary provision in the Plan or an Award Document, if any provision of the Plan or an Award Document contravenes any regulations or guidance promulgated under Section 409A of the Code or would cause an Award to be subject to additional taxes, accelerated taxation, interest and/or penalties under Section 409A of the Code, such provision of the Plan or Award Document may be modified by the Committee without the consent of the Participant in any manner the Committee deems reasonable or necessary. In making such modifications the Committee shall attempt, but shall not be obligated, to maintain, to the maximum extent practicable, the original intent of the applicable provision without contravening the provisions of Section 409A of the Code. Moreover, any discretionary authority that the Committee may have pursuant to the Plan shall not be applicable to an Award that is subject to Section 409A of the Code to the extent such discretionary authority would contravene Section 409A of the Code or the guidance promulgated thereunder.

(f) *Awards to Individuals Subject to Laws of a Jurisdiction Outside of the United States.* To the extent that Awards under the Plan are awarded to Eligible Individuals who are domiciled or reside outside of the United States or to persons who are domiciled or reside in the United States but who are subject to the tax laws of a jurisdiction outside of the United States, the Committee may adjust the terms of the Awards granted hereunder to such person (i) to comply with the laws, rules and regulations of such jurisdiction and (ii) to permit the grant of the Award not to be a taxable event to the Participant. The authority granted under the previous sentence shall include the discretion for the Committee to adopt, on behalf of the Company, one or more sub-plans applicable to separate classes of Eligible Individuals who are subject to the laws of jurisdictions outside of the United States.

(g) *Satisfaction of Obligations.* Subject to applicable law, the Company may apply any cash, Shares, securities or other consideration received upon exercise or settlement of an Award to any obligations a Participant owes to the Company and the Subsidiaries in connection with the Plan or otherwise, including, without limitation, any tax obligations or obligations under a currency facility established in connection with the Plan.

(h) *No Limitation on Corporate Actions.* Nothing contained in the Plan shall be construed to prevent the Company or any Subsidiary from taking any corporate action, whether or not such action would have an adverse effect on any Awards made under the Plan. No Participant, beneficiary or other person shall have any claim against the Company or any Subsidiary as a result of any such action.

(i) *Unfunded Plan.* The Plan is intended to constitute an unfunded plan for incentive compensation. Prior to the issuance of Shares, cash or other form of payment in connection with an Award, nothing contained herein shall give any Participant any rights that are greater than those of a general unsecured creditor of the Company. The Committee may, but is not obligated to, authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Shares with respect to awards hereunder.

(j) *Successors.* All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

(k) *Application of Funds.* The proceeds received by the Company from the sale of Shares pursuant to Awards will be used for general corporate purposes.

(l) *Award Document.* In the event of any conflict or inconsistency between the Plan and any Award Document, the Plan shall govern and the Award Document shall be interpreted to minimize or eliminate any such conflict or inconsistency.

(m) *Headings.* The headings of Sections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Plan.

(n) *Severability.* If any provision of this Plan is held unenforceable, the remainder of the Plan shall continue in full force and effect without regard to such unenforceable provision and shall be applied as though the unenforceable provision were not contained in the Plan.

(o) *Expenses.* The costs and expenses of administering the Plan shall be borne by the Company.

(p) *Jurisdiction, Venue and Governing Law.* Except as to matters of federal law, the Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Rhode Island. Any dispute, controversy or claim arising out of or relating to the Plan or any award under the Plan shall be brought only in a court of competent jurisdiction in the State of Rhode Island, and no other court, agency or tribunal shall have jurisdiction to resolve any such dispute, controversy or claim.

(q) *Compliance with Individual Tax Requirements.* The Plan is intended, and shall be interpreted, to provide compensation that is exempt from Section 409A, or that complies with the applicable requirements of Section 409A. The Company does not warrant that the Plan will comply with Section 409A of the Code with respect to any Participant or with respect to any payment, however. In no event shall the Company; any Subsidiary; any director, officer, or employee of the Company or a Subsidiary; or any member of the Committee be liable for any additional tax, interest, or penalty incurred by a Participant as a result of the Plan's failure to satisfy the requirements of Section 409A of the Code, or as a result of the Plan's failure to satisfy any other requirements of applicable tax laws.

**Notice of Grant of Stock Options  
and Option Agreement**

**Non-Qualified Stock Options**

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«Fname» «Lname»	<b>Option No.:</b>	«NQ_No»
«Addr1»	<b>Plan:</b>	2007
«Addr2»	<b>ID:</b>	«EMPID»
«Addr3»	<b>Location:</b>	«Location»
«City», «State» «Zip»		
«Country»		

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Effective (“Date of Grant”), pursuant to the 2007 Long-Term Incentive Plan (the “Plan”) you have been granted a Non-Qualified Stock Option to buy «NQ\_Shares» shares of Textron Inc. (the “Company”) stock at <price> per share. The total option price of the shares granted is «NQ\_Value» . This grant is subject to the Non-Qualified Stock Option Terms and Conditions (5/2007 version) and the Plan which are available on the Textron Enterprise Intranet and the Stock Option Non-Competition Agreement (5/2007 version) attached hereto.

This Option will become exercisable with respect to the Shares, and will expire on the dates, shown below, subject to earlier expiration or termination as provided in the Terms and Conditions:

Shares	Date Exercisable	Expiration Date
«NQ_Shares_V1»		
«NQ_Shares_V2»		
«NQ_Shares_V3»		
«NQ_Shares»		

By your signature and the Company’s signature below, you and the Company agree that these options are governed by Textron’s Non-Qualified Stock Option Terms and Conditions (5/2007 version) and the Plan which are available on the Textron Enterprise Intranet. In addition, you agree that this grant is subject to the Stock Option Non-Competition Agreement (5/2007 version), which is attached hereto, the terms of which are fully incorporated herein.

**TEXTRON INC.**

By: <u>/s/Frederick K. Butler</u>	Date <u>&lt;date&gt;</u>
-----------------------------------	--------------------------

Agreed by: _____	Date _____
«Fname» «Lname»	

**Please retain a copy of this signed agreement and return the original to your Human Resources Department within 60 days of receipt of this grant.**

**TEXTRON INC.  
TEXTRON 2007 LONG-TERM INCENTIVE PLAN  
NON-QUALIFIED STOCK OPTION TERMS AND CONDITIONS**

(5/2007)

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1. *Grant of Options* . Pursuant to instructions of the Organization and Compensation Committee (the "Committee") of the Board and pursuant to the 2007 Long-Term Incentive Plan (the "Plan"), Textron has granted to Optionee the right and option (the "Option") to purchase all or any part of the number of shares of Common Stock (the "Option Shares") set forth on the applicable Notice of Grant signed by Textron and Optionee (the "Notice of Grant") on the terms and conditions herein set forth.

2. *Purchase Price*. The purchase price of the Option Shares shall be the price set forth on the Notice of Grant, which is the fair market value of a share of Common Stock on the Date of Grant.

3. *Term of Option and Period of Exercise* . The Option shall expire on the date set forth on the Notice of Grant (ten years from the Date of Grant), subject to earlier expiration or termination as hereinafter provided. Except as provided in Section 6(c) or (d) or Section 9 hereof, the Option may not be exercised for one year from the Date of Grant; after one year from the Date of Grant, the Option may be exercised for up to one-third of the Option Shares; after two years from the Date of Grant, the Option may be exercised for up to two-thirds of the Option Shares; and after three years from the Date of Grant, the Option may be exercised as to all remaining Option Shares. The Option shall not be exercisable for less than 50 Option Shares (or the remaining number of Option Shares if that number is less than 50) or after it shall have expired or terminated.

4. *Exercise of Option* .

(a) Subject to these terms and conditions and the Stock Option Non-Competition Agreement entered into in consideration of this Option, the Option may be exercised by written notice to Textron, at its principal office, at 40 Westminster Street, Providence, Rhode Island 02903, Attention: Stock Plan Lead, Executive Rewards. Such notice shall state the election to exercise the Option and the number of Option Shares in respect of which it is being exercised, and shall be signed by the person or person so exercising the Option. Such notice shall be accompanied by payment of the full purchase price of said Option Shares, upon the receipt of which Textron shall issue and deliver as soon as practicable a certificate or certificates representing said Option Shares. The certificate or certificates for said Option Shares shall be registered in the name of the person or persons so exercising the Option (or, if the Option shall be exercised by Optionee and if Optionee shall so request in the notice exercising the Option, shall be registered in the name of Optionee and another person jointly, with right of survivorship) and shall be delivered as aforesaid to or upon the written order of the person or persons exercising the Option. During the life of the optionee, an option shall be exercisable only by the optionee or by the optionee's guardian or legal representative. In the event the Option is being exercised pursuant to Section 6(d) by any person or persons other than Optionee, the notice shall be accompanied by appropriate proof of the right of such person or persons to exercise the Option. All Option Shares issued as provided herein will be fully paid and nonassessable. Textron shall pay all original issue taxes, if any, with respect to the issuance thereof.

(b) The purchase price of the Option Shares shall be paid in full at the time of exercise at the election of Optionee (1) in cash, (2) by tendering to Textron shares of Common Stock then owned by Optionee having a fair market value equal to such purchase price on the date of exercise or (3) partly in cash and partly in shares of Common Stock valued at fair market value on the date of exercise. To the extent that payment is made in shares of Common Stock, the number of shares shall be determined by dividing the amount of such payment by the fair market value of a share of Common Stock on the date of payment. Except as provided in Section 6, the Option may not be exercised unless Optionee was an optionee of either Textron or a Subsidiary at all times from the Date of Grant through the date of exercise. Optionee shall have no rights as a shareholder of Textron unless and until a certificate for shares of Common Stock shall have been issued to Optionee.

5. *Non-Assignability of Option* . The Option shall not be assignable or transferable by Optionee except by will or the laws of descent and distribution.

6. *Termination of Employment* .

(a) If Optionee's employment with Textron or a Subsidiary shall terminate for cause, all Option(s) held by the Optionee shall expire immediately.

(b) If Optionee's employment with Textron or a Subsidiary shall terminate after Optionee has become eligible for normal or early retirement, and if Section 6(a) does not apply, Optionee shall have the right to exercise the Option within 36 months after termination to the extent the Option is exercisable at the time of exercise. Early Retirement with Textron is defined as attainment of age 60, the completion of 20 years of vesting service, or the attainment of age 55 with the completion of 10 years of vesting service. Normal Retirement with Textron is age 65.

(c) If Optionee's employment with Textron or a Subsidiary shall terminate as a result of Optionee's total disability, Optionee shall have the right to exercise the Option as to all unexercised Option Shares (whether or not the Option was fully exercisable at the time of termination of employment) until the expiration of its term. For purposes of the foregoing sentence, "total disability" shall mean the inability of the executive to engage in any substantial gainful activity due to injury, illness, disease, bodily or mental infirmity which can be expected to result in death or is expected to be permanent. An individual shall not be considered disabled unless Optionee furnishes proof of the existence thereof. Textron may required the existence or non-existence of a disability to be determined by a physician whose selection is mutually agreed upon by the executive (or his or her representatives) and Textron.

(d) If Optionee shall die while employed by Textron or a Subsidiary or while the Option is still exercisable under Section 6(b), (c) or (e), the Option may be exercised as to all unexercised Option Shares (whether or not the Option was fully exercisable at the time of death) within a period of one year from the date of Optionee's death by the executor or administrator of Optionee's estate or by the person or persons to whom Optionee shall have transferred such right by will or by the laws of descent and distribution.

(e) If Optionee's employment with Textron and its related companies shall terminate for any reason not specified in Sections 6(a), (b), (c) or (d), Optionee shall have the right to exercise each Option granted to the Optionee within three months after Optionee's termination (or within such later time, up to 36 months after his or her termination of employment, as the Committee may determine) but, unless otherwise determined by the Committee, only to the extent the Option is exercisable at the time of such termination of employment. In no event, however, shall an option be exercisable under this Section 6(e) for six months from the Date of Grant.

(f) Notwithstanding anything to the contrary in this Section 6, in no event shall the Option be exercisable after the expiration of its term.

7. *No Right to Employment* . Nothing in this document shall confer upon Optionee the right to continue in the employment of Textron or a Subsidiary or affect any right which Textron or a Subsidiary may have to terminate the employment of Optionee.

8. *Corporate Changes* . The number of Option Shares and the purchase price thereof shall both be equitably adjusted in the event of a stock split, stock dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, or any other corporate event affecting the Common Stock, as provided in the Plan, in order to preserve the benefits or potential benefits intended to be made available to the Optionee.

9. *Change in Control* . In the event of a change in control of Textron as defined in Section 2(a) of the Plan, and except as otherwise determined by the Committee prior to the change in control, each unexpired Option shall be exercisable, beginning immediately, as to all remaining Option Shares subject to the Option.

10. *Definition of Certain Terms* . Terms used but not defined herein shall have the meanings set forth in the Plan.

11. *Option Subject to Plan* . The Option is in all respects subject to the terms and conditions of the Plan as in effect from time to time; provided, however, that termination or amendment of the Plan (except amendments as required by technical corrections of the Code) shall not, without the consent of Optionee, adversely affect Optionee's rights under the Option.

12. *Non-Qualified Option* . The Option is a "Non-Qualified Option" as defined in the Plan and not an "incentive stock option" under Section 422A of the Internal Revenue Code of 1986, as it may be amended.

13. *Administration* . Pursuant to Section 3(d) of the Plan, the Board at any time may designate one or more officers or committees of Textron to act in place of the Committee in making certain determinations under the Plan.

14. *Withholding Taxes* . Whenever Textron proposes or is required to issue or transfer Option Shares, Textron shall have the right to withhold or to require the optionee to remit to Textron an amount sufficient to satisfy any Federal, state and local withholding tax requirements. Whenever under the Plan payments by Textron are to be made in cash, such payments shall be net of an amount sufficient to satisfy any Federal, state and local withholding tax requirements.

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

## **TEXTRON INC.**

### **STOCK OPTION NON-COMPETITION AGREEMENT**

(5/2007)

You have been granted a stock option ("Option") pursuant to the Textron 2007 Long-Term Incentive Plan ("the Plan"). Textron grants stock options to attract, retain and reward employees, to increase stock ownership and identification with Textron's interests, and to provide incentive for remaining with and enhancing the value of Textron over the long-term. In consideration for granting this Option to you, please acknowledge that you have read and agree to this Stock Option Non-Competition Agreement by signing the attached Notice of Grant of Stock Options and Option Agreement.

## Agreement regarding Your Stock Option Grant

### 1. Forfeiture of unexercised options and required repayment if you engage in certain competitive activities

If at any time during the term of this Option while you are a Company employee, or within two years after the termination of your employment, you do any of the following activities:

- (a) engage in any business which competes with the Company's business (as defined in Paragraph 2) within the Restricted Territory (as defined in Paragraph 3); or
- (b) solicit customers, business or orders or sell any products and services (i) in competition with the Company's business within the Restricted Territory or (ii) for any business, wherever located, that competes with the Company's business within the Restricted Territory; or
- (c) divert, entice or otherwise take away customers, business or orders of the Company within the Restricted Territory, or attempt to do so; or
- (d) promote or assist, financially or otherwise, any firm, corporation or other entity engaged in any business which competes with the Company's business within the Restricted Territory;

then (i) this Option shall terminate effective the date you enter into such activity, unless terminated sooner by operation of another term or condition of this Option or the Plan and (ii) provided this Option has been held by you for less than 5 years at the time of exercise, you are required to repay Textron an amount equal to any gains realized in any option exercise which occurs on the date beginning 180 days prior to the earlier of (a) your termination of employment or (b) the termination of this Option, or at any time after such date. For purposes of this Agreement, the gain realized shall be equal to the difference between the fair market value of the stock on the date of the exercise and the Option strike price. You will be in violation of Paragraph 1 if you engage in any or all of the activities discussed in this Paragraph directly as an individual or indirectly as an employee, representative, consultant or in any other capacity on behalf of any firm, corporation or other entity.

### 2. Company's business – defined

For the purpose of this Agreement:

- (a) the Company shall include Textron and all subsidiary, affiliated or related companies or operations of Textron, and
- (b) the Company's business shall include the products manufactured, marketed and sold and/or the services provided by any operation of the Company for which you have worked or to which you were assigned or had responsibility (either direct or supervisory), at the time of the termination of your employment and any time during the two-year period prior to such termination.

### 3. Restricted Territory -- defined

For the purpose of Paragraph 1, the Restricted Territory shall be defined as and limited to:

- (a) the geographic area(s) within a one hundred (100) mile radius of any and all Company location(s) in or for which you have worked or to which you were assigned or had responsibility (either direct or supervisory), at the time of the termination of your employment and at any time during the two-year period prior to such termination; and
- (b) all of the specific customer accounts, whether within or outside of the geographic area described in (a) above, with which you have had any contact or for which you have had any responsibility (either direct or supervisory), at the time of termination of your employment and at any time during the two-year period prior to such termination.

### 4. Forfeiture of unexercised options and required repayment if you engage in certain solicitation activities

If either during or any time after your employment with the Company, you directly or indirectly solicit or induce or attempt to solicit or induce any employee(s), sales representative(s), agent(s) or consultant(s) of the Company to terminate their employment, representation or other association with the Company, then (i) this Option shall terminate effective the date you enter into such activity, unless terminated sooner by operation of another term or condition of this Option or the Plan and (ii) provided this Option has been held by you for less than 5 years at the time of exercise, you are required to repay Textron an amount equal to any gains realized in any Option exercise which occurs on the date beginning 180 days prior to the earlier of (a) your termination of employment or (b) the termination of this Option, or at any time after such date. For purposes of this Agreement, the gain realized shall be equal to the difference between the fair market value of the stock on the date of the exercise and the Option exercise price.

### 5. Forfeiture of unexercised options and required repayment if you disclose confidential information

You specifically acknowledge that any trade secrets or confidential business and technical information of the Company or its suppliers or customers, whether reduced to writing, maintained on any form of electronic media, or maintained in your mind or memory and whether compiled by you or the Company, derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from its disclosure or use; that reasonable efforts have been made by the Company to maintain the secrecy of such information; that such information is the sole property of the Company or its suppliers or customers and that any retention, use or disclosure of such information by you during your employment (except in the course of performing your duties and obligations of employment with the Company) or after termination thereof, shall constitute a misappropriation of the trade secrets of the Company or its suppliers or customers. If, either during or any time after your employment with the Company, you directly or indirectly misappropriate any such trade secrets, then (i) this Option shall terminate effective the date you enter into such activity, unless terminated



sooner by operation of another term or condition of this Option or the Plan and (ii) provided this Option has been held by you for less than 5 years at the time of exercise, you are required to repay Textron an amount equal to any gains realized in any Option exercise which occurs on the date beginning 180 days prior to the earlier of (a) your termination of employment or (b) the termination of this Option, or at any time after such date. For purposes of this Agreement, the gain realized shall be equal to the difference between the fair market value of the stock on the date of the exercise and the Option exercise price.

**6. Organization and Compensation Committee Discretion**

You may be released from your obligations under Paragraph 1, 4 and 5 above only if the Organization and Compensation Committee of the Board of Directors (or its duly appointed agent) determines in its sole discretion that such action is in the best interests of Textron.

**7. Severability**

The parties agree that each provision contained in this Agreement shall be treated as a separate and independent clause, and the unenforceability of any one clause shall in no way impair the enforceability of any of the other clauses herein. Moreover, if one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to scope, activity or subject, then such provisions shall be construed by the appropriate judicial body by limiting and reducing it or them, so as to be enforceable to the extent compatible with the applicable law.

**Notice of Grant of Stock Options  
and Option Agreement  
Incentive Stock Options**

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«Fname» «Lname»	<b>Option No.:</b>	«ISO_No»
«Addr1»	<b>Plan:</b>	2007
«Addr2»	<b>ID:</b>	«EMPID»
«City», «State» «Zip»	<b>Location:</b>	«Location»
«Country»		

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Effective (“Date of Grant”), pursuant to the 2007 Long-Term Incentive Plan (the “Plan”) you have been granted an Incentive Stock Option to buy «ISO\_Shares» shares of Textron Inc. (the “Company”) stock at <price> per share. The total option price of the shares granted is «ISO\_Value». This grant is subject to the Incentive Stock Option Terms and Conditions (5/2007 version) and the Plan which are available on the Textron Enterprise Intranet and the Stock Option Non-Competition Agreement (5/2007 version) attached hereto.

This Option will become exercisable with respect to the Shares, and will expire on the dates, shown below, subject to earlier expiration or termination as provided in the Terms and Conditions:

Shares	Date Exercisable	Expiration Date
«ISO_Shares_V1»		
«ISO_Shares_V2»		
«ISO_Shares_V3»		
«ISO_Shares»		

By your signature and the Company’s signature below, you and the Company agree that these options are governed by Textron’s Incentive Stock Option Terms and Conditions (5/2007 version) and the Plan which are available on the Textron Enterprise Intranet. In addition, you agree that this grant is subject to the Stock Option Non-Competition Agreement (5/2007 version), which is attached hereto, the terms of which are fully incorporated herein.

**TEXTRON INC.**

By: <u>/s/Frederick K. Butler</u>		<date>
	«Fname» «Lname»	Date
Agreed by: _____		
	«Fname» «Lname»	Date

**Please retain a copy of this signed agreement and return the original to  
your Human Resources Department within 60 days of receipt of this grant.**

**TEXTRON INC.  
TEXTRON 2007 LONG-TERM INCENTIVE PLAN  
INCENTIVE STOCK OPTION TERMS AND CONDITIONS  
(5/2007)**

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1. *Grant of Options* . Pursuant to instructions of the Organization and Compensation Committee (the "Committee") of the Board and pursuant to the 2007 Long-Term Incentive Plan (the “Plan”), Textron has granted to Optionee the right and option (the "Option") to purchase all or any part of the number of shares of Common Stock (the "Option Shares") set forth on the applicable Notice of Grant signed by

Textron and Optionee (the "Notice of Grant") on the terms and conditions herein set forth.

2. *Purchase Price* . The purchase price of the Option Shares shall be the price set forth on the Notice of Grant, which is the fair market value of a share of Common Stock on the Date of Grant.

3. *Term of Option and Period of Exercise* . The Option shall expire on the date set forth on the Notice of Grant (ten years from the Date of Grant), subject to earlier expiration or termination as hereinafter provided. Except as provided in Section 6(c) or (d) or Section 9 hereof, the Option may not be exercised for one year from the Date of Grant; after one year from the Date of Grant, the Option may be exercised for up to one-third of the Option Shares; after two years from the Date of Grant, the Option may be exercised for up to two-thirds of the Option Shares; and after three years from the Date of Grant, the Option may be exercised as to all remaining Option Shares. The Option shall not be exercisable for less than 50 Option Shares (or the remaining number of Option Shares if that number is less than 50) or after it shall have expired or terminated.

4. *Exercise of Option* .

(a) Subject to these terms and conditions and the Stock Option Non-Competition Agreement entered into in consideration of this Option, the Option may be exercised by written notice to Textron, at its principal office, at 40 Westminster Street, Providence, Rhode Island 02903, Attention: Stock Plan Lead, Executive Rewards. Such notice shall state the election to exercise the Option and the number of Option Shares in respect of which it is being exercised, and shall be signed by the person or persons so exercising the Option. Such notice shall be accompanied by payment of the full purchase price of said Option Shares, upon the receipt of which Textron shall issue and deliver as soon as practicable a certificate or certificates representing said Option Shares. The certificate or certificates for said Option Shares shall be registered in the name of the person or persons so exercising the Option (or, if the Option shall be exercised by Optionee and if Optionee shall so request in the notice exercising the Option, shall be registered in the name of Optionee and another person jointly, with right of survivorship) and shall be delivered as aforesaid to or upon the written order of the person or persons exercising the Option. During the life of the optionee, an option shall be exercisable only by the optionee or by the optionee's guardian or legal representative. In the event the Option is being exercised pursuant to Section 6(d) by any person or persons other than Optionee, the notice shall be accompanied by appropriate proof of the right of such person or persons to exercise the Option. All Option Shares issued as provided herein will be fully paid and nonassessable. Textron shall pay all original issue taxes, if any, with respect to the issuance thereof.

(b) The purchase price of the Option Shares shall be paid in full at the time of exercise at the election of Optionee (1) in cash, (2) by tendering to Textron shares of Common Stock then owned by Optionee having a fair market value equal to such purchase price on the date of exercise or (3) partly in cash and partly in shares of Common Stock valued at fair market value on the date of exercise. To the extent that payment is made in shares of Common Stock, the number of shares shall be determined by dividing the amount of such payment by the fair market value of a share of Common Stock on the date of payment. Except as provided in Section 6, the Option may not be exercised unless Optionee was an employee of either Textron or a Subsidiary at all times from the Date of Grant through the date of exercise. Optionee shall have no rights as a shareholder of Textron unless and until a certificate for shares of Common Stock shall have been issued to Optionee.

5. *Non-Assignability of Option* . The Option shall not be assignable or transferable by Optionee except by will or the laws of descent and distribution.

6. *Termination of Employment* .

(a) If Optionee's employment with Textron or a Subsidiary shall terminate for cause, all Option(s) held by the optionee shall expire immediately.

(b) If Optionee's employment with Textron or a Subsidiary shall terminate after Optionee has become eligible for normal or early retirement, and if Section 6(a) does not apply, Optionee shall have the right to exercise the Option within 36 months after termination to the extent the Option is exercisable at the time of exercise. Early Retirement with Textron is defined as attainment of age 60, the completion of 20 years of vesting service, or the attainment of age 55 with the completion of 10 years of vesting service. Normal Retirement with Textron is age 65.

(c) If Optionee's employment with Textron or a Subsidiary shall terminate as a result of Optionee's total disability, Optionee shall have the right to exercise the Option as to all unexercised Option Shares (whether or not the Option was fully exercisable at the time of termination of employment) until the expiration of its term. For purposes of the foregoing sentence, "total disability" shall mean the inability of the executive to engage in any substantial gainful activity due to injury, illness, disease, bodily or mental infirmity which is expected to be permanent. An individual shall not be considered disabled unless Optionee furnishes proof of the existence thereof. Textron may require the existence or non-existence of a disability to be determined by a physician whose selection is mutually agreed upon by the executive (or his or her representatives) and Textron.

(d) If Optionee shall die while employed by Textron or a Subsidiary or while the Option is still exercisable under Sections 6(b), (c) or (e), the Option may be exercised as to all unexercised Option Shares (whether or not the Option was fully exercisable at the time of termination of employment) within a period of one year from the date of Optionee's death by the executor or administrator of Optionee's estate or by the person or persons to whom Optionee shall have transferred such right by will or by the laws of descent and distribution.

(e) If Optionee's employment with Textron and its related companies shall terminate for any reason not specified in Sections 6 (a), (b), (c) or (d), Optionee shall have the right to exercise each Option granted to the optionee within three months after Optionee's termination (or within such later time, up to 36 months after his or her termination of employment, as the Committee may determine) but, unless otherwise determined by the Committee, only to the extent the Option is exercisable at the time of such termination of employment. In no event, however,

shall an option be exercisable under this Section 6(e) for six months from the Date of Grant.

(f) Notwithstanding anything to the contrary in this Section 6, in no event shall the Option be exercisable after the expiration of its term.

(g) **Notwithstanding any longer period provided above for exercise of the Option, to be eligible for treatment as an "incentive stock option" under Section 422A of the Internal Revenue Code of 1986, as it may be amended (the "Code"), the Option must be exercised within three months of Optionee's termination of employment (other than by death or as a result of disability) with Textron or a Subsidiary, and in the case of Optionee's disability (within the meaning of Section 422A(c)(9) of the Code) within one year of such termination. Exercise of the Option after the applicable period specified in the foregoing sentence may result in less favorable tax treatment.**

7. *No Right to Employment* . Nothing in this document shall confer upon Optionee the right to continue in the employment of Textron or a Subsidiary or affect any right which Textron or a Subsidiary may have to terminate the employment of Optionee.

8. *Corporate Changes* . The number of Option Shares and the purchase price thereof shall both be equitably adjusted in the event of a stock split, stock dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, or any other corporate event affecting the Common Stock, as provided in the Plan, in order to preserve the benefits or potential benefits intended to be made available to the Optionee.

9. *Change in Control* . In the event of a change in control as defined in Section 2(a) of the Plan, and except as otherwise determined by the Committee prior to the change in control, each unexpired Option shall be exercisable, beginning immediately, as to all remaining Option Shares subject to the Option.

10. *Definition of Certain Terms* . Terms used herein but not defined shall have the meanings set forth in the Plan.

11. *Option Subject to Plan* . The Option is in all respects subject to the terms and conditions of the Plan as in effect from time to time; provided, however, that termination or amendment of the Plan (except amendments as required by technical corrections of the Code) shall not, without the consent of Optionee, adversely affect Optionee's rights under the Option.

12. *Incentive Stock Option* .

(a) The Option is intended to be an "incentive stock option" under Section 422A of the Code, to the extent provided thereunder.

(b) If Optionee disposes of any Option Shares by sale, exchange, gift or other disposition and described in Section 424(c) of the Code, either (1) within two years after the date of the grant of the Option or (2) within one year of the acquisition of such Option Shares, the Optionee shall notify the Stock Plan Lead, Executive Rewards at Textron's principal office, at 40 Westminster Street, Providence, Rhode Island 02903, of such disposition, the amount realized, the exercise price and the date of exercise of such Option Shares. **Sale or exchange of Option Shares within the periods specified in the foregoing sentence may result in less favorable tax treatment** . Textron shall have the right to withhold from other sums which it may owe to the Optionee, or to accept remittance by the Optionee of sums in lieu of, an amount sufficient to satisfy any Federal, state and local withholding tax requirements relating to such a disposition.

(c) Optionee represents that Optionee does not own stock possessing more than 10 percent of the total combined voting power of all classes of stock of Textron or any Subsidiary.

13. *Administration* . Pursuant to Section 3(d) of the Plan, the Board at any time may designate one or more officers or committees of Textron to act in place of the Committee in making certain determinations under the Plan.

14. *Withholding Taxes* . Whenever Textron proposes or is required to issue or transfer Option Shares, Textron shall have the right to withhold or to require the Optionee to remit to Textron an amount sufficient to satisfy any Federal, state and local withholding tax requirements. Whenever under the plan payments by Textron are to be made in cash, such payments shall be net of an amount sufficient to satisfy any Federal, state and local withholding tax requirements

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

subsidiaries of Textron, and materiality and material adverse impact shall be measured based on the action or inaction and the impact upon, and not the size of, Textron taken as a whole, provided that after a Change in Control, the size of Textron, taken as a whole, shall be a relevant factor in determining materiality and material adverse impact.

## TEXTRON INC.

### STOCK OPTION NON-COMPETITION AGREEMENT

(5/2007)

You have been granted a stock option ("Option") pursuant to the Textron 2007 Long-Term Incentive Plan ("the Plan"). Textron grants stock options to attract, retain and reward employees, to increase stock ownership and identification with Textron's interests, and to provide incentive for remaining with and enhancing the value of Textron over the long-term. In consideration for granting this Option to you, please acknowledge that you have read and agree to this Stock Option Non-Competition Agreement by signing the attached Notice of Grant of Stock Options and Option Agreement.

#### Agreement regarding Your Stock Option Grant

**1. Forfeiture of unexercised options and required repayment if you engage in certain competitive activities**

If at any time during the term of this Option while you are a Company employee, or within two years after the termination of your employment, you do any of the following activities:

- (a) engage in any business which competes with the Company's business (as defined in Paragraph 2) within the Restricted Territory (as defined in Paragraph 3); or
- (b) solicit customers, business or orders or sell any products and services (i) in competition with the Company's business within the Restricted Territory or (ii) for any business, wherever located, that competes with the Company's business within the Restricted Territory; or
- (c) divert, entice or otherwise take away customers, business or orders of the Company within the Restricted Territory, or attempt to do so; or
- (d) promote or assist, financially or otherwise, any firm, corporation or other entity engaged in any business which competes with the Company's business within the Restricted Territory;

then (i) this Option shall terminate effective the date you enter into such activity, unless terminated sooner by operation of another term or condition of this Option or the Plan and (ii) provided this Option has been held by you for less than 5 years at the time of exercise, you are required to repay Textron an amount equal to any gains realized in any option exercise which occurs on the date beginning 180 days prior to the earlier of (a) your termination of employment or (b) the termination of this Option, or at any time after such date. For purposes of this Agreement, the gain realized shall be equal to the difference between the fair market value of the stock on the date of the exercise and the Option strike price. You will be in violation of Paragraph 1 if you engage in any or all of the activities discussed in this Paragraph directly as an individual or indirectly as an employee, representative, consultant or in any other capacity on behalf of any firm, corporation or other entity.

**2. Company's business – defined**

For the purpose of this Agreement:

- (a) the Company shall include Textron and all subsidiary, affiliated or related companies or operations of Textron, and
- (b) the Company's business shall include the products manufactured, marketed and sold and/or the services provided by any operation of the Company for which you have worked or to which you were assigned or had responsibility (either direct or supervisory), at the time of the termination of your employment and any time during the two-year period prior to such termination.

**3. Restricted Territory -- defined**

For the purpose of Paragraph 1, the Restricted Territory shall be defined as and limited to:

- (a) the geographic area(s) within a one hundred (100) mile radius of any and all Company location(s) in or for which you have worked or to which you were assigned or had responsibility (either direct or supervisory), at the time of the termination of your employment and at any time during the two-year period prior to such termination; and
- (b) all of the specific customer accounts, whether within or outside of the geographic area described in (a) above, with which you have had any contact or for which you have had any responsibility (either direct or supervisory), at the time of termination of your employment and at any time during the two-year period prior to such termination.

**4. Forfeiture of unexercised options and required repayment if you engage in certain solicitation activities**

If either during or any time after your employment with the Company, you directly or indirectly solicit or induce or attempt to solicit or induce any employee(s), sales representative(s), agent(s) or consultant(s) of the Company to terminate their employment, representation or other association with the Company, then (i) this Option shall terminate effective the date you enter into such activity, unless terminated

sooner by operation of another term or condition of this Option or the Plan and (ii) provided this Option has been held by you for less than 5 years at the time of exercise, you are required to repay Textron an amount equal to any gains realized in any Option exercise which occurs on the date beginning 180 days prior to the earlier of (a) your termination of employment or (b) the termination of this Option, or at any time after such date. For purposes of this Agreement, the gain realized shall be equal to the difference between the fair market value of the stock on the date of the exercise and the Option exercise price.

**5. Forfeiture of unexercised options and required repayment if you disclose confidential information**

You specifically acknowledge that any trade secrets or confidential business and technical information of the Company or its suppliers or customers, whether reduced to writing, maintained on any form of electronic media, or maintained in your mind or memory and whether compiled by you or the Company, derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from its disclosure or use; that reasonable efforts have been made by the Company to maintain the secrecy of such information; that such information is the sole property of the Company or its suppliers or customers and that any retention, use or disclosure of such information by you during your employment (except in the course of performing your duties and obligations of employment with the Company) or after termination thereof, shall constitute a misappropriation of the trade secrets of the Company or its suppliers or customers. If, either during or any time after your employment with the Company, you directly or indirectly misappropriate any such trade secrets, then (i) this Option shall terminate effective the date you enter into such activity, unless terminated sooner by operation of another term or condition of this Option or the Plan and (ii) provided this Option has been held by you for less than 5 years at the time of exercise, you are required to repay Textron an amount equal to any gains realized in any Option exercise which occurs on the date beginning 180 days prior to the earlier of (a) your termination of employment or (b) the termination of this Option, or at any time after such date. For purposes of this Agreement, the gain realized shall be equal to the difference between the fair market value of the stock on the date of the exercise and the Option exercise price.

**6. Organization and Compensation Committee Discretion**

You may be released from your obligations under Paragraph 1, 4 and 5 above only if the Organization and Compensation Committee of the Board of Directors (or its duly appointed agent) determines in its sole discretion that such action is in the best interests of Textron.

**7. Severability**

The parties agree that each provision contained in this Agreement shall be treated as a separate and independent clause, and the unenforceability of any one clause shall in no way impair the enforceability of any of the other clauses herein. Moreover, if one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to scope, activity or subject, then such provisions shall be construed by the appropriate judicial body by limiting and reducing it or them, so as to be enforceable to the extent compatible with the applicable law.

**Notice of Grant of Restricted Stock Units  
and  
Restricted Stock Unit Agreement**

«Fname» «Lname»  
 «Addr1»  
 «Addr2»  
 «Addr3»  
 «City», «State» «Zip»  
 «Country»

**RS No.:**           «RS\_No»  
**Plan:**                **07RS**  
**ID:**                  «EMPID»  
**Location:**         «Location»

Effective, <date> pursuant to the 2007 Long-Term Incentive Plan (the "Plan") you have been granted <> Restricted Stock Units which constitute the right to receive <> shares (the "Shares") of Common Stock of Textron Inc. This grant is governed by the Restricted Stock Unit Terms and Conditions (5/2007) and the Plan, both of which are available on the Textron Enterprise Intranet and is subject to the Restricted Stock Unit Non-Competition Agreement (5/2007 version) attached hereto.

The Shares will become vested and issuable to you on the dates shown below, subject to earlier expiration or termination of your Restricted Stock Units as provided in the Restricted Stock Unit Terms and Conditions (5/2007):

<b>Shares</b>	<b>Vested Date</b>
«Shares_V1»	
«Shares_V2»	
«Shares_V3»	
«Shares»	

By your signature and the Company's signature below, you and the Company agree that this grant is governed by the Restricted Stock Unit Terms and Conditions (5/2007) and the Plan, both of which are available on the Textron Enterprise Intranet. In addition, you agree that this grant is subject to the Restricted Stock Unit Non-Competition Agreement (5/2007 version) attached hereto, the terms of which are fully incorporated herein.

**TEXTRON INC.**

By:           /s/Frederick K. Butler \_\_\_\_\_

\_\_\_\_\_ <date>

Date

Agreed by: \_\_\_\_\_

«Fname» «Lname»

\_\_\_\_\_

Date

**Please retain a copy of this signed agreement and return the original to  
your Human Resources Department within 60 days of receipt of this grant**

**TEXTRON INC.  
 TEXTRON 2007 LONG-TERM INCENTIVE PLAN  
 RESTRICTED STOCK UNIT TERMS AND CONDITIONS  
 (5/2007A)**

- Pursuant to the 2007 Long-Term Incentive Plan (the "Plan"), Textron has awarded to executive the number of Restricted Stock Units set forth on the applicable Notice of Grant signed by Textron and Grantee on the terms and conditions herein set forth. Each Restricted Stock Unit constitutes the right to receive one share (a "Share") of Common Stock. As the applicable "Period of Restriction" lapses, Textron will issue to the executive that number of Shares less the number of Shares needed to satisfy required statutory withholding. Shares may be issued in the form of a certificate or a notification to the executive that the Shares are held in a book-entry account on the executive's behalf.
- If the executive's employment with Textron shall terminate for "Cause," all Shares which may be issued pursuant to the Restricted Stock Units awarded to the executive that are still subject to the applicable "Period of Restriction" shall be forfeited.
- Except as otherwise provided herein, the executive shall not be entitled to receive Shares if the executive's employment with Textron ends for any reason prior to the end of the Period of Restriction applicable to such Shares, provided that if the executive's employment ends prior to such date and at least three years after the date of grant because of "Disability," death or after the executive has become eligible for "Early or Normal Retirement," the executive or the executive's estate will receive a certificate for a "Pro-Rata Portion" of such Shares.

- Notwithstanding the above, the applicable Period of Restriction for the Shares which may be issued pursuant to this Award shall end immediately upon a “Change in Control” of Textron, as defined in the Plan. In such instance, Textron shall issue the Shares to the executive (or to the executive’s estate in the event of the executive’s death prior to payment) as soon as administratively practical after the Change in Control. Note: Sale of a business unit usually does not constitute a Change in Control as defined in the Plan. If executive’s employment with Textron is involuntarily terminated due to the sale of a business that does not constitute a Change in Control as defined in the Plan, executive’s then-unissued Shares will be forfeited.
- The number of Shares which may be issued pursuant to the Restricted Stock Units awarded to the executive hereunder shall be equitably adjusted in the event of a stock split, stock dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, or any other corporate event affecting the Common Stock, as provided in the Plan, in order to preserve the benefits or potential benefits intended to be made available to the Grantee.
- Nothing in this document shall confer upon the executive the right to continue in the employment of Textron or affect any right that Textron may have to terminate the employment of the executive.
- The Restricted Stock Units shall not be assignable or transferable by the executive. The Shares, once issued to the executive, shall be freely transferable.
- The executive shall not have voting rights nor will the executive qualify for dividends with respect to the Shares which may be issued pursuant to the Restricted Stock Units during the Period of Restriction.
- The Restricted Stock Units shall be subject to the terms and conditions of the Plan in all respects.

## DEFINITIONS

### “Cause”

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

### “Period of Restriction”

For the purposes of this grant, the Period of Restriction means, for any Share which may be issued pursuant to a Restricted Stock Unit, the period prior to the date on which such Share becomes issuable.

### “Early or Normal Retirement”

“Early retirement” with Textron is defined as attainment of age 60 or the completion of 20 years of vesting service or the attainment of age 55 with the completion of 10 years of vesting service. “Normal retirement” with Textron is age 65.

### “Disability”

“Disability”, shall mean, for purposes of this award, the inability of the executive to engage in any substantial gainful activity due to injury, illness, disease, bodily or mental infirmity which can be expected to result in death or is expected to be permanent. An individual shall not be considered disabled unless executive furnishes proof of the existence thereof. Textron may require the existence or non-existence of a disability to be determined by a physician whose selection is mutually agreed upon by the executive (or his or her representatives) and Textron.



### “Pro-Rata Portion”

“Pro-Rata Portion” shall mean the number of complete or partial months of executive’s active service to Textron during the Period of Restriction divided by the number of months in the Period of Restriction. An employee must be employed by Textron for a minimum of three years after the grant date before pro-rata Shares may be issued.

**Example:** On July 16, 2003, an executive was granted 2,500 Restricted Stock Units constituting the right to receive 2,500 Shares to be issued in accordance with the following vesting schedule:

<i>Shares</i>	<i>Vest Dates</i>
834	July 16, 2006
833	July 16, 2007
833	July 16, 2008

The executive terminates employment with Textron on August 30, 2006 after having attained age 55 with the completion of 10 years of vesting service.

Because the executive’s age and years of service qualify as ‘early retirement’ and executive was employed by Textron for three years after the grant date, the executive is eligible for the issuance of a pro-rata portion of the Shares. The number of Shares earned would be calculated as follows:

<i>Vest Date</i>	<i>Shares Issuable</i>		<b>Number of Complete or Partial Months Employed by Textron During the Period of Restriction (1)</b>		<b>Number of Months in the Period of Restriction</b>	=	<b>Pro-Rata Shares</b>
7/16/06	834	X	38	÷	36 (2)		834 shares distributed July 16, 2006
7/16/07	833	X	38	÷	48 (3)		659.4583
7/16/08	833	X	38	÷	60 (4)		527.5666
					Pro-Rata Shares Earned:		<u>1,187.0249*</u>

(1) July 16, 2003 – August 30, 2006 (37 completed plus 1 partial month)

(2) July 16, 2003 – July 16, 2006

(3) July 16, 2003 – July 16, 2007

(4) July 16, 2003 – July 16, 2008

\*Fractional Shares will be paid in cash. For instance, if the share price is \$90 on the date that the Shares are issued, then Textron would pay the executive \$2.24 (.0249 X \$90 = \$2.24)

## TEXTRON INC.

### RESTRICTED STOCK UNIT NON-COMPETITION AGREEMENT

(5/2007)

You have been granted Restricted Stock Units (“RSUs”) pursuant to the Textron 2007 Long-Term Incentive Plan (the “Plan”). Textron grants Restricted Stock Units to attract, retain and reward employees, to increase stock ownership and identification with Textron’s interests, and to provide incentive for remaining with and enhancing the value of Textron over the long-term. In consideration for granting Restricted Stock Units to you, please acknowledge that you have read and agree to this Restricted Stock Unit Non-Competition Agreement by signing the attached Notice of Grant of Restricted Stock Unit and Restricted Stock Unit Agreement.

#### Agreement regarding Your Restricted Stock Units

##### 1. Forfeiture of RSU Shares and required repayment if you engage in certain competitive activities

If at any time during the Period of Restriction (as defined in the Notice of Grant of Restricted Stock Unit and Restricted Stock Unit Agreement) while you are a Company employee, or within two years after the termination of your employment, you do any of the following activities:

(a) engage in any business which competes with the Company’s business (as defined in Paragraph 2) within the Restricted Territory

(as defined in Paragraph 3); or

- (b) solicit customers, business or orders or sell any products and services (i) in competition with the Company's business within the Restricted Territory or (ii) for any business, wherever located, that competes with the Company's business within the Restricted Territory; or
- (c) divert, entice or otherwise take away customers, business or orders of the Company within the Restricted Territory, or attempt to do so; or
- (d) promote or assist, financially or otherwise, any firm, corporation or other entity engaged in any business which competes with the Company's business within the Restricted Territory;

then your right to receive all shares ("RSU Shares") issuable pursuant to your Restricted Stock Units shall be forfeited effective the date you enter into such activity, and you will be required to repay Textron an amount equal to the fair market value of any RSU Shares issued to you on the date beginning 180 days prior to the earlier of (a) your termination of employment or (b) the date you engage in such activity, or at any time after such date. The Organization and Compensation Committee of the Board of Directors (or its duly appointed agent) may require, in its discretion, that you return any RSU Shares that you hold rather than paying the cash equivalent of the gain realized on that investment. You will be in violation of Paragraph 1 if you engage in any or all of the activities discussed in this Paragraph directly as an individual or indirectly as an employee, representative, consultant or in any other capacity on behalf of any firm, corporation or other entity.

## **2. Company's business – defined**

For the purpose of this Agreement:

- (a) the Company shall include Textron and all subsidiary, affiliated or related companies or operations of Textron, and
- (b) the Company's business shall include the products manufactured, marketed and sold and/or the services provided by any operation of the Company for which you have worked or to which you were assigned or had responsibility (either direct or supervisory), at the time of the termination of your employment and any time during the two-year period prior to such termination.

## **3. Restricted Territory -- defined**

For the purpose of Paragraph 1, the Restricted Territory shall be defined as and limited to:

- (a) the geographic area(s) within a one hundred (100) mile radius of any and all Company location(s) in or for which you have worked or to which you were assigned or had responsibility (either direct or supervisory), at the time of the termination of your employment and at any time during the two-year period prior to such termination; and
- (b) all of the specific customer accounts, whether within or outside of the geographic area described in (a) above, with which you have had any contact or for which you have had any responsibility (either direct or supervisory), at the time of termination of your employment and at any time during the two-year period prior to such termination.

## **4. Forfeiture of RSU Shares and required repayment if you engage in certain solicitation activities**

If you directly or indirectly solicit or induce or attempt to solicit or induce any employee(s), sales representative(s), agent(s) or consultant (s) of the Company to terminate their employment, representation or other association with the Company, then your right to receive all RSU Shares shall be forfeited effective the date you enter into such activity and you will be required to repay Textron an amount equal to the fair market value of any RSU Shares issued to you on the date beginning 180 days prior to the earlier of (a) your termination of employment or (b) the date you engage in such activity, or at any time after such date. The Organization and Compensation Committee of the Board of Directors (or its duly appointed agent) may require, in its discretion, that you return any RSU Shares that you hold rather than paying the cash equivalent of the gain realized on that investment.

## **5. Forfeiture of RSU Shares and required repayment if you disclose confidential information**

You specifically acknowledge that any trade secrets or confidential business and technical information of the Company or its suppliers or customers, whether reduced to writing, maintained on any form of electronic media, or maintained in your mind or memory and whether compiled by you or the Company, derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from its disclosure or use; that reasonable efforts have been made by the Company to maintain the secrecy of such information; that such information is the sole property of the Company or its suppliers or customers and that any retention, use or disclosure of such information by you during your employment (except in the course of performing your duties and obligations of employment with the Company) or after termination thereof, shall constitute a misappropriation of the trade secrets of the Company or its suppliers or customers. If you directly or indirectly misappropriate any such trade secrets, then your right to receive all RSU Shares shall be forfeited effective the date you enter into such activity and you will be required to repay Textron an amount equal to the fair market value of any RSU Shares issued to you on the date beginning 180 days prior to the earlier of (a) your termination of employment or (b) the date you engage in such activity, or at any time after such date. The Organization and Compensation Committee of the Board of Directors (or its duly appointed agent) may require, in its discretion, that you return any RSU Shares that you hold rather than paying the cash equivalent of the gain realized on that investment.

## **6. Organization and Compensation Committee Discretion**

You may be released from your obligations under Paragraph 1, 4 and 5 above only if the Organization and Compensation Committee of the Board of Directors (or its duly appointed agent) determines in its sole discretion that such action is in the best interests of Textron.

7. **Severability**

The parties agree that each provision contained in this Agreement shall be treated as a separate and independent clause, and the unenforceability of any one clause shall in no way impair the enforceability of any of the other clauses herein. Moreover, if one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to scope, activity or subject, then such provisions shall be construed by the appropriate judicial body by limiting and reducing it or them, so as to be enforceable to the extent compatible with the applicable law.

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## TEXTRON SPILLOVER SAVINGS PLAN

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Effective January 1, 2008

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### Textron Spillover Savings Plan Effective January 1, 2008

#### Introduction

The Textron Spillover Savings Plan (the “Plan”) is an unfunded, nonqualified deferred compensation arrangement. The Plan is a continuation of the defined contribution portions of the Supplemental Benefits Plan for Textron Key Executives (the “Key Executive Plan”) and the Textron Supplemental Benefits Plan for Executives (the “Executive Plan”). The defined contribution portions of these plans were separated from the defined benefit portions of the plans effective January 1, 2007, and the defined benefit portions were combined to form the Textron Spillover Pension Plan. The defined contribution portions of the Key Executive Plan and the Executive Plan were continued as separate plans, the Supplemental Savings Plan for Textron Key Executives and the Textron Supplemental Savings Plan for Executives, on and after January 1, 2007. These two plans are now being combined, effective January 1, 2008, to form the Textron Spillover Savings Plan.

The Plan provides supplemental savings benefits for designated executives of Textron and its affiliates who participate in the Textron Savings Plan. The Plan provides benefits that would have been payable under the Textron Savings Plan if not for the limits imposed by the Internal Revenue Code of 1986, as amended (the “IRC”).

Appendix A and Appendix B of the Plan set forth the defined contribution provisions of the Key Executive Plan and the Executive Plan as in effect on October 3, 2004, when IRC Section 409A was enacted as part of the American Jobs Creation Act of 2004. Supplemental savings benefits that were earned and vested (within the meaning of Section 409A) before January 1, 2005, and any subsequent increase that is permitted to be included in such amounts under IRC Section 409A, are calculated and paid solely as provided in Appendix A or Appendix B, whichever is applicable, and are not subject to any other provisions of the Textron Spillover Savings Plan.

A Key Executive’s supplemental savings benefits that were earned or vested after 2004 and before January 1, 2008, under the Key Executive Plan are subject to the provisions of IRC Section 409A. These benefits are calculated under Appendix A, but are paid exclusively as provided in the Textron Spillover Savings Plan (not including Appendix A). Although the provisions of the Textron Spillover Savings Plan generally are effective as of January 1, 2008, the provisions that govern the distribution of benefits earned or vested after 2004 under the Key Executive Plan are effective as of January 1, 2005.

Supplemental savings benefits provided under the Executive Plan generally are paid out no later than March 15 following the year in which the benefits are credited to a participant’s account. In a few cases, however, supplemental savings benefits that were earned and vested under the Executive Plan before January 1, 2005, remained unpaid as of the date on which this Plan was established. These benefits will be paid to the Participants in a lump sum in January of 2008. Any benefits that were credited under the Executive Plan between January 1, 2007, and December 31, 2007, shall be paid exclusively as provided in Appendix B.

Appendix A permits a Participant to request a distribution option before the end of 2007 for the benefits payable under that Appendix. This special election provision is effective as of July 25, 2007, the date on which the Plan was adopted by the Board.

#### Article I – Definitions

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

1.01 “Account” means the bookkeeping entry used to record supplemental matching contributions and earnings credited to a Participant

under the Plan. All amounts credited to the Account shall be unfunded obligations of Textron: no assets shall be set aside or contributed to the Plan for the Participant's benefit. A Key Executive's Account does not include supplemental savings benefits that were earned and vested (within the meaning of IRC Section 409A) before January 1, 2005, and any subsequent increase that is permitted to be included in such amounts under IRC Section 409A, which are calculated and paid solely as provided in Appendix A.

- 1.02 "Beneficiary" means the person designated under the Plan (including any person who is automatically designated by the terms of the Plan) to receive any death benefit payable with respect to a Participant. A Participant's trust or estate may also be the Participant's Beneficiary.
- 1.03 "Benefits Committee" means the Employee Benefits Committee of Textron.
- 1.04 "Board" means the Board of Directors of Textron.
- 1.05 "Change in Control" means, for any Participant who was not an employee of a Textron Company on December 31, 2007:
- (a) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Act") and of IRC Section 409A) other than Textron, any trustee or other fiduciary holding Textron common stock under an employee benefit plan of Textron or a related company, or any corporation which is owned, directly or indirectly, by the stockholders of Textron in substantially similar proportions as their ownership of Textron common stock
    - (1) becomes (other than by acquisition from Textron or a related company) the "beneficial owner" (as defined in Rule 13d-3 under the Act) of stock of Textron that, together with other stock held by such person or group, possesses more than 50% of the combined voting power of Textron's then-outstanding voting stock, or
    - (2) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person) beneficial ownership of stock of Textron possessing more than 30% of the combined voting power of Textron's then-outstanding stock, or
    - (3) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person) all or substantially all of the total gross fair market value of all of the assets of Textron immediately prior to such acquisition or acquisitions (where gross fair market value is determined without regard to any associated liabilities); or
  - (b) a merger or consolidation of Textron with any other corporation occurs, other than a merger or consolidation that would result in the voting securities of Textron outstanding immediately before the merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) 50% or more of the combined voting power of the voting securities of Textron or such surviving entity outstanding immediately after such merger or consolidation, or
  - (c) during any 12-month period, a majority of the members of the Board is replaced by directors whose appointment or election is not endorsed by a majority of the members of the Board of Directors before the date of their appointment or election.

Each of the events described above will be treated as a "Change in Control" only to the extent that it is a change in ownership, change in effective control, or change in the ownership of a substantial portion of Textron's assets within the meaning of IRC Section 409A.

For any Participant who was an employee of a Textron Company on December 31, 2007, the definition set forth above in this Section 1.05 shall be used to determine whether an event is a "Change in Control" to the extent that the event would alter the time or form of payment of the Participant's benefit. To the extent that the event would cause any change in the Participant's rights under the Plan that does not affect the status of the Participant's benefit under IRC Section 409A (including, but not limited to, accelerated vesting of the Participant's benefit or restrictions on amendments to the Plan), the definition set forth in Section 7.03 of Appendix A shall be used to determine whether the event is a "Change in Control."

- 1.06 "Compensation" means a Participant's eligible annual compensation as defined in the Qualified Savings Plan in which he participates, and any annual compensation that would be eligible under the Qualified Savings Plan if the Participant's deferral election under the Deferred Income Plan for Textron Executives were disregarded, but determined (in each case) without regard to the Statutory Limit.
- 1.07 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.
- 1.08 "Executive Plan" means the Textron Supplemental Benefits Plan for Executives, as in effect before January 1, 2007, and the Textron Supplemental Savings Plan for Executives, as in effect from January 1 through December 31, 2007.
- 1.09 "IRC" means the Internal Revenue Code of 1986, as amended. References to any section of the Internal Revenue Code shall include any final regulations interpreting that section.
- 1.10 "Key Executive" means an employee of a Textron Company who has been and continues to be designated as a Key Executive under the Plan by Textron's Chief Executive Officer and Chief Human Resources Officer.
- 1.11 "Key Executive Plan" means the Supplemental Benefits Plan for Textron Key Executives, as in effect before January 1, 2007, and the

Supplemental Savings Plan for Textron Key Executives, as in effect from January 1 through December 31, 2007. The defined contribution provisions of the Key Executive Plan are included in this Plan as Appendix A.

- 1.12 “Participant” means an employee of Textron who is eligible to participate in the Plan pursuant to Section 2.01 and whose participation has not been terminated as provided in Section 2.01.
- 1.13 “Plan” means this Textron Spillover Savings Plan, as amended and restated from time to time.
- 1.14 “Plan Administrator” means Textron or its designees, as described in Section 7.01.
- 1.15 “Qualified Savings Plan” means the Textron Savings Plan or another tax-qualified defined contribution plan maintained by a Textron Company that has been designated by the Management Committee of Textron as eligible for supplemental contributions under the Plan. Any Qualified Savings Plan other than the Textron Savings Plan shall be identified in an appendix to this Plan, and the appendix shall also set forth any special terms or conditions that apply to participants in the Qualified Savings Plan.
- 1.16 “Separation From Service” means a Participant’s termination of employment with all Textron Companies, other than by reason of death or Total Disability, that qualifies as a “separation from service” for purposes of IRC Section 409A.
- 1.17 “Supplemental Shares” means phantom shares of Textron common stock accumulated and accounted for under the Plan for the purpose of determining the cash value of distributions from a Participant’s Account.
- 1.18 “Statutory Limit” means the limit on eligible compensation under tax-qualified defined contribution plans imposed by IRC Section 401(a)(17) or the limit on annual additions imposed by IRC Section 415.
- 1.19 “Textron” means Textron Inc., a Delaware corporation, and any successor to Textron Inc.
- 1.20 “Textron Company” means Textron or any company controlled by or under common control with Textron within the meaning of IRC Section 414(b) or (c).
- 1.21 “Total Disability” means physical or mental incapacity of a Participant who is employed by a Textron Company on the disability date, if the incapacity (a) enables the Participant to receive disability benefits under the Federal Social Security Act, and (b) also qualifies as a “disability” for purposes of IRC Section 409A(a)(2)(C).

## Article II – Participation

- 2.01 Eligibility. An employee of a Textron Company who is a United States citizen or resident and who participates in a Qualified Savings Plan shall become a participant in the Plan when his matching contribution under the Qualified Savings Plan is limited by the Statutory Limit.
- 2.02 Period of Participation. Once an employee becomes a Participant under Section 2.01 above, the employee shall remain a Participant until the employee’s Account is fully distributed, or until the employee’s participation in the Plan is terminated by the Board (or by the Chief Executive Officer and the Chief Human Resources Officer) effective as of the following January 1.

## Article III – Spillover Savings Benefit

- 3.01 Supplemental Matching Contribution. If a Participant contributes at least 10% of eligible compensation to the Textron Savings Plan during a calendar year, the Participant’s Account under the Plan shall be credited with a supplemental matching contribution equal to (1) 5% [i.e., 50% of 10%] of the Participant’s Compensation, reduced by (2) the Participant’s actual matching contribution for the calendar year under the Textron Savings Plan. If a Participant participates in a Qualified Savings Plan other than the Textron Savings Plan, the Participant shall receive a comparable supplemental matching contribution in an amount sufficient to restore the portion of the matching contribution lost because of the application of the Statutory Limit to eligible compensation under the Qualified Savings Plan. The Participant must be employed by a Textron Company on December 31 of the calendar year in order to receive a supplemental matching contribution for that calendar year.
- 3.02 Crediting Contributions. Textron shall credit the supplemental matching contribution to a Participant’s Account after the end of the calendar year for which the supplemental matching contribution is made, but not later than March 15 of the following year. The credit shall be made as a number of Supplemental Shares determined by dividing the amount of the supplemental matching contribution for the calendar year by the average of the composite closing prices of Textron common stock, as reported in *The Wall Street Journal* for each trading day in the calendar year for which the credit is made.
- 3.03 Crediting Dividend Equivalents and Other Adjustments. Textron shall credit additional Supplemental Shares to a Participant’s Account in each calendar quarter to reflect the dividend equivalents attributable to the Supplemental Shares that were credited to the Participant’s Account on the record date. The number of additional Supplemental Shares shall be determined by dividing the dividend amount by the average of the composite closing prices of Textron common stock, as reported in *The Wall Street Journal* for the month in which the record date occurs. The number of Supplemental Shares credited to a Participant’s Account shall be adjusted, without receipt of any consideration by Textron, on account of any stock split, stock dividend, or similar increase or decrease affecting Textron common stock, as if the Supplemental Shares were actual shares of Textron common stock.

- 3.04 Converting Supplemental Shares to Cash. All distributions from the Plan shall be made in cash. The cash value distributed will be determined by multiplying the current value of Textron common stock by the number of whole and fractional Supplemental Shares in the Participant's Account as of the distribution date. The current value of a share of Textron common stock on the distribution date shall be the average of the composite closing prices, as reported in *The Wall Street Journal*, for the first ten trading days of the calendar month following the Participant's Separation From Service, death, or Total Disability.

#### **Article IV – Vesting**

- 4.01 Vesting Schedule. Except as provided in Section 4.02, a Participant's Account shall be vested to the same extent that the Participant's matching contribution account under the Qualified Savings Plan is vested. Any portion of the Participant's Account that is not vested at the time of the Participant's Separation From Service shall be forfeited.
- 4.02 Change in Control. In the event of a Change in Control, a Participant's Account shall become fully vested.

#### **Article V – Distribution of Accounts**

- 5.01 Separation From Service. A Participant's Account shall be distributed in a lump sum in cash on the first business day of the seventh month following his Separation From Service.
- 5.02 Disability or Death. If a Participant dies or suffers a Total Disability before his Account is distributed, the Participant's Account shall be distributed in a lump sum in cash on the last business day of the month following his death or Total Disability. The Participant's Beneficiary under the Plan shall be the same as the Participant's beneficiary under the Qualified Savings Plan. If a Beneficiary is receiving installment payments as of December 31, 2007, any remaining installments due after 2007 shall be aggregated and paid in a lump sum on the first business day of January 2008.
- 5.03 Administrative Adjustments in Payment Date. A payment is treated as being made on the date when it is due under the Plan if the payment is made on the due date specified by the Plan, or on a later date that is either (a) in the same calendar year (for a payment whose specified due date is on or before September 30), or (b) by the 15th day of the third calendar month following the date specified by the Plan (for a payment whose specified due date is on or after October 1). A payment also is treated as being made on the date when it is due under the Plan if the payment is made not more than 30 days before the due date specified by the Plan, provided that the payment is not made earlier than six months after the Participant's Separation From Service. A Participant may not, directly or indirectly, designate the taxable year of a payment made in reliance on the administrative rules in this Section 5.03.
- 5.04 Distribution Upon Change in Control. Subject to the following sentence, if a Change in Control also qualifies as a "change in control" under IRC Section 409A, the Participant's Account shall be paid in a lump sum in cash on the first business day of the month following the Change in Control. If a Participant's Separation From Service occurred before the Change in Control, the lump sum payment under this Section 5.04 shall not be made earlier than six months after the Participant's Separation From Service.
- 5.05 Distributions Before January 1, 2008. Distributions after 2004 and before the effective date of the Plan were made in good faith compliance with IRC Section 409A and Internal Revenue Service guidance interpreting IRC Section 409A.

#### **Article VI – Unfunded Plan**

- 6.01 No Plan Assets. Benefits provided under this Plan are unfunded obligations of Textron. Nothing contained in this Plan shall require Textron to segregate any monies from its general funds, to create any trust, to make any special deposits, or to purchase any policies of insurance with respect to such obligations. If Textron elects to purchase individual policies of insurance on one or more of the Participants to help finance its obligations under this Plan, such individual policies and the proceeds of the policies shall at all times remain the sole property of Textron and neither the Participants whose lives are insured nor their Beneficiaries shall have any ownership rights in such policies of insurance.
- 6.02 Top-Hat Plan Status. The Plan is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of Sections 201(2), 301(a)(3), and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

#### **Article VII – Plan Administration**

- 7.01 Plan Administrator's Powers. Textron shall have all such powers as may be necessary to carry out the provisions hereof. Textron may from time to time establish rules for the administration of this Plan and the transaction of its business. Subject to Section 7.05, any actions by Textron shall be final, conclusive and binding on each Participant and all persons claiming by, through or under any Participant. Textron (and any person or persons to whom it delegates any of its authority as plan administrator) shall have discretionary authority to determine eligibility for Plan benefits, to construe the terms of the Plan, and to determine all questions arising in the administration of the Plan.
- 7.02 Tax Withholding. Textron may withhold from benefits paid under this Plan any taxes or other amounts required by law to be withheld. Textron may deduct from the undistributed portion of a Participant's benefit any employment tax that Textron reasonably determines to be due with respect to the benefit under the Federal Insurance Contributions Act (FICA), and an amount sufficient to pay the income tax withholding related to such FICA tax. Alternatively, Textron may require the Participant or Beneficiary to remit to Textron or its designee an amount sufficient to satisfy any applicable federal, state, and local income and employment tax with respect to

the Participant's benefit. The Participant or Beneficiary shall remain responsible at all times for paying any federal, state, or local income or employment tax with respect to any benefit under this Plan. In no event shall Textron or any employee or agent of Textron be liable for any interest or penalty that a Participant or Beneficiary incurs by failing to make timely payments of tax.

- 7.03 Use of Third Parties to Assist with Plan Administration. Textron may employ or engage such agents, accountants, actuaries, counsel, other experts and other persons as it deems necessary or desirable in connection with the interpretation and administration of this Plan. Textron and its committees, officers, directors and employees shall not be liable for any action taken, suffered or omitted by them in good faith in reliance upon the advice or opinion of any such agent, accountant, actuary, counsel or other expert. All action so taken, suffered or omitted shall be conclusive upon each of them and upon all other persons interested in this Plan.
- 7.04 Proof of Right to Receive Benefits. Textron may require proof of death or Total Disability of any Participant and evidence of the right of any person to receive any Plan benefit.
- 7.05 Claims Procedure. A Participant or Beneficiary who believes that he is being denied a benefit to which he is entitled under the Plan (referred to in this Section 7.05 as a "Claimant") may file a written request with the Benefits Committee setting forth the claim. The Benefits Committee shall consider and resolve the claim as set forth below.
- (a) Time for Response. Upon receipt of a claim, the Benefits Committee shall advise the Claimant that a response will be forthcoming within 90 days. The Benefits Committee may, however, extend the response period for up to an additional 90 days for reasonable cause, and shall notify the Claimant of the reason for the extension and the expected response date. The Benefits Committee shall respond to the claim within the specified period.
- (b) Denial. If the claim is denied in whole or part, the Benefits Committee shall provide the Claimant with a written decision, using language calculated to be understood by the Claimant, setting forth (1) the specific reason or reasons for such denial; (2) the specific reference to relevant provisions of this Plan on which such denial is based; (3) a description of any additional material or information necessary for the Claimant to perfect his claim and an explanation why such material or such information is necessary; (4) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review; (5) the time limits for requesting a review of the claim; and (6) the Claimant's right to bring an action for benefits under Section 502(a) of ERISA.
- (c) Request for Review. Within 60 days after the Claimant's receipt of the written decision denying the claim in whole or in part, the Claimant may request in writing that the Benefits Committee review the determination. The Claimant or his duly authorized representative may, but need not, review the relevant documents and submit issues and comment in writing for consideration by the Benefits Committee. If the Claimant does not request a review of the initial determination within such 60-day period, the Claimant shall be barred from challenging the determination.
- (d) Review of Initial Determination. Within 60 days after the Benefits Committee receives a request for review, it will review the initial determination. If special circumstances require that the 60-day time period be extended, the Benefits Committee will so notify the Claimant and will render the decision as soon as possible, but no later than 120 days after receipt of the request for review.
- (e) Decision on Review. All decisions on review shall be final and binding with respect to all concerned parties. The decision on review shall set forth, in a manner calculated to be understood by the Claimant, (1) the specific reasons for the decision, shall including references to the relevant Plan provisions upon which the decision is based; (2) the Claimant's right to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information, relevant to his benefits; and (3) the Claimant's right to bring a civil action under Section 502(a) of ERISA.

7.06 Enforcement Following a Change in Control. If, after a Change in Control, any claim is made or any litigation is brought by a Participant or Beneficiary to enforce or interpret any provision contained in this Plan, Textron and the "person" or "group" described in Section 1.05 shall be liable, jointly and severally, to reimburse the Participant or Beneficiary for the Participant's or Beneficiary's reasonable attorney's fees and costs incurred during the Participant's or Beneficiary's lifetime in pursuing any such claim or litigation, and to pay prejudgment interest at the Prime Rate as quoted in the Money Rates section of *The Wall Street Journal* on any money award or judgment obtained by the Participant or Beneficiary, payable at the same time as the underlying award or judgment. Any reimbursement pursuant to the preceding sentence shall be paid to the Participant no earlier than six months after the Participant's Separation From Service, and shall be paid to the Participant or Beneficiary no later than the end of the calendar year following the year in which the expense was incurred. The reimbursement shall not be subject to liquidation or exchange for another benefit, and the amount of reimbursable expense incurred in one year shall not affect the amount of reimbursement available in another year.

## Article VIII – Amendment and Termination

- 8.01 Amendment. Subject to subsections (a) and (b), below, the Board or its designee shall have the right to amend, modify, or suspend this Plan at any time by written resolution or other formal action reflected in writing. Subject to subsections (a) and (b), below, the Management Committee of Textron or its designee also shall have the right to amend, modify, or suspend any provisions of this Plan, by written resolution or other formal action reflected in writing, with respect to any Participant who is not a member of the Management Committee or a Key Executive.
- (a) No amendment, modification, or suspension shall reduce the amount credited to a Participant's Account immediately before the effective date of the amendment, modification, or suspension.
- (b) Following a Change in Control, no amendment, modification, or suspension shall be made that directly or indirectly reduces



any right or benefit provided upon a Change in Control.

An amendment to the Qualified Savings Plan that affects the benefits provided under this Plan shall not be deemed to be an amendment to this Plan, and shall not be subject to the restrictions in subsections (a) and (b), provided that the amendment to the Qualified Savings Plan applies to a broad cross-section of participants in the Qualified Savings Plan, and not only or primarily to Participants in this Plan.

- 8.02 Termination. The Board or its designee shall have the right to terminate this Plan at any time before a Change in Control by written resolution. No termination of the Plan shall reduce a Participant's Account immediately before the effective date of the termination.
- 8.03 Distributions Upon Plan Termination. Upon the termination of the Plan by the Board with respect to all Participants, and termination of all arrangements sponsored by any Textron Company that would be aggregated with the Plan under IRC Section 409A, Textron shall have the right, in its sole discretion, and notwithstanding any elections made by the Participant, to pay the Participant's vested Account in a lump sum, to the extent permitted under IRC Section 409A. All payments that may be made pursuant to this Section 8.03 shall be made no earlier than the thirteenth month and no later than the twenty-fourth month after the termination of the Plan. Textron may not accelerate payments pursuant to this Section 8.03 if the termination of the Plan is proximate to a downturn in Textron's financial health. If Textron exercises its discretion to accelerate payments under this Section 8.03, it shall not adopt any new arrangement that would have been aggregated with the Plan under IRC Section 409A within three years following the date of the Plan's termination.

#### **Article IX – Miscellaneous**

- 9.01 Use of Masculine or Feminine Pronouns. Unless a contrary or different meaning is expressly provided, each use in this Plan of the masculine or feminine gender shall include the other and each use of the singular number shall include the plural.
- 9.02 Transferability of Plan Benefits.
- (a) Textron shall recognize the right of an alternate payee named in a domestic relations order to receive all or a portion of a Participant's benefit under the Plan, provided that (1) the domestic relations order would be a "qualified domestic relations order" within the meaning of IRC Section 414(p) if IRC Section 414(p) were applicable to the Plan (except that the order may require payment to be made to the alternate payee before the Participant's earliest retirement age), (2) the domestic relations order does not purport to give the alternate payee any right to assets of any Textron Company, (3) the domestic relations order does not purport to allow the alternate payee to defer payments beyond the date when the benefits assigned to the alternate payee would have been paid to the Participant, and (4) the domestic relations order does not require the Plan to make a payment to an alternate payee in any form other than a cash lump sum.
  - (b) Except as provided in subsection (a) concerning domestic relations orders, no amount payable at any time under this Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge or encumbrance of any kind to the extent that the assignment or other action would cause the amount to be included in the Participant's gross income or treated as a distribution for federal income tax purposes. A Participant may, with the written approval of the Benefits Committee, make an assignment of a benefit for estate planning or similar purposes if the assignment does not cause the amount to be included in the Participant's gross income or treated as a distribution for federal income tax purposes. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any such benefit, whether presently or subsequently payable, shall be void unless so approved. Except as required by law, no benefit payable under this Plan shall in any manner be subject to garnishment, attachment, execution or other legal process, or be liable for or subject to the debts or liability of any Participant or Beneficiary.
- 9.03 Section 409A Compliance. The Plan is intended to comply with IRC Section 409A and should be interpreted accordingly. Any distribution election that would not comply with IRC Section 409A is not effective. To the extent that a provision of this Plan does not comply with IRC Section 409A, such provision shall be void and without effect. Textron does not warrant that the Plan will comply with IRC Section 409A with respect to any Participant or with respect to any payment, however. In no event shall any Textron Company; any director, officer, or employee of a Textron Company; or any member of the Benefits Committee be liable for any additional tax, interest, or penalty incurred by a Participant or Beneficiary as a result of the Plan's failure to satisfy the requirements of IRC Section 409A, or as a result of the Plan's failure to satisfy any other requirements of applicable tax laws.
- 9.04 Controlling State Law. This Plan shall be construed in accordance with the laws of the State of Delaware.
- 9.05 No Right to Employment. Nothing contained in this Plan shall be construed as a contract of employment between any Participant and any Textron Company, or to suggest or create a right in any Participant of continued employment at any Textron Company.
- 9.06 Additional Conditions Imposed. Textron, the Chief Executive Officer and the Chief Human Resources Officer, and the Benefits Committee may impose such other lawful terms and conditions on participation in this Plan as deemed desirable. The Chief Executive Officer, the Chief Human Resources Officer, and members of the Benefits Committee may participate in this Plan.

IN WITNESS WHEREOF, Textron Inc. has caused this amended and restated Plan to be executed by its duly authorized officer, to be effective as of January 1, 2008, except as otherwise provided in the Plan.

TEXTRON INC.

By: \_\_\_\_\_

Date: \_\_\_\_\_, 2007

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## TEXTRON SPILLOVER SAVINGS PLAN

### APPENDIX A

#### Defined Contribution Provisions of the Supplemental Benefits Plan for Textron Key Executives (As in effect before January 1, 2008)

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### Textron Spillover Savings Plan Appendix A — Key Executive Plan

#### Introduction

**A. Key Executive Plan  
(As in Effect Before January 1, 2007)**

Before 2007, the Supplemental Benefits Plan for Textron Key Executives (the “Key Executive Plan”) was a separate unfunded, nonqualified deferred compensation arrangement for designated key executives of Textron and its affiliates. The Key Executive Plan supplemented key executives’ benefits under Textron’s tax-qualified defined benefit plans and tax-qualified defined contribution plans by providing benefits that exceeded the statutory limits under the Internal Revenue Code (“IRC”). The Key Executive Plan also provided supplemental pension benefits based on certain elements of key executives’ compensation that were not included in pensionable compensation under the tax-qualified defined benefit plans.

**B. Supplemental Savings Plan for Textron Key Executives  
(Effective January 1, 2007)**

Effective January 1, 2007, the defined benefit portion of the Key Executive Plan was separated from the defined contribution portion of the Key Executive Plan. The defined benefit portion of the Key Executive Plan continued as part of the Textron Spillover Pension Plan, and the defined contribution portion of the Key Executive Plan continued as a separate plan, the Supplemental Savings Plan for Textron Key Executives.

**C. Textron Spillover Savings Plan  
(Effective January 1, 2008)**

Effective January 1, 2008, the Supplemental Savings Plan for Textron Key Executives and the Textron Supplemental Savings Plan for Executives were merged to form the Textron Spillover Savings Plan.

**D. Key Executive Protected Benefits  
(Earned and Vested Before 2005)**

The portion of Appendix A that follows this Introduction sets forth the defined contribution provisions of the Key Executive Plan as in effect on October 3, 2004, when IRC Section 409A was enacted as part of the American Jobs Creation Act of 2004, with certain modifications imposing additional restrictions on distributions and changing provisions for measuring investment returns. Key Executives’ supplemental savings benefits that were earned and vested (within the meaning of Section 409A) before January 1, 2005, and any subsequent increase that is permitted to be included in such amounts under Section 409A (“Key Executive Protected Benefits”), are calculated and paid solely as provided in Appendix A, and are not subject to any other provisions of the Textron Spillover Savings Plan.

The Key Executive Protected Benefits are not intended to be subject to IRC Section 409A. No amendment to this Appendix A that would constitute a “material modification” for purposes of Section 409A shall be effective unless the amending instrument states that it is intended to materially modify Appendix A and to cause the Key Executive Protected Benefits to become subject to Section 409A. Although the Key Executive Protected Benefits are not intended to be subject to Section 409A, no Textron Company (nor any director, officer, or other representative of a Textron Company) shall be liable for any adverse tax consequence suffered by a Participant or beneficiary if a Key Executive Protected Benefit becomes subject to Section 409A.

**E. Benefits Subject To Section 409A  
(Earned or Vested From 2005 Through 2007)**

Supplemental savings benefits earned by Key Executives after 2004, and supplemental savings benefits that became vested after 2004, are subject to the provisions of IRC Section 409A. To the extent that these benefits were earned under the Key Executive Plan before January 1, 2008, the benefits shall be calculated under the provisions of the Key Executive Plan set forth in this Appendix A. However, any benefits earned or vested under the Key Executive Plan after 2004 shall be paid exclusively as provided in the Textron Spillover Savings Plan (not including any appendix to the Textron Spillover Savings Plan), and shall not be subject to any provision of Appendix A that relates to the payment or distribution of benefits. Although the provisions of the Textron Spillover Savings Plan generally are effective as of January 1, 2008, the provisions that govern the distribution of benefits earned or vested after 2004 under the Key Executive Plan are effective as of January 1, 2005.

Section 6.02(c) of Appendix A requires a Participant to make an election by the end of 2007 if the Participant wishes to request one of the distribution options in Section 6.02. Section 1.08 of the Market Square Profit Sharing Plan Schedule requires a Participant to make an election by the end of 2007 if the Participant wishes to request one of the distribution options in Section 1.08. These election provisions are effective as of July 25, 2007, the date on which the Plan was adopted by the Board.

**Key Executive Plan**

The text that follows sets forth the defined contribution provisions of the Key Executive Plan as in effect on October 3, 2004, and as modified thereafter in certain respects that do not constitute “material modifications” for purposes of IRC Section 409A. The defined terms in Appendix A relate only to the provisions set forth in Appendix A: they do not apply to any other provisions of the Textron Spillover Savings Plan, and terms defined elsewhere in the Textron Spillover Savings Plan do not apply to Appendix A. No additional benefits shall accrue or be deferred under Appendix A after December 31, 2007.

**Article I—Definitions**

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

- 1.01 “Benefits Committee” means the Employee Benefits Committee of Textron.
- 1.02 “Board” means the Board of Directors of Textron.
- 1.03 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.
- 1.04 “Included Plan” means a Textron defined contribution plan specifically designated by the Management Committee under Article IV.
- 1.05 “Key Executive” means an employee of a Textron Company who has been and continues to be designated as a Key Executive under the Plan by Textron’s Chief Executive Officer and Chief Human Resources Officer.
- 1.06 “Management Committee” means the Management Committee of Textron.
- 1.07 “Participant” means a Key Executive who is participating in this Plan pursuant to Article II and, unless the context clearly indicates to the contrary, a former Participant who is entitled to benefits under this Plan.
- 1.08 “Plan” means this Supplemental Savings Plan for Textron Key Executives, as amended and restated from time to time.
- 1.09 “Savings Plan” means the Textron Savings Plan, as amended and restated from time to time.
- 1.10 “Statutory Limit” means any limit on benefits under, or annual additions to, qualified plans imposed by Section 401(a)(17) or 415 of the Internal Revenue Codes of 1954 or 1986, as amended from time to time.
- 1.11 “Supplemental Shares” means fictional shares of Textron common stock accumulated and accounted for under this Plan for the purpose of determining the cash value of distributions and transfers from a Participant’s supplemental savings account.
- 1.12 “Textron” means Textron Inc., a Delaware corporation, and any successor of Textron Inc.
- 1.13 “Textron Company” means Textron or any company controlled by or under common control with Textron.

**Article II—Participation**

- 2.01 A Key Executive shall participate in this Plan if the annual additions to her accounts under the Savings Plan or any Included Plan are limited by one or more Statutory Limits.

### **Article III—Supplemental Savings Benefits**

- 3.01 Textron shall maintain a supplemental savings account and a fixed income account for each Participant who participates in the Savings Plan for making credits, payments, and transfers described in this Article.
- 3.02 A Participant who contributes at least 10% of eligible compensation to the Textron Savings Plan each month shall receive a supplemental savings credit. Textron shall, as of the end of each calendar month, credit Supplemental Shares to each supplemental savings account, equal to the lost employer contribution for the month divided by the average of the composite closing prices of Textron common stock, as reported in *The Wall Street Journal* for the month. The lost employer contribution for the month shall be equal to the Participant's Savings Plan eligible compensation for the month times the Participant's Savings Plan election percentage (not to exceed 10%) times 50%, less the employer contribution made to the Participant's Savings Plan Account for the month.
- 3.03 Textron shall, in each calendar quarter, credit Supplemental Shares to a Participant's supplemental savings account equal in number to the number of shares of Textron common stock that would have been allocated on account of dividends to the Participant's supplemental savings account as of that date, based on the average of the composite closing prices of Textron common stock, as reported in *The Wall Street Journal* for the month in which the date of record occurs.
- 3.04 Amounts in the fixed income account shall earn interest at a monthly interest rate that is one twelfth of the average for the calendar month of the Moody's Corporate Bond Yield Index as published by Moody's Investors Service, Inc. (or any successor thereto), or, if such monthly yield is no longer published, a substantially similar average selected by the Benefits Committee. Interest shall be credited on the last day of each calendar month on the average daily balance of the fixed income account during the month.
- 3.05 A Participant who has terminated her Textron employment may, once each calendar month, elect to transfer, in 5% increments (with a minimum transfer of 10% of the supplemental savings account), effective the first calendar day of the month following the minimum notice of three business days, any amount in her supplemental savings account to her fixed income account. The cash value transferred will be determined by multiplying the current value of Textron common stock by the number of whole and fractional Supplemental Shares in her supplemental savings account as of the end of the month in which the election is made times the percentage being transferred. If any portion of a Participant's accounts under the Savings Plan shall be forfeited, a proportionate part of the Participant's Supplemental Shares also shall be forfeited. The current value of a share of Textron common stock at the transfer date shall be the average of the composite closing prices, as reported in *The Wall Street Journal*, for the first ten trading days of the effective month.
- 3.06 The number of Supplemental Shares credited to a Participant's account under this Article III shall be adjusted, without receipt of any consideration by Textron, on account of any stock split, stock dividend, or similar increase or decrease affecting Textron common stock, as if the Supplemental Shares were actual shares of Textron common stock.

### **Article IV—Supplemental Included Plan Benefits**

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

### **Article V—Unfunded Plan**

- 5.01 Benefits to be provided under this Plan are unfunded obligations of Textron. Nothing contained in this Plan shall require Textron to segregate any monies from its general funds, to create any trust, to make any special deposits, or to purchase any policies of insurance with respect to such obligations. If Textron elects to purchase individual policies of insurance on one or more of the Participants to help finance its obligations under this Plan, such individual policies and the proceeds therefrom shall at all times remain the sole property of Textron and neither the Participants whose lives are insured nor their beneficiaries shall have any ownership rights in such policies of insurance.
- 5.02 This Plan is intended in part to provide benefits for a select group of management employees who are highly compensated, within the meaning of Sections 201(2), 301(a)(3), and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and in part to be an excess benefit plan, pursuant to Section 3(36) of ERISA.
- 5.03 No Participant shall be required or permitted to make contributions to this Plan.

### **Article VI—Plan Administration**

- 6.01 Textron shall be the plan administrator of this Plan and shall be solely responsible for its general administration and interpretation. Textron shall have all such powers as may be necessary to carry out the provisions hereof. Textron may from time to time establish rules for the administration of this Plan and the transaction of its business. Subject to Section 6.05, any action by Textron shall be final, conclusive, and binding on each Participant and all persons claiming by, through or under any Participant. Textron (and any person or persons to whom it delegates any of its authority as plan administrator) shall have discretionary authority to determine eligibility for Plan benefits, to construe the terms of the Plan, and to determine all questions arising in the administration of the Plan, and shall make all such determinations and interpretations in a nondiscriminatory manner.

- 6.02 (a) Except as provided in the following sentence, and in subsections (b), (c), and (d), below, the distribution of any account under Article III or Article IV shall be made at the same time, in the same manner, to the same persons and in the same proportions, as is made the payment or distribution under the related Savings Plan or Included Plan, or otherwise as determined by the Benefits Committee in its sole discretion. However, if a Participant's supplemental savings account contains 50 or fewer Supplemental Shares at termination, such Participant's supplemental savings account shall be paid in a single sum. Textron may withhold from benefits and accounts under this Plan, any taxes or other amounts required by law to be withheld. Notwithstanding any provision to the contrary, no benefit shall be paid to any Participant while employed by Textron.
- (b) Each amount then credited to the accounts under Article III and Article IV shall become due and payable to the respective Participants and beneficiaries immediately upon a Change in Control as defined in Section 7.03.
- (c) Effective for payments commencing on or after January 1, 2008, the Benefits Committee has exercised its discretion pursuant to subsection (a) to determine that all distributions shall be made or shall commence at the time of a Participant's termination of employment in one of the following forms of payment:

(i) A cash lump sum.

(ii) Annual installments in cash over a period not exceeding 15 years (or the Participant's life expectancy, if less), calculated each year by dividing the Participant's unpaid account balance as of January 1 of that year by the remaining number of unpaid installments. If a Participant dies while receiving installment payments, the remaining installments will be paid in a lump sum to the Participant's designated beneficiary.

A Participant who wishes to request a form of payment must file an election, in a form acceptable to Textron, before December 31, 2007, to indicate her preferred form of payment; but all Participant elections shall be subject to the Benefits Committee's discretion to change the elected form of payment. If a Participant's supplemental savings account contains 50 or fewer Supplemental Shares at termination, the Participant's supplemental savings account shall be paid in a cash lump sum at the Participant's termination of employment. If a Participant who is still employed by a Textron Company fails to request a form of payment before the end of 2007, such Participant's account shall be paid in a lump sum in cash six months after the Participant's termination of employment. If a Participant's employment with all Textron Companies has terminated before the election deadline, and if the Participant fails to request a form of payment before the end of 2007, such Participant's account shall be paid in a lump sum in cash in January 2008.

(d) Effective January 1, 2008, any payment to a beneficiary shall be made in a lump sum in the month following the Participant's death (or in January 2008, if later). If a beneficiary is receiving installment payments as of December 31, 2007, any remaining installments due after 2007 shall be aggregated and paid in a lump sum in January 2008.

- 6.03 Textron may employ or engage such agents, accountants, actuaries, counsel, other experts and other persons as it deems necessary or desirable in connection with the interpretation and administration of this Plan. Textron shall be entitled to rely upon all certifications made by an accountant selected by Textron. Textron and its committees, officers, directors and employees shall not be liable for any action taken, suffered or omitted by them in good faith in reliance upon the advice or opinion of any such agent, accountant, actuary, counsel or other expert. All action so taken, suffered or omitted shall be conclusive upon each of them and upon all other persons interested in this Plan.
- 6.04 Textron may require proof of death or total disability of any Participant, former Participant or beneficiary and evidence of the right of any person to receive any Plan benefit.
- 6.05 Claims under this Plan shall be filed in writing with Textron, and shall be reviewed and resolved pursuant to the claims procedure in Section 7.05 of the Textron Spillover Savings Plan.

## **Article VII—Miscellaneous**

- 7.01 Unless a contrary or different meaning is expressly provided, each use in this Plan of the masculine or feminine gender shall include the other and each use of the singular number shall include the plural.
- 7.02 (a) Textron shall recognize the right of an alternate payee named in a domestic relations order to receive all or a portion of a Participant's benefit under the Plan, provided that (1) the domestic relations order would be a "qualified domestic relations order" within the meaning of IRC Section 414(p) if IRC Section 414(p) were applicable to the Plan (except that the order may require payment to be made to the alternate payee before the Participant's earliest retirement age), (2) the domestic relations order does not purport to give the alternate payee any right to assets of any Textron Company, (3) the domestic relations order does not purport to allow the alternate payee to defer payments beyond the date when the benefits assigned to the alternate payee would have been paid to the Participant, and (4) the domestic relations order does not require the Plan to make a payment to an alternate payee in any form other than a cash lump sum.
- (b) Except as provided in subsection (a) concerning domestic relations orders, no amount payable at any time under this Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge or encumbrance of any kind to the extent that the assignment or other action would cause the amount to be included in the Participant's gross income or treated as a distribution for federal income tax purposes. A Participant may, with the written approval of the Benefits Committee, make an assignment of a benefit for estate planning or similar purposes if the assignment does not cause the amount to be included in the Participant's gross income or treated as a distribution for federal income tax purposes. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any such

benefit, whether presently or subsequently payable, shall be void unless so approved. Except as required by law, no benefit payable under this Plan shall in any manner be subject to garnishment, attachment, execution or other legal process, or be liable for or subject to the debts or liability of any Participant or beneficiary

- 7.03 Notwithstanding any Plan provision to the contrary, the Board or its designee shall have the right to amend, modify, suspend or terminate this Plan at any time by written ratification of such action; provided, however, that no amendment, modification, suspension or termination:
- (1) shall reduce an amount credited to any supplemental account under Article III or Article IV of this Plan immediately before the effective date of the amendment, modification, suspension or termination; or
  - (2) shall be made to Section 6.02 or 7.03 following a Change in Control.

If after a Change in Control any claim is made or any litigation is brought by a Participant or beneficiary to enforce or interpret any provision contained in this Plan, Textron and the "person" or "group" described in the next following sentence shall be liable, jointly and severally, to indemnify the Participant or beneficiary and to pay prejudgment interest on any recovery as provided in Section 7.06 of the Textron Spillover Savings Plan.

For purposes of this Plan, a "Change in Control" shall occur if (i) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Act")) other than Textron, any trustee or other fiduciary holding Textron common stock under an employee benefit plan of Textron or a related company, or any corporation which is owned, directly or indirectly, by the stockholders of Textron in substantially the same proportions as their ownership of Textron common stock, is or becomes (other than by acquisition from Textron or a related company) the "beneficial owner" (as defined in Rule 13d-3 under the Act) of more than 30% of the then outstanding voting stock of Textron, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board (and any new director whose election by the Board or whose nomination for election by Textron's stockholders was approved by a vote of at least two thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority thereof, or (iii) stockholders of Textron approve a merger or consolidation of Textron with any other corporation, other than a merger or consolidation which would result in the voting securities of Textron outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of Textron or such surviving entity outstanding immediately after such merger or consolidation, or (iv) the stockholders of Textron approve a plan of complete liquidation of Textron or an agreement for the sale or disposition by Textron of all or substantially all of Textron's assets.

- 7.04 This Plan shall be construed in accordance with the laws of the State of Delaware.
- 7.05 Nothing contained in this Plan shall be construed as a contract of employment between any Participant and any Textron Company, or to suggest or create a right in any Participant to be continued in employment as a Key Executive or other employee of any Textron Company.
- 7.06 Textron, the Chief Executive Officer and the Chief Human Resources Officer, and the Benefits Committee may impose such other lawful terms and conditions on participation in this Plan as deemed desirable. The Chief Executive Officer, the Chief Human Resources Officer and members of the Benefits Committee may participate in this Plan.

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## **TEXTRON SPILLOVER SAVINGS PLAN**

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### **APPENDIX A**

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#### **Market Square Profit Sharing Plan Schedule (As in effect before January 1, 2008)**

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**Textron Spillover Savings Plan  
Appendix A — Key Executive Plan  
Market Square Profit Sharing Plan Schedule**

This Schedule to the Supplemental Benefits Plan for Textron Key Executives (the "Key Executive Plan") was restated effective January 1, 2000, pursuant to Article IV of the Key Executive Plan. The Schedule is included herein as part of Appendix A to the Textron Spillover Savings Plan. Appendix A sets forth the defined contribution provisions of the Key Executive Plan as in effect on October 3, 2004.

- 1.01 "Market Square Plan" means The Market Square Profit Sharing Plan, as amended and restated from time to time.
- 1.02 Textron shall maintain a stock unit account and a fixed income account for each participant for making credits, payments, and transfers described in this Schedule.
- 1.03 Textron shall, in each calendar quarter, credit Supplemental Shares to a Participant's stock unit account equal in number to the number of shares of Textron common stock that would have been allocated on account of dividends to the Participant's stock unit account as of that date, based on the average of the composite closing prices of Textron common stock, as reported in *The Wall Street Journal* for the month in which the date of record occurs.
- 1.04 Amounts in the fixed income account shall earn interest at a monthly interest rate that is the average for the calendar month of the Moody's Corporate Bond Yield Index as published by Moody's Investors Service, Inc. (or any successor thereto), or, if such monthly yield is no longer published, a substantially similar average selected by the Benefits Committee. Interest shall be credited on the last day of each calendar month on the average daily balance of the fixed income account during the month.
- 1.05 A Participant who has terminated her Textron employment may, once each calendar month, elect to transfer, in 5% increments (with a minimum transfer of 10% of the stock unit account), effective the first calendar day of the month following the minimum notice of three business days, any amount in her stock unit account to her general fund account. The cash value transferred will be determined by multiplying the current value of Textron common stock by the number of whole and fractional Supplemental Shares in her stock unit account as of the end of the month in which the election is made times the percentage being transferred. The current value of a share of Textron common stock at the transfer date shall be the average of the composite closing prices, as reported in *The Wall Street Journal*, for the first ten trading days of the effective month.
- 1.06 The number of Supplemental Shares credited to a Participant's account under this schedule shall be adjusted, without receipt of any consideration by Textron, on account of any stock split, stock dividend, or similar increase or decrease affecting Textron common stock, as if the Supplemental Shares were actually shares of Textron common stock.
- 1.07 Subject to Section 1.08, below, benefits shall become payable upon the Participant's termination of Textron employment or such other time as determined by the Benefits Committee in its sole discretion. Textron, upon the written instructions of the Benefits Committee or its designee, shall distribute the benefits in accordance with any one or a combination of the following methods after considering any method of payment requested by the Participant or by the beneficiaries entitled to receive the benefits:
- (1) Payment in a single sum.
  - (2) Payment in a number of annual installments, each payable as soon as practicable after the end of each successive calendar year, over a period not exceeding the life expectancy of the payee or his primary beneficiary (whichever is greater) determined as of the date on which the benefits first became payable. The annual installments shall be calculated each year by dividing the unpaid amount of the benefits as of January 1 of that year by the remaining number of unpaid installments. Plan benefits payable under Section 1.07 shall begin to be paid not later than April 1 of the calendar year that begins after the date the Participant attains or would have attained age 70½.
- 1.08 Effective for payments commencing on or after January 1, 2008, the Benefits Committee has exercised its discretion pursuant to Section 1.07 to determine that all distributions shall be made or shall commence at the time of a Participant's termination of employment (or in January 2008, if later) in one of the following forms of payment:
- (i) A cash lump sum.
  - (ii) Annual installments in cash over a period not exceeding 15 years (or the Participant's life expectancy, if less), calculated each year by dividing the Participant's unpaid account balance as of January 1 of that year by the remaining number of unpaid installments. If a Participant dies while receiving installment payments, the remaining installments will be paid in a lump sum to the Participant's designated beneficiary.

A Participant who wishes to request a form of payment must file an election, in a form acceptable to Textron, before December 31, 2007, to indicate her preferred form of payment; but all Participant elections shall be subject to the Benefits Committee's discretion to change the elected form of payment. If a Participant who is still employed by a Textron Company fails to request a form of payment before the end of 2007, such Participant's account shall be paid in a lump sum in cash six months after the Participant's termination of employment. If a Participant's employment with all Textron Companies has terminated before the election deadline, and if the Participant fails to request a form of payment before the end of 2007, such Participant's account shall be paid in a lump sum in cash in January 2008.

Effective January 1, 2008, any payment to a beneficiary shall be made in a lump sum in the month following the Participant's death (or in January 2008, if later). If a beneficiary is receiving installment payments as of December 31, 2007, any remaining installments due after 2007 shall be aggregated and paid in a lump sum in January 2008.

**TEXTRON INC.**  
**MANUFACTURING GROUP**  
**COMPUTATION OF RATIO OF INCOME TO FIXED CHARGES**

(unaudited)

(In millions, except ratio)

	Six Months Ended June 30, 2007
<b>Fixed charges:</b>	
Interest expense*	\$ 54
Estimated interest portion of rents	13
Total fixed charges	\$ 67
<b>Income:</b>	
Income from continuing operations before income taxes	\$ 581
Dividends in excess of pre-tax income of Finance group	15
Fixed charges	67
Adjusted income	\$ 663
<b>Ratio of income to fixed charges</b>	<b>9.90</b>

\* Excludes interest expense related to unrecognized tax benefits.



**TEXTRON INC.**  
**INCLUDING ALL MAJORITY-OWNED SUBSIDIARIES**  
**COMPUTATION OF RATIO OF INCOME TO FIXED CHARGES**

(unaudited)

(In millions, except ratio)

	Six Months Ended June 30, 2007
<b>Fixed charges:</b>	
Interest expense*	\$ 255
Estimated interest portion of rents	15
<b>Total fixed charges</b>	<b>\$ 270</b>
<b>Income:</b>	
Income from continuing operations before income taxes	\$ 581
Fixed charges	270
<b>Adjusted income</b>	<b>\$ 851</b>
<b>Ratio of income to fixed charges</b>	<b>3.15</b>

\* Excludes interest expense related to unrecognized tax benefits.

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

I, Lewis B. Campbell, 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 27, 2007

/s/Lewis B. Campbell  
Lewis B. Campbell  
Chairman, President and Chief Executive  
Officer

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

I, Ted R. French, 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 27, 2007

/s/Ted R. French  
Ted R. French  
Executive Vice President and Chief  
Financial Officer

**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 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lewis B. Campbell, 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 27, 2007

/s/Lewis B. Campbell  
Lewis B. Campbell  
Chairman, President and Chief Executive  
Officer

**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 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ted R. French, 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 27, 2007

/s/Ted R. French  
Ted R. French  
Executive Vice President and Chief  
Financial Officer