

TEXTRON INC

FORM 10-K405

(Annual Report (Regulation S-K, item 405))

Filed 03/17/00 for the Period Ending 01/01/00

Address	40 WESTMINSTER ST PROVIDENCE, RI 02903
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TEXTRON INC

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Filed 3/17/2000 For Period Ending 1/1/2000

Address	40 WESTMINSTER ST PROVIDENCE, Rhode Island 02903
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Industry	Conglomerates
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

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

TEXTRON INC.

(Exact name of registrant as specified in charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

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

TITLE OF CLASS -----	Name of Each Exchange on Which Registered -----
CommonStock - par value 12 1/2(cents) (146,644,476 shares outstanding at February 25, 2000); Preferred Stock Purchase Rights	New York Stock Exchange Pacific Stock Exchange Chicago Stock Exchange
\$2.08 Cumulative Convertible Preferred Stock, Series A - no par value	New York Stock Exchange
\$1.40 Convertible Preferred Dividend Stock, Series B (preferred only as to dividends) - no par value	New York Stock Exchange
8 3/4% Debentures due July 1, 2022	New York Stock Exchange
7.92% Trust Preferred Securities of Subsidiary Trust (and Textron Guaranty with respect thereto)	New York Stock Exchange

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to

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

The aggregate market value of voting stock held by non-affiliates of the registrant is \$8,786,671,897 as of February 25, 2000.

Portions of Textron's Annual Report to Shareholders for the fiscal year ended January 1, 2000, are incorporated by reference in Parts I and II of this Report. Portions of Textron's Proxy Statement for its Annual Meeting of Shareholders to be held on April 26, 2000, are incorporated by reference in Part III of this Report.

PART I

ITEM 1. BUSINESS OF TEXTRON

We are a global multi-industry company with operations in four business segments - Aircraft, Automotive, Industrial and Finance. Our products include commercial and military helicopters, light and mid-size business jets, plastic fuel tanks, automotive trim products, golf cars and utility vehicles, turf-care equipment, industrial pumps and gears, engineered fastening systems and solutions, and other industrial products. We also are a leading commercial finance company for select markets. Our business segments include operations that are unincorporated divisions of Textron Inc. or its subsidiaries and others that are separately incorporated subsidiaries.

BUSINESS SEGMENTS

This section contains a description of the business done by each of our business segments. Financial information by business segment and geographic area appears on pages 28, 60 and 61 of our 1999 Annual Report to Shareholders. Those pages of our Annual Report to Shareholders are incorporated by reference into this Annual Report on Form 10-K.

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

Bell Helicopter Textron

Based on unit sales, Bell is the largest supplier of helicopters, spare parts and helicopter-related services in the world. Since Bell was founded in 1946, it has delivered over 34,000 aircraft to military and civilian customers. Bell currently manufactures four military and six civilian helicopter models. Current Bell aircraft are turbine powered and range in size from the five-place Bell Model 206 series to the Bell Model 412EP aircraft, which carries up to fifteen people. Bell's revenues accounted for approximately 13%, 15% and 18% of our total revenues in 1999, 1998 and 1997.

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

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

Bell is teamed with The Boeing Company in the development of the V-22 Osprey tiltrotor aircraft for the U.S. Department of Defense. Tiltrotor aircraft are designed to utilize the benefits of both helicopters and fixed-wing aircraft. Deliveries of the V-22 to the U.S. Marine Corps began in 1999.

In 1996, Bell and Boeing entered into a joint venture to develop a commercial tiltrotor aircraft designated as the Model 609. This joint venture was dissolved in February 1998, and Bell assumed control of the Model 609 program. In November 1998, Bell entered into a new joint venture with Agusta, Italy's leading helicopter manufacturer. The new joint venture will engage in the design, manufacture, sale and customer support of the commercial tiltrotor aircraft, now designated as the BA609, and a new medium twin-engine helicopter, in the 5 to 6 metric ton class, to be designated the AB139.

Bell has developed a new light twin-engine helicopter, designated the Model 427, in collaboration with Samsung Aerospace Industries Ltd. of South Korea. Bell has begun manufacturing the Model 427 and will begin deliveries in 2000.

In July 1999, we acquired Edwards & Associates, Inc., a leading company in the manufacture, sale and assembly of helicopter customization kits and accessories and the sale of used Bell helicopters.

In the light and medium helicopter market segments, Bell has two major U.S. competitors and one major European competitor. Some of its competitors are substantially larger and more

diversified aircraft manufacturers. Bell markets its products around the world through its own sales force and through independent representatives. Price, financing terms, aircraft performance, reliability and product support are significant factors in the sale of helicopters. Bell has developed the world's largest distribution system to sell and support helicopters, serving customers in over 120 countries.

The Cessna Aircraft Company

Based on unit sales, Cessna is the world's largest manufacturer of light and mid-size business jets, single engine utility turboprop aircraft, and single engine piston aircraft. Cessna also designs, manufactures and sells general aviation aircraft propellers and related accessories worldwide. Cessna currently has three major aircraft product lines: Citation business jets, single engine turboprop Caravans and Cessna single engine piston aircraft. Cessna's revenues accounted for approximately 19%, 18% and 17% of our total revenues in 1999, 1998 and 1997.

The family of business jets currently produced by Cessna includes the CitationJet, the Citation Bravo, the Citation Ultra, the Citation Excel, the Citation VII, and the Citation X. The Citation X is the world's fastest business jet with a maximum operating speed of Mach .92. In 1999, Cessna delivered its 3,000th business jet. Cessna is developing four new Citation models, to be called the Citation CJ1, the Citation CJ2, the Ultra Encore and the Citation Sovereign.

The Cessna Caravan is the world's best selling utility turboprop. More than 1,100 Caravans have been sold by Cessna since the first Caravan was delivered in 1985. Caravans are offered in four distinct models: the Grand Caravan, the Super Cargomaster, the Caravan Floatplane and the Caravan 675. Caravans are used in the U.S. primarily to carry overnight express package shipments. International uses of Caravans include commuter flights, humanitarian flights, tourism and freight.

Cessna re-entered the single engine piston aircraft market in 1996 and now has five models in this product line: the four-place 172 Skyhawk, 172 Skyhawk SP and 182 Skylane, and the six-place 206 Stationair and T206 Turbo Stationair. In 1999, Cessna delivered its 2,000th single engine piston aircraft since production was restarted.

Cessna markets its products worldwide primarily through its own sales force as well as through a network of authorized independent sales representatives. Cessna has two U.S. and two

foreign major competitors for its business jet products. Cessna's aircraft compete with other aircraft that vary in size, speed, range, capacity, handling characteristics, and price. Reliability and product support are significant factors in the sale of these aircraft. The Citation family of aircraft is supported by ten Citation Service Centers owned and operated by Cessna, along with authorized independent service stations and centers in more than 15 countries throughout the world.

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

Cessna's McCauley Propeller Systems unit provides new propellers directly to original equipment manufacturers and spare parts for service and repairs worldwide. All new Cessna single engine piston aircraft built in 1998 and 1999 used McCauley propellers.

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

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

systems. Revenues of Textron Automotive Trim Operations accounted for 16%, 15% and 16% of our total revenues in 1999, 1998 and 1997.

In May 1999, Textron Automotive formed a joint venture in Italy with Gallino Plasturgia S.r.l., a wholly-owned subsidiary of BREED Technologies, Inc., and Magneti Marelli S.p.A. The joint venture, Textron Breed Automotive S.r.l., has six manufacturing and administrative facilities in Italy and manufactures automotive plastic parts, including instrument panels, bumpers, and exterior and interior trim parts for sale to original equipment manufacturers such as Fiat Auto. The automotive parts manufactured by Textron Breed Automotive will also be incorporated into interior cockpit modules assembled by a second joint venture, Magneti Marelli Integra S.p.A, between Textron Breed Automotive and Magneti Marelli.

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

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

McCord Winn Textron manufactures seating comfort systems, windshield and headlamp washer systems, and armatures for precision direct current motors. McCord Winn's ASCTec (Active Surface Control Technology) seating comfort system, which blends microprocessor-based electronics and a pneumatically-controlled air support system, has generated broad potential automotive and consumer applications. McCord Winn continues to expand applications of its new RITec (Reservoir Integrated Technology) product, an innovative integration of automotive cooling system components including the fan shroud and windshield washer and coolant reservoirs. McCord Winn launched a RITec production program with DaimlerChrysler in 1999, and other RITec development programs are in progress.

Micromatic Textron manufactures machine tools used for precision bore and surface finishing of automobile engines. In addition, Micromatic produces equipment for spline rolling and gear production. In April 1999, Micromatic acquired the assets of Bates Technologies, Inc. an Indiana manufacturer of honing products, including stones, abrasives and tooling, for the automotive and other industries.

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

Textron Automotive's manufacturing operations are supported by a staff of research and design specialists at its Automotive Technology Center. These specialists have developed new processes and products, many of which are patented, that allow Textron Automotive to offer its customers technology-driven products and processes. In the plastics and coatings area, Textron Automotive is a recognized leader in interior surface material (including Textron Automotive's proprietary PVC-free thermoplastic polyurethane product line), seamless passenger airbag door technology, structural molded instrument panel systems, integrated modular assemblies, and molded-in-color interior and exterior components. CWC Castings is a leader in the design and manufacture of automotive castings. It has developed a selective austempering heat treatment process for ductile camshafts. McCord Winn is working with original equipment manufacturers world-wide to develop advanced technologies in areas such as "intelligent" comfort seating systems, brushless motors and carbon commutation for flexible fuel applications.

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

equipment manufacturers often demand just-in-time delivery, requiring the supplier to plan shipments in advance and hold inventory.

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

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

INDUSTRIAL SEGMENT. Our Industrial segment consists of Textron Fastening Systems and Textron Industrial Products, and includes some operations that are divisions of Textron Inc. or its subsidiaries and others that are separately incorporated subsidiaries.

Textron Fastening Systems

Textron Fastening Systems (TFS) manufactures and sells fasteners, fastening systems, engineered assemblies and installation tools to the aerospace, appliance, automotive, business equipment, telecommunications, electronics, medical, construction, do-it-yourself and general industrial markets. TFS sells to a wide range of customers throughout the world, including original equipment manufacturers, distributors and consumers. Fasteners manufactured by TFS include rivets, threaded and non-threaded fasteners, cold-formed components, metal stampings, plastic components and assemblies that incorporate such products. TFS provides value-added products, services and solutions that simplify manufacturing processes and maximize efficiencies resulting in lower total system costs to the customer. In addition, TFS provides fastener inventory management programs supplying a full range of TFS products and products from other manufacturers, thus offering its customers the ability to obtain all of their fastener requirements

from a single source. Revenues of TFS accounted for approximately 18%, 18% and 17% of our total revenues in 1999, 1998 and 1997.

In April 1999, we acquired Flexalloy, Inc., one of the largest North American providers of vendor managed inventory for fasteners and other related products. Flexalloy provides approximately 300 customers with value-added services complementary to TFS's existing products, including inventory management systems, sourcing and purchasing expertise, just-in-time delivery capabilities, fastener engineering, quality assurance testing, and kitting and assembly services. Our existing vendor managed inventory operation, Textron Logistics, was combined with Flexalloy to create one of the leading non-automotive vendor managed inventory providers, with particular emphasis on truck manufacturers and retail establishments. TFS continues to provide vendor managed inventory services to General Motors, Ford, DaimlerChrysler and to U.S. operations of non-U.S. auto makers.

In May 1999, Textron Fastening Systems/Tri-Star Corp., our Taiwanese joint venture with Taiwan-based San Shing Hardware Works Company, Ltd., Taiwan's largest fastener manufacturer, commenced operations. We hold an 80% interest in the joint venture company, which will initially manufacture bolts for the automotive, electronics and appliance industries and will, thereafter, serve as a low-cost manufacturing site for a broad range of TFS products.

In August 1999, we acquired the assets of Aylesbury Automation Limited, a U.K.-based manufacturer of self-piercing and cold-forged rivets, and automation systems for a variety of applications including automotive and electronics. Aylesbury's key product lines include self-piercing rivets sold under the brand name Fastriv, and automation systems which include delivery systems for installing Fastriv rivets, vibratory parts feeders, rotary tables and elevators for use in various industrial processes, as well as standard, automated rivet setting machines. Self-piercing rivet technology provides a stronger solution for fastening dissimilar metals than can be achieved with welding or traditional fasteners.

In October 1999, we acquired InteSys Technologies, Inc., an Arizona-based provider of plastic and metal engineered assemblies for the telecommunications, automotive, computer/business machines, medical and general consumer industries. InteSys provides innovative, state-of-the-art design, plastic injection molding and assembly to customers such as Nokia, Alco, Bosch, Hewlett Packard, IBM, Motorola and General Motors.

In December 1999, we acquired Optical Boring Company and a 70% interest in Cam Tooling LLC (to augment the 30% interest we already owned). Optical Boring and Cam Tooling are engaged in the proprietary design and manufacture of fastener tooling, specializing in critical part carbide and steel dies, anti-crossthread dies, die assemblies, hex punch pins and segmented punch assemblies, paint scraper forming inserts and extrusion tooling.

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

Textron Industrial Products

Textron Industrial Products is comprised of the following groups:

Textron Fluid and Power Systems; Textron Golf, Turf Care and Specialty Products; Greenlee Textron; OmniQuip Textron; and Textron Industrial Components.

TEXTRON FLUID AND POWER SYSTEMS

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

Our Textron Motion Control businesses, HR Textron and David Brown Hydraulics, design and manufacture control systems and components for aircraft, armored vehicles and commercial applications. These businesses are in the process of diversifying their business base by adapting aerospace technology to servovalves used in industrial and automotive applications. Aerospace and defense products are marketed directly to the U.S. Government, other governments and original equipment manufacturers and, in the aftermarket, both directly and through service centers. In June 1999, we acquired Energy Mfg. Co., Inc. and Williams Machine

& Tool Co., each manufacturers of mobile hydraulic cylinders and hydraulic valves, pumps and reservoirs for the truck hoist market.

Our Textron Power Transmission businesses are Textron Industrial Gears and David Brown Mobile Equipment Drives. Textron Industrial Gears designs and manufactures industrial gears, double enveloping worm gear speed reducers, gear motors and gear sets, including gear systems primarily for railroad applications, under the David Brown, Cone Drive and Textron Industrial S.p.A. trade names. In December 1999, we acquired AB Benzlers, a Swedish manufacturer of helical, worm and environmental gears, speed reducers, screw jacks and frequency inverters, and its European, Asian and Australian distribution subsidiaries. David Brown Mobile Equipment Drives designs and manufactures mechanical and hydraulic transmission systems. These products are sold to a variety of customers, including original equipment manufacturers, distributors and end-users.

Our Textron Fluid and Handling businesses, David Brown Union Pumps and Maag Pump Systems, design and manufacture industrial pumps for oil, gas and petrochemical industries, and gears, gear pumps and gear systems. These products are sold to original equipment manufacturers, distributors and end-users. In March 1999, we acquired the Fluid Systems Division of LCI Corporation International, which designs and manufactures polymer filtration products and systems, including pumping products, screen changers, static mixers and heat exchangers. This operation has been added to Maag Pump Systems. In December 1999, we acquired KSB Annecy SAS, a French manufacturer of pumps for the oil, gas and nuclear industries that we renamed David Brown Guinard Pumps SAS.

Textron Systems is a supplier of sensors, software and electronics, and advanced materials for defense and industrial markets. It manufactures "smart" weapons, airborne surveillance systems, automatic aircraft landing systems and advanced composite materials for the U.S. Department of Defense. Current commercial products include laser, ultrasonic and infrared sensor systems for agricultural and industrial monitoring and control. While Textron Systems sells most of its products directly to customers, it also sells an increasing number of products through a growing, global network of sales representatives and distributors.

TEXTRON GOLF, TURF CARE AND SPECIALTY PRODUCTS

Our Golf, Turf Care and Specialty Products group consists of E-Z-GO Textron and Textron Turf Care and Specialty Products. E-Z-GO Textron designs, manufactures and sells electric-powered and gasoline-powered golf cars and multipurpose utility vehicles. Textron Turf Care and Specialty Products designs, manufactures and sells professional turf maintenance equipment, lawn care machinery and specialized industrial vehicles under the trade names Bob-Cat, Brouwer, Bunton, Cushman, Jacobsen, Ransomes, Ryan and Steiner.

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

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

GREENLEE TEXTRON

Our Greenlee Textron group consists of Greenlee Textron and several operations reporting through Greenlee, including Datacom Technologies, Fairmont and Klauke. These businesses manufacture powered equipment, electrical test instruments, hand and hydraulic powered tools, electrical connectors and certification and verification products for information technology networks. The products are principally used in electrical construction and maintenance, telecommunications, electronics, plumbing, and power generation and transmission. In October 1999, we acquired Progressive Electronics, which designs and manufactures test and measurement equipment for the telecommunications, electrical, electronic, voice/data, HVAC, security alarm and irrigation industries. In December 1999, we acquired Rifocs Corp., which manufactures fiber optic test and measurement instruments and components for industrial, commercial and aerospace defense technologies. Our Greenlee Textron group faces competition

from numerous other manufacturers based primarily on price, quality, performance, reliability, delivery and reputation.

OMNIQUIP TEXTRON

We acquired OmniQuip International, Inc. in September 1999. OmniQuip produces telescopic material handlers, aerial work platforms and compact construction equipment under the trade names SkyTrak, Lull and Snorkel. It has 16 facilities located in the U.S., U.K., Australia and New Zealand employing approximately 1,700 people. Large national equipment rental fleets account for more than 50% of sales. Remaining sales are to end-users through independent distributors and rental centers. End-users are usually construction sub-contractors such as masons, framers, steel erectors and roofers. OmniQuip competes in a fragmented market against a variety of manufacturers. Competition is based primarily on price, quality, product support, performance, delivery and reputation.

TEXTRON INDUSTRIAL COMPONENTS

Our Industrial Components group consists of Textron Lycoming, Textron Marine & Land Systems and Turbine Engine Components Textron, each of which is a leading company in its industry. Products of this group are sold to a wide variety of customers, including original equipment manufacturers, the U.S. and foreign governments, distributors and end-users. The principal competitive factors affecting sales of the products of the Textron Industrial Components group are price, quality, customer service, performance, reliability, reputation and existing product base.

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

Textron Marine & Land Systems is a world leader in the design and construction of advanced technology, specialty marine and land systems. Textron Marine & Land Systems manufactures high performance hovercraft, such as air cushion landing craft and search and

rescue vessels, and the Cadillac Gage family of armored vehicles and turrets, with products operating in over 35 countries.

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

FINANCE SEGMENT. Our Finance segment consists of Textron Financial Corporation (TFC) and its subsidiaries. TFC is a diversified commercial finance company with core operations in three active segments: term loans and leases, revolving credit and specialty finance. Term lending and leasing activity is focused in aircraft, equipment and golf finance. Revolving credit products consist primarily of dealer inventory finance, asset-based lending and factoring, and working capital loans. Specialty finance operations include broadcast media finance, franchise finance, resort receivables finance and structured investment grade transactions. TFC's other financial services and products include transaction syndications, equipment appraisal and management, portfolio servicing and insurance brokerage.

TFC's financing activities are confined almost exclusively to commercial markets and to lease and secured lending products. TFC's services are offered primarily in North America and, to a minor extent, in South America, Europe and Australia. However, TFC does finance Textron products, principally Bell helicopters and Cessna aircraft, world-wide.

In March 1999, we acquired a specialized equipment financing portfolio from Southern Capital Corporation. In July 1999, we acquired RFC Capital, a revolving credit finance company serving commercial customers in the telecommunications industry. In October 1999, we acquired the aircraft and franchise finance divisions of Green Tree Financial Servicing Corporation. In November 1999, we acquired Litchfield Financial Corporation, a commercial finance company specializing in financing arrangements for vacation interval sales, land lot sales and other receivables-oriented transactions.

The commercial finance businesses in which TFC operates are highly competitive. TFC is subject to competition from various types of financing institutions, including banks, leasing

companies, insurance companies, commercial finance companies and finance companies that are subsidiaries of banking institutions. Competition within the commercial finance industry is primarily focused on price, terms and service.

BACKLOG

Information regarding Textron's backlog of government and commercial orders at the end of the past two fiscal years is contained on page 37 of Textron's 1999 Annual Report to Shareholders, which page is incorporated herein by reference.

Approximately 49% of Textron's total backlog of \$9.1 billion at January 1, 2000, represents orders which are not expected to be filled within the 2000 fiscal year. At January 1, 2000, approximately 98% of the total government backlog of \$2.0 billion was funded.

GOVERNMENT CONTRACTS

In 1999, 23% of the revenues of our Aircraft segment and 9% of the revenues of our Industrial segment, constituting in the aggregate 11% of our consolidated revenues, were generated by or resulted from contracts with the U.S. Government. U.S. Government business is subject to competition, changes in procurement policies and regulations, the continuing availability of Congressional appropriations, world events, and the size and timing of programs in which Textron may participate.

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

RESEARCH AND DEVELOPMENT

Information regarding our research and development expenditures is contained on page 55 of our 1999 Annual Report to Shareholders. This page is incorporated herein by reference into this Annual Report on Form 10-K.

PATENTS AND TRADEMARKS

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

We also own trademarks, trade names and service marks that are important to our business. Some of these trademarks, trade names and service marks are used in this Annual Report on Form 10-K: Textron, Textron Automotive Company, Textron Automotive Trim, Textron Fastening Systems, Textron Golf, Turf Care and Specialty Products, Textron Fluid and Power Systems, Textron Industrial Components, Textron Marine & Land Systems, Textron Financial Corporation, AB139, BA609, Bell Helicopter Textron, Bell Model 206, Bell Model 412EP, Bell Model 427, V-22 Osprey, The Cessna Aircraft Company, Cessna Caravan, 172 Skyhawk, 172 Skyhawk SP, 182 Skyhawk, 206 Stationair, T206 Turbo Stationair, Cessna Citation, CitationJet, Citation Bravo, Citation Ultra, Citation Excel, Citation VII, Citation X, Citation CJ1, Citation CJ2, Citation Encore, Citation Sovereign, McCauley Propeller, CWC, Kautex Textron, McCord Winn Textron, Micromatic Textron, Kaywood Products, ASCTec, RITec, Cam Tooling, Fastriv, Flexalloy, InteSys, Optical Boring, Tri-Star Corp., Bob-Cat, Brouwer, Bunton, Cushman, E-Z-GO, Jacobsen, Ransomes, Ryan, Steiner, AB Benzlers, Cone Drive, David Brown, David Brown Guinard Pumps, David Brown Hydraulics, David Brown Mobile Equipment Drives, David Brown Union Pumps, HR Textron, Maag Pump Systems, Textron Industrial S.p.A., Textron Motion Control, Textron Power Transmission, Textron Fluid Handling, Textron Systems, Lull, OmniQuip Textron, Sky Trak, Snorkel, Cadillac Gage, Textron Lycoming, Datacom, Fairmont, Greenlee Textron, Klauke, Progressive Electronics, Rifocs, RFC Capital, Litchfield Financial Corporation and their related trademark designs and logotypes (and variations of the foregoing) are trademarks, trade names or service marks of Textron Inc., its subsidiaries, affiliates, or joint ventures.

ENVIRONMENTAL CONSIDERATIONS

Our operations are subject to numerous laws and regulations designed to protect the environment. Compliance with these laws and expenditures for environmental control facilities have not had a material effect on our capital expenditures, earnings or competitive position. Additional information regarding environmental matters is contained on pages 36 and 53 of our 1999 Annual Report to Shareholders. These pages are incorporated by reference into this Annual Report on Form 10-K.

EMPLOYEES

At January 1, 2000, we had approximately 68,000 employees.

ITEM 2. PROPERTIES

At January 1, 2000, we operated a total of 204 plants located throughout the U.S. and 126 plants outside the U.S. Of the total of 330 plants, we owned 171 and the balance were leased. In the aggregate, the total manufacturing space was approximately 38 million square feet.

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

ITEM 3. LEGAL PROCEEDINGS

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

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

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

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information concerning our executive officers as of March 15, 2000. Unless otherwise indicated, the employer is Textron Inc.

NAME ----	AGE ---	POSITION -----
Lewis B. Campbell	53	Chairman and Chief Executive Officer since February 1999; formerly President and Chief Executive Officer, July 1998 to February 1999; President and Chief Operating Officer, 1994 to July 1998; Director since 1994.
John A. Janitz	57	President and Chief Operating Officer since March 1999; formerly Chairman, President and Chief Executive Officer, Textron Automotive Company, 1996 to March 1999; Executive Vice President and General Manager of TRW Inc.'s Occupant Restraint Group, 1990 to 1996. Appointed Director effective March 25, 1999.
John D. Butler	52	Executive Vice President Administration and Chief Human Resources Officer since January 1999; formerly Executive Vice President and Chief Human Resources Officer, 1997 to December 1998; Vice President Personnel of General Motors International Operations (Zurich, Switzerland), 1993 to 1997.
Mary L. Howell	47	Executive Vice President Government, International, Communications and Investor Relations since July 1998; formerly Executive Vice President Government and International, 1995 to July 1998; Senior Vice President Government and International Relations, 1993 to 1995.
Stephen L. Key	56	Executive Vice President and Chief Financial Officer since 1995; formerly Executive Vice President and Chief Financial Officer of ConAgra, Inc., 1992 to 1995.
Terrence O'Donnell	56	Executive Vice President and General Counsel since March 2000; Partner, Williams & Connolly since 1992.

PART II

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

Our Common Stock is traded on the New York, Chicago and Pacific Stock Exchanges. At January 1, 2000, there were approximately 22,000 holders of Textron Common Stock. The information on the price range of Textron's Common Stock and dividends paid per share appearing under "Common Stock Information" on page 62 of our 1999 Annual Report to Shareholders is incorporated by reference into this Annual Report on Form 10-K.

On December 16, 1999, we issued 432,288 shares of Textron Common Stock in exchange for all the outstanding shares of Rifocs Corp. This issuance of Textron Common Stock was exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) of that Act because it did not involve a public offering.

ITEM 6. SELECTED FINANCIAL DATA

The information appearing under "Selected Financial Information" on page 63 of our 1999 Annual Report to Shareholders is incorporated by reference into this Annual Report on Form 10-K.

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

"Management's Discussion and Analysis," appearing on pages 29 through 38 of our 1999 Annual Report to Shareholders is incorporated by reference into this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

"Quantitative Risks Measures," appearing on page 36 of our 1999 Annual Report to Shareholders is incorporated by reference into this Annual Report on Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and supplementary information contained in our 1999 Annual Report to Shareholders and the Financial Statement Schedules, as listed in the Index to Financial Statements and Financial Statement Schedules attached to this Annual Report on Form 10-K, are incorporated herein by reference.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information appearing under "Nominees for Director" and "Directors Continuing in Office" on pages 3 through 6 of the Proxy Statement for our Annual Meeting of Shareholders to be held on April 26, 2000, is incorporated by reference into this Annual Report on Form 10-K.

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

ITEM 11. EXECUTIVE COMPENSATION

The information appearing under "Report of the Organization and Compensation Committee on Executive Compensation, Executive Compensation and Performance Graph" on pages 11 through 21 of the Proxy Statement for our Annual Meeting of Shareholders to be held on April 26, 2000, is incorporated by reference into this Annual Report on Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information appearing under "Security Ownership of Certain Beneficial Holders" and "Security Ownership of Management," on page 10 of the Proxy Statement for our Annual Meeting of Shareholders to be held on April 26, 2000, is incorporated by reference into this Annual Report on Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information appearing under "Transactions with Management" on page 20 of the Proxy Statement for our Annual Meeting of Shareholders to be held on April 26, 2000, is incorporated by reference into this Annual Report on Form 10-K.

PART IV

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

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

EXHIBITS

3.1	Restated Certificate of Incorporation of Textron as filed January 29, 1998. Incorporated by reference to Exhibit 3.1 to Textron's Annual Report on Form 10-K for the fiscal year ended January 3, 1998.
3.2	By-Laws of Textron.
NOTE:	Exhibits 10.1 through 10.17 below are management contracts or compensatory plans, contracts or agreements.
10.1A	Annual Incentive Compensation Plan For Textron Employees. Incorporated by reference to Exhibit 10.1 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

- 10.1B Amendment to Annual Incentive Compensation Plan for Textron Employees. Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 1999.
- 10.2A Deferred Income Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.2 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.
- 10.2B Amendments to Deferred Income Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.2B to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1999.
- 10.2C Amendment to Deferred Income Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 1999.
- 10.2D Amendment to Deferred Income Plan for Textron Key Executives.
- 10.3 Special Benefits for Textron Key Executives. Incorporated by reference to Exhibit 10.4 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.
- 10.4A Supplemental Benefits Plan For Textron Key Executives with Market Square Profit Sharing Plan Schedule. Incorporated by reference to Exhibit 10.5 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.
- 10.4B Amendments to Supplemental Benefits Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.4B to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1999.
- 10.4C Amendment to Supplemental Benefits Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.3 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 1999.
- 10.4D Amendment to Supplemental Benefits Plan for Textron Key Executives.
- 10.5A Supplemental Retirement Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.6 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.
- 10.5B Amendment to Supplemental Retirement Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.5B to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1999.

- 10.5C Amendment to Supplemental Retirement Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.4 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 1999.
- 10.5D Amendment to Supplemental Retirement Plan for Textron Key Executives.
- 10.6A Survivor Benefit Plan For Textron Key Executives. Incorporated by reference to Exhibit 10.7 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.
- 10.6B Amendment to Survivor Benefit Plan for Textron Key Executives. Incorporated by reference to Exhibit 10.5 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 1999.
- 10.7A Textron 1990 Long-Term Incentive Plan ("1990 Plan"). Incorporated by reference to Exhibit 10.7 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1989.
- 10.7B First Amendment to 1990 Plan. Incorporated by reference to Exhibit 10.7(c) to Textron's Annual Report on Form 10-K for the fiscal year ended December 28, 1991.
- 10.7C Second Amendment to 1990 Plan. Incorporated by reference to Exhibit 10.7(c) to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1993.
- 10.8A Textron 1994 Long-Term Incentive Plan ("1994 Plan"). Incorporated by reference to Exhibit 10 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 2, 1994.
- 10.8B Amendment to 1994 Plan. Incorporated by reference to Exhibit 10.9B to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1999.
- 10.8C Amendment to 1994 Plan. Incorporated by reference to Exhibit 10.6 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 1999.
- 10.8D Amendment to 1994 Plan.
- 10.9 Textron 1999 Long Term Incentive Plan
- 10.10 Form of Indemnity Agreement between Textron and its directors and executive officers. Incorporated by reference to Exhibit A to Textron's

Proxy Statement for its Annual Meeting of Shareholders on April 29, 1987.

10.11 Deferred Income Plan for Non-Employee Directors.

10.12 Employment Agreement between Textron and John D. Butler dated July 23, 1998. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 1998.

10.13A Employment Agreement between Textron and Lewis B. Campbell dated July 23, 1998. Incorporated by reference to Exhibit 10.3 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 1998.

10.13B Retention Award granted to Lewis B. Campbell on December 14, 1995. Incorporated by reference to Exhibit 10.16B to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

10.13C Retention Award granted to Lewis B. Campbell on June 1, 1999.

10.14 Employment Agreement between Textron and Mary L. Howell dated July 23, 1998. Incorporated by reference to Exhibit 10.5 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 1998.

10.15 Employment Agreement between Textron and John A. Janitz dated May 25, 1999.

10.16 Employment Agreement between Textron and Wayne W. Juchatz dated July 23, 1998. Incorporated by reference to Exhibit 10.6 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 1998.

10.17 Employment Agreement between Textron and Stephen L. Key dated July 23, 1998. Incorporated by reference to Exhibit 10.7 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 1998.

10.18 5-Year Credit Agreement dated as of April 1, 1998, among Textron, the Banks listed therein and Morgan Guaranty Trust Company of New York as Administrative Agent. Incorporated by reference to Exhibit 10.2 to

Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended April 4, 1998.

12.1 Computation of ratio of income to combined fixed charges and preferred stock dividends of Textron Manufacturing.

12.2 Computation of ratio of income to combined fixed charges and preferred stock dividends of Textron Inc. including all majority-owned subsidiaries.

13 A portion (pages 28 through 63 and pages 66 through 68) of Textron's 1999 Annual Report to Shareholders.

21 Certain subsidiaries of Textron. Other subsidiaries, which considered in the aggregate do not constitute a significant subsidiary, are omitted from such list.

23 Consent of Independent Auditors.

24.1 Power of attorney.

24.2 Certified copy of a resolution of the Board of Directors of Textron.

27 Financial Data Schedule (filed electronically only).

(b) REPORTS ON FORM 8-K
No reports on Form 8-K were filed during the quarter ended January 1, 2000.

SIGNATURES

Pursuant to the requirement of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on this 17th day of March 2000.

TEXTRON INC. Registrant

By: */s/Michael D. Cahn*

Michael D. Cahn
Attorney-in-fact

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on this 17th day of March 2000, by the following persons on behalf of the registrant and in the capacities indicated:

NAME ----	TITLE -----
* ----- Lewis B. Campbell	Chairman and Chief Executive Officer, Director
* ----- John A. Janitz	President and Chief Operating Officer, Director
* ----- H. Jesse Arnelle	Director

* ----- Teresa Beck	Director
* ----- R. Stuart Dickson	Director
* ----- Lawrence K. Fish	Director
* ----- Joe T. Ford	Director
* ----- Paul E. Gagne	Director
* ----- John D. Macomber	Director
* ----- Brian H. Rowe	Director
* ----- Sam F. Segnar	Director

Director

Jean Head Sisco

*

Martin D. Walker

Director

*

Thomas B. Wheeler

Director

*

Stephen L. Key

Executive Vice President and
Chief Financial Officer
(principal financial officer)

*

Richard L. Yates

Vice President and Controller
(principal accounting officer)

*By: /s/ Michael D. Cahn
Michael D. Cahn
Attorney-in-fact

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

TEXTRON INC.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

For each of the three years in the period ended January 1, 2000

Financial information of the Registrant is omitted because condensed financial information of Textron Manufacturing, which includes the Registrant and all of its majority-owned subsidiaries other than its finance subsidiaries (Textron Finance) is shown on pages 40 through 44 of Textron's 1999 Annual Report to Shareholders. Management believes that the disclosure of financial information on the basis of Textron Manufacturing results in a more meaningful presentation, since this group constitutes the Registrant's basic borrowing entity and the only restrictions on net assets of Textron's subsidiaries relate to Textron Finance. The Registrant's investment in Textron Finance is \$869 million in 1999 and \$473 million in 1998.

Textron Manufacturing received dividends of \$36 million, \$62 million and \$74 million from Textron Finance in 1999, 1998 and 1997, respectively. Lending agreements limit Textron Finance's net assets available for cash dividends and other payments to Textron Manufacturing to approximately \$332 million of Textron Finance's net assets of \$869 million at year-end 1999.

Textron Manufacturing's credit agreements contain provisions requiring it to maintain a minimum level of shareholders' equity and a minimum interest coverage ratio. For additional information concerning Textron Manufacturing's long-term debt, see Note 7 to the consolidated financial statements appearing on pages 49 and 50 of Textron's 1999 Annual Report to Shareholders.

For information concerning Textron-obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Textron Junior Subordinated Debt Securities, see Note 10 to the consolidated financial statements appearing on page 53 of Textron's 1999 Annual Report to Shareholders.

- 3.1 Restated Certificate of Incorporation of Textron as filed January 29, 1998. Incorporated by reference to Exhibit 3.1 to Textron's Annual Report on Form 10-K for the fiscal year ended January 3, 1998.
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- 10.9 Textron 1999 Long Term Incentive Plan
- 10.10 Form of Indemnity Agreement between Textron and its directors and executive officers. Incorporated by reference to Exhibit A to Textron's Proxy Statement for its Annual Meeting of Shareholders on April 29, 1987.
- 10.11 Deferred Income Plan for Non-Employee Directors
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Annual Report on Form 10-K for the fiscal year ended
December 30, 1995.

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- 12.1 Computation of ratio of income to combined fixed charges and preferred stock dividends of Textron Manufacturing.
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- 13 A portion (pages 28 through 63 and pages 66 through 68) of Textron's 1999 Annual Report to Shareholders.
- 21 Certain subsidiaries of Textron. Other subsidiaries, which considered in the aggregate do not constitute a significant subsidiary, are omitted from such list.
- 23 Consent of Independent Auditors.
- 24.1 Power of attorney.
- 24.2 Certified copy of a resolution of the Board of Directors of Textron.

Exhibit 3.2

TEXTRON

INC.

(A DELAWARE CORPORATION)

BY-LAWS

As Amended Through May 26, 1999

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TEXTRON INC.
(A DELAWARE CORPORATION)

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 II.

MEETINGS OF STOCKHOLDERS.

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

SECTION 2.02. Annual Meetings. (a) The annual meeting of the stockholders for the election of directors and for the transaction of such other business as properly may come before the meeting shall be held on such day, at such time and in such place (either within or without the State of Delaware) as shall be fixed by the Board of Directors. (b) If the election of directors shall not be held on the day fixed by

the Board of Directors for any annual meeting, or on the day of any adjourned session thereof, the Board of Directors shall cause the election to be held at a special meeting as soon thereafter as conveniently may be. At such special meeting the stockholders may elect the directors and transact other business with the same force and effect as at an annual meeting duly called and held. (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 Section 3.03, by the Certificate of Incorporation or by law, 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 should so determine, he 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 him personally or by mailing such notice, postage prepaid, addressed to him at his post-office address last shown in the records of the Corporation or by transmitting notice thereof to him at such address by telegraph, cable or 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, in person or by attorney thereunto authorized, waive such notice in writing or by telegraph, cable or any other available method 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 law.

SECTION 2.05. Quorum. (a) At each meeting of the stockholders, except where 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 absence, the President or, in the absence of the Chairman of the Board and the President, the Vice Chairman of the Board or, in the absence of the Chairman of the Board, the President 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 law or by 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 his 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 his proxy appointed by an instrument in writing subscribed by such stockholder or by his 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 where other provision is made by law or by 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 duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his 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 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 III.

BOARD OF DIRECTORS.

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

SECTION 3.02. Number, Qualifications and Term of Office. (a) The number of directors of the Corporation which shall constitute the whole Board of Directors shall be such number as from time to time shall be fixed by the Board of Directors in accordance with the Certificate of Incorporation of the Corporation. (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 of the Corporation.

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 re-election 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 should so determine, he 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, the persons, 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.

SECTION 3.04. Quorum and Manner of Acting. (a) Except as otherwise provided by statute or by the Certificate of Incorporation, 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) In the event the Secretary is informed that one or more directors will be out of the continental limits of the United States at the date of any regular or special meeting of the Board, or 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 absent or 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.

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 where otherwise provided by statute, by 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 or the President or by any two of the directors. Notice of each such meeting shall be mailed to each director, addressed to him at his 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 at his residence or at such place of business by telegraph, cable or other available means, or shall be delivered personally or by telephone, 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 in writing or by telegraph, cable or otherwise, whether before or after such meeting shall be held, or if he 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 absence, the President 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 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. Except as otherwise provided in the Certificate of Incorporation or in these By-Laws, 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 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 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 in connection with the performance of his 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 therefor.

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, the Vice Chairman of the Board and the President, 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 shall remain a director, until the first meeting of the Board of Directors held after the next annual election of directors and until his successor is duly ap-

pointed and qualified. The chairman of the Executive Committee or, in his 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 in connection with the performance of his 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 or

they constitute a quorum, may unanimously appoint another member of 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 Vice 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 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 successor shall have been duly elected and qualified, or until his death, or until he shall have resigned or shall have been removed in the manner herein provided. The Chairman of the Board, the Vice Chairman of the Board and the President 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 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 and the President, preside at all meetings of the Board of Directors and 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 by the Board of Directors, the Executive Committee or the chief executive officer of the Corporation.

SECTION 6.09. 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 shall, in the absence of the Chairman of the Board, 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 by the Board of Directors, the Executive Committee or the chief executive officer of the Corporation.

SECTION 6.10 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 6.11. 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 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 depositaries as shall be selected in accordance with the provisions of these By-Laws; he 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 so to do, a statement of all his transactions as Treasurer or the financial condition of the Corporation; and, in general, he 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 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 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 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 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, and none of such officers shall be prevented from receiving a salary by reason of the fact that he 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 pecuniarily for any purpose or to any amount.

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

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

SECTION 7.04. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositaries as the Board of Directors or Executive Committee or other committee designated by the

Board so to act may from time to time designate, or as may be designated by any officer or officers or agent or agents of the Corporation to whom such power may be delegated by the Board of Directors or Executive Committee or other committee designated by the Board so to act and, for the purpose of such deposit and for the purposes of collection for the account of the Corporation, all checks, drafts, and other orders for the payment of money which are payable to the order of the Corporation may be endorsed, assigned and delivered by any officer, agent or employee of the Corporation or in such other manner as may from time to time be designated or determined by resolution of the Board of Directors or Executive Committee or other committee designated by the Board so to act.

SECTION 7.05. Proxies in Respect of Securities of Other Corporations. Unless otherwise provided by resolution adopted by the Board of Directors or the Executive Committee or other committee so designated to act by the Board, the 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 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 him, and if any stockholder shall fail to designate such address, corporate notices may be served upon him by mail, postage prepaid, to him at his post-office address last known to the Secretary or to the transfer agent of the Corporation or by transmitting a notice thereof to him at such address by telegraph, cable or 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 certified public accountants of good standing, elected by the Board of Directors.

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 him in the Corporation and designating the class of stock to which such shares belong, which shall otherwise be in such form as the Board of Directors shall prescribe. Each such certificate 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 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 his attorney thereunto authorized, and on the surrender of the certificate or certificates for such shares properly endorsed.

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 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 he is or was a director, officer or employee of the Corporation (for the purposes of this Article XII such term includes Textron Inc., a Rhode Island 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 him in connection with such action, suit or proceeding if he acted in good faith and in a manner he 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 his 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 he 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 his 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 he is or was an Agent against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he 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, he shall be indemnified, to the full extent permitted by law, against expenses (including attorneys' fees) actually and reasonably incurred by him 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 he 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 he 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-

ble 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 his 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 his 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 his 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 him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him 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 (includ-

ing any constituent of a constituent) absorbed in a consolidation or merger, 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 he 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 he reasonably believed to be in the interests 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, these By-Laws of the Certificate of Incorporation, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE XIV.**AMENDMENTS.**

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

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 , 19 .

.....

Secretary

Exhibit 10.2D

**DEFERRED INCOME PLAN FOR
TEXTRON KEY EXECUTIVES
(RESTATED EFFECTIVE JANUARY 1, 1994)**

FIFTH AMENDMENT

Pursuant to Section 9.03 of the Deferred Income Plan for Textron Key Executives (Restated effective January 1, 1994) (the "Plan"), Textron Inc. hereby amends the Plan, as follows:

1. Section 3.08 of the Plan is hereby amended by changing the third sentence to read in its entirety as follows:

"With respect to deferrals into this Plan of any other amounts, each month Textron shall credit stock units to a Participant's Stock Unit Account equal in number to the number of shares of Textron Common Stock that the deferred amount could have purchased at a price per share equal to the average of the composite closing prices of Textron Common Stock, as reported in the Wall Street Journal for the month the contribution is credited."

2. Section 3.09 of the Plan is hereby amended to read in its entirety as follows:

"From time to time, Textron shall credit Stock Units 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."

3. Section 3.11 of the Plan is hereby amended by changing the second sentence to read

in its entirety as follows:

"A Participant who has terminated her Textron employment may, after a period of 30 days, subject to the provisions of Section 16 of the Securities Exchange Act of 1934, once each calendar quarter, elect to transfer, in 10% increments, effective the first calendar day of the month following the minimum notice of 3 business days, any amount in her Stock Unit Account to her Interest Account."

IN WITNESS WHEREOF, Textron Inc. has caused this Fifth Amendment to be executed by its duly authorized officer. Parts 1 and 2 of this Amendment shall be effective as of September 1, 1999. Part 3 shall effective as of October 1, 1999

TEXTRON INC.

By: _____
George Metzger
Vice President, Human Resources and Benefits

Exhibit 10.4D

**SUPPLEMENTAL BENEFITS PLAN
FOR TEXTRON KEY EXECUTIVES
(RESTATED EFFECTIVE JANUARY 1, 1994)**

FIFTH AMENDMENT

Pursuant to Section 8.03 of the Supplemental Benefits Plan for Textron Key Executives (Restated effective January 1, 1994) (the "Plan"), Textron Inc. hereby amends the Plan, as follows:

1. Section 4.03 of the Plan is hereby amended to read in its entirety as follows:

"Beginning September 1, 1999, 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 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."

2. Section 4.04 of the Plan is hereby amended to read in its entirety as follows:

"Beginning September 1, 1999, 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. Section 4.06 of the Plan is hereby amended by changing the first sentence to read in its entirety as follows:

"A Participant who has terminated her Textron employment may, after a period of 30 days, subject to the provisions of Section 16 of the Securities Exchange Act of 1934, once each calendar quarter, elect to transfer, in 10% increments, effective the first calendar day of the month following the minimum notice of 3 business days, any amount in her supplemental savings account to her fixed income account."

4. Section 4.01 of the Market Square Profit Sharing Plan Schedule to the Plan is hereby amended to read in its entirety as follows:

"A Participant who has terminated her Textron employment may, after a period of 30 days, subject to the provisions of Section 16 of the Securities Exchange Act of 1934, once each calendar quarter, elect to transfer, in 10% increments, effective the first calendar day of the month following the minimum notice of 3 business days, any amount in her Stock Unit Account to her general fund account."

5. Section 3.01 of the Plan is hereby amended to read in its entirety as follows:

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

6. A new Section 1.05 is hereby added to the Plan as follows and existing Sections 1.05 through 1.17 are renumbered accordingly.

"'Compensation' means base salary, accrued annual incentive compensation, performance units, and performance share units, whether or not deferred under the Deferred Income Plan for Textron Key Executives. However, for any Key Executive who is first awarded performance share units after October 26,1999, performance share units shall not be included in Compensation."

IN WITNESS WHEREOF, Textron Inc. has caused this Fifth Amendment to be executed by its duly authorized officer. Parts 1 and 2 shall be effective as of September 1, 1999. Parts 3 and 4 shall be effective as of October 1, 1999 Part 5 and 6 shall be effective as of October 26, 1999.

TEXTRON INC.

By: _____
George Metzger

Vice President, Human Resources and Benefits

Exhibit 10.5D

**SUPPLEMENTAL RETIREMENT PLAN
FOR TEXTRON KEY EXECUTIVES
(EFFECTIVE DECEMBER 15, 1994)**

THIRD AMENDMENT

Pursuant to Section 7.03 of the Supplemental Retirement Plan for Textron Key Executives (Effective December 15, 1994) (the "Plan"), Textron Inc. hereby amends the Plan, as follows:

Section 1.05 of the Plan is hereby amended to read in its entirety as follows:

"'Compensation' means base salary, accrued annual incentive compensation, performance units, and performance share units, whether or not deferred under the Deferred Income Plan for Textron Key Executives. However, for any Key Executive who is first awarded performance share units after October 26, 1999, performance unit and performance share units shall not be included in Compensation"

IN WITNESS WHEREOF, Textron Inc. has caused this Third Amendment to be executed by its duly authorized officer effective as of October 26, 1999.

TEXTRON INC.

By: _____
George Metzger

Vice President, Human Resources and Benefits

Exhibit 10.8D

**TEXTRON INC.
1994 LONG-TERM INCENTIVE PLAN AMENDMENT**

* Earned performance share units are valued by using the average of the composite closing prices for the first ten trading days following the end of the award period (i.e. first ten days in January).

* Because of Y2K concerns (market uncertainty) the O&C Committee recommends that the Board of Directors amend the 1994 Long-Term Incentive Plan to shift the valuation to the first ten trading days in December, 1999. Award payments would still be made in January as is Textron's normal practice.

* The O&C Committee recommends that the Board of Directors amend the 1994 Long-Term Incentive Plan as follows:

FOR APPROVAL

The Board of Directors hereby amends the 1994 Long-Term Incentive Plan as follows:

"Current Value" as defined in section 3.7 of the Textron 1994 Long-Term Incentive Plan shall mean the average of the composite closing prices, as reported in the Wall Street Journal, for the first ten trading days in December 1999 for performance share units earned for the cycle ending with fiscal year 1999 only.

Exhibit 10.9

1999 LONG-TERM INCENTIVE PLAN FOR TEXTRON EMPLOYEES

Article I - General

1.1 PURPOSE. This plan authorizes the grant of stock options ("Options"), performance share units ("Performance Share Units") and restricted stock ("Restricted Stock") to officers and other selected employees of Textron Inc. ("Textron") and its related companies to induce them to continue as Textron employees and to reward them for improvement in Textron's long-term performance.

1.2 ADMINISTRATION. (a) The Board of Directors of Textron (the "Board") shall appoint from among its members a committee (the "Committee") consisting of no fewer than three directors, none of whom shall be eligible, and none of whom shall have been eligible at any time within one year prior to or after exercising discretion in administering the Plan, for any award under the Plan or under any other employee benefit plan of Textron or any related company, and all of whom shall certify that they are "outside directors" as defined by the Code. Unless otherwise specified by the Board, the Committee, for purpose hereof, shall mean the Organization and Compensation Committee of the Board.

(b) The Committee shall have the power subject to and within the limits of the Plan:

(1) to determine from time to time which eligible persons shall be granted Options under the Plan, which Options shall be "Incentive Options" and which shall be "Non-Qualified Options," as each is hereafter defined, the term of each Option within which all or portions of the Option may be exercised and the number of shares covered by each Option;

(2) to determine from time to time which eligible persons shall be granted Performance Share Units under the Plan, to fix the number of Performance Share Units covered by each grant and conditions of each grant;

(3) to determine from time to time which eligible persons shall be granted shares of Restricted Stock under the Plan, to fix the number of shares of Restricted Stock covered by each grant and the conditions of the grant;

(4) to construe and interpret the Plan and to establish, amend and revoke rules and regulations for its administration. The Committee, in exercise of this power, shall generally determine all questions of policy and expediency that may arise and may correct any defect, omission or inconsistency in the Plan or in any agreement evidencing an award hereunder in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective;

(5) to prescribe the terms and provisions of any award under an Option, Performance Share Unit or share of Restricted Stock granted pursuant to this Plan;

(6) generally, to exercise such powers and to perform such acts in connection with the Plan as are deemed necessary or expedient to promote the best interests of Textron.

(c) The Board at any time may designate one or more officers or committees of Textron to act in place of the Committee in making any determination or taking any action under the Plan. The Benefits Committee of Textron shall have the authority to adopt one or more sub-plans of the Plan applicable to employees located in countries other than the United States for the purpose of complying with applicable laws and regulations of such countries. Notwithstanding the above, all decisions concerning the Plan relate to persons who are Directors or Corporate Officers of Textron shall be made by the Committee.

(d) The Board at any time may reconstitute administration of the Plan, including all powers and duties of the Committee, in the Board, provided that in any matter relating to administration of the Plan, a majority of the Board and a majority of the directors acting on such matter shall not be eligible, and shall not have been eligible at any time within one year prior thereto, for a grant under the Plan or under any other employee benefit plan of Textron or any related company. In such all references herein to the Committee shall be deemed to refer to the Board.

(e) All actions of the Board, the Committee or any designate under Section 1.2 in connection with the plan shall be final, conclusive and binding. No member of the Board, the Committee or any designated committee, nor any designated officer, shall be liable for any action taken or decision made in good faith relating to the Plan or any grant or award hereunder.

1.3 ELIGIBILITY. The Committee may grant options, Performance Share Units or shares of Restricted Stock under the Plan to any full-time employee of Textron or any related company (determined at the date of grant) who is a corporate, division, segment or subsidiary officer, administrative or professional employee, or other selected employee capable of making a substantial contribution to the success of Textron. Options, Performance Share Units and shares of Restricted Stock may be granted to full-time employees who are also members of the Board. In making grants and determining their form and amount, the Committee shall consider functions and responsibilities of the employee, the employee's potential contributions to profitability and sound growth of Textron and such other factors, as the Committee deems relevant.

1.4 GRANTS. Grants under the Plan may be comprised of any of the following:

- (a) Options as described in Article II;
- (b) Performance Share Units as described in Article III; and
- (c) Restricted Stock as described in Article IV.

1.5 Effective Date of Plan. The Plan shall be submitted to Textron shareholders for approval at the annual meeting on April 28, 1999, or at any adjournment of such meeting, and shall become effective immediately following its approval by the affirmative vote of the holders of a majority of the shares present and entitled to vote at such meeting.

1.6 AGGREGATE LIMITATION ON GRANTS. (a) Shares of Common Stock, which may be issued pursuant to grants under the Plan may be either authorized and unissued shares of Common Stock or authorized and issued shares of Common Stock purchased or acquired by Textron for this or any other purpose. Subject to Section 6.9(a) (relating to adjustments upon changes in stock), the maximum number of shares of Common Stock which may be subject to Options under the Plan shall be 8,000,000, the maximum number of Performance Share Units which may be granted under the Plan shall be 1,000,000 and the maximum number of shares of Restricted Stock which may be granted under the Plan shall be 500,000.

(b) In the event that (1) any Option granted under the Plan expires unexercised or its terminated or cancelled for any reason without having been exercised in full, (2) all or any part of any Performance Share Units granted under the Plan are terminated or unearnable for any reason, or (3) any grant of Restricted Stock under the Plan are terminated or does not vest for any reason, the number of shares of Common Stock therefore subject to such Option, or grant of Restricted Stock, or the number of such Performance Share Units, or the unexercised, terminated or cancelled or unearnable portion thereof, shall be added to the remaining number of shares of common Stock, Performance Share Units, or Restricted Stock, respectively, available for grant under the Plan.

1.7 ADDITIONAL DEFINITIONS. For purposes of this Plan, the following terms shall have the meaning specified in this Section 1.7:

(a) "Award Period" shall mean the period during which Performance Targets or Performance Measures are to be accomplished.

(b) "Cause" shall mean a degree of less than acceptable performance as is determined by the Committee.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(d) "Common Stock" shall mean shares of Textron common stock.

(e) "Current Value" of a share of Common Stock on any date shall mean the average of the composite closing prices for Textron common stock, as reported in The Wall Street Journal, for ten trading days next following that date.

(f) "Corporate Officer" shall mean corporate officers of Textron who are not assistant corporate officers.

(g) "Director" shall mean a member of the Board of Directors of Textron.

(h) "Early Retirement" shall mean the attainment of any of the following requirements: age 55 with 10 years of Vesting Service, age 60, or 20 years of Vesting Service. For the purposes of this Plan, "Vesting Service" shall have the meaning ascribed to it in Addendum A of the Textron Master Retirement Plan (January 1, 1998 Restatement).

(i) "Fair Market Value" shall mean (except as may be required by Section 422 or any other applicable law) the simple average of the high and low prices of the Common Stock on the New York Stock Exchange Composite Transactions Listing on a particular date.

(j) "Incentive Options" shall mean Options, which are incentive stock options under section 422 of the Code.

(k) "Non-Qualified Options" shall mean Options which are not Incentive Options.

(l) "Options" shall mean options to purchase shares of Common Stock, which are granted pursuant to this Plan.

(m) "Performance-Based Exception" shall mean the performance-based exception from the tax deductibility limitations of Code section 162 (m).

(n) "Performance Measures" shall mean the performance standards described in Section 3.4 of this Plan.

(o) "Performance Share Units" shall mean fictional shares of Common Stock accumulated and accounted for under this Plan for the sole purpose of determining the cash amount of any distribution on account of awards earned pursuant to Article III of this Plan.

(p) "Performance Targets" shall mean the performance standards described in Article V of this Plan.

(q) "Period of Restriction" shall mean the period during which the transfer of shares of Restricted Stock is limited in some way (based upon the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Board, at its discretion), and during which the shares of Restricted Stock are subject to a substantial risk forfeiture, as provided in Article IV herein.

(r) "Plan" shall mean the 1999 Long-Term Incentive Plan for Textron Employees.

(s) "Restricted Stock" shall mean an award of Common Stock granted under Article IV of the Plan.

(t) "Total Disability" shall mean a permanent mental or physical disability as determined by the Committee.

Article II - Options

2.1 GRANT OF OPTIONS. The Committee may from time to time, subject to the provisions of the Plan and such other terms and conditions as it may prescribe, grant to eligible employees one or more Options to purchase shares of Common Stock under the Plan. A maximum of 75,000 Options can be granted to any eligible employee during any calendar year, in each case subject to adjustments provided in Section 7.9 of this Plan. Options granted hereunder may be Incentive Options under Section 422 of the Code (Section 422). Options granted hereunder which are not Incentive Options are referred to as "Non-Qualified Options."

2.2 OPTION AGREEMENTS. The grant of an Option shall be evidenced by a written Option Agreement, executed by Textron and the optionee, stating the number of shares of Common Stock subject to the Option, designating whether and to what extent the Option is an Incentive Option and containing such investment representations and other terms and conditions as the Committee may from time to time determine, or as may be required by Section 422 or any other applicable law.

2.3 OPTION PRICE. The purchase price for the Common Stock covered by any Option granted under the Plan shall in no case be less than 100% of the Fair Market Value of such Common Stock at the time the Option is granted. The purchase price of the shares as to which an Option shall be exercised shall be paid in full at the time of exercise at the election of the optionee (1) in cash, (2) by tendering to Textron Shares of Common Stock then owned by the optionee having a Fair Market Value equal to such purchase price, or (3) partly cash and partly in shares of Common Stock valued at Fair Market Value. The Committee may also allow cashless exercise as permitted under the Federal Reserve Board's Regulation T, subject to applicable securities law restrictions, or by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law.

2.4 TERM OF OPTION. The term of each Option granted under the Plan shall be for such period, as the Committee shall determine but no more than 10 years from the date of grant thereof in the case of an Incentive Option. Each Option shall be subject to earlier termination as provided in Section 2.6 or 2.7, if applicable.

2.5 EXERCISE OF OPTION. Each Option granted under the Plan shall be exercisable on such date or dates during the term thereof and for such number of shares of Common Stock as may be provided in the Option Agreement evidencing its grant provided that an Option shall not be exercisable for less than 50 shares (or the remaining number of shares subject to the Option if that number is less than 50). No option shall be exercisable for at least six months after the date of its issuance, except as otherwise provided in this Plan. To exercise an Option as to all or part of the shares covered thereby, an optionee shall furnish to the Secretary of Textron at Textron's principal office written notice of such exercise together with the purchase price for the shares. The notice shall specify the

number of shares then being purchased. In the discretion of the Committee, the Option Agreement may provide that shares may be issued in the name of the optionee and another person jointly with rights of survivorship. During the life of an optionee, an Option shall be exercisable only by the optionee or by the optionee's guardian or legal representative.

2.6 TERMINATION OF EMPLOYMENT. (a) If an optionee's employment with Textron or a related company shall terminate for Cause, as determined by the Committee, all Options held by the optionee shall expire immediately.

(b) If the employment with Textron and its related companies of an optionee who is not described in Section 2.6(a) shall end after the optionee has become eligible for Early Retirement, the optionee shall have the right to exercise each Option granted to the optionee within 36 months after the end of the optionee's employment (or within such shorter period as may be specified in the related Option Agreement) to the extent the Option is exercisable at the time of exercise.

(c) If an optionee's employment with Textron and its related companies shall end as a result of the optionee's Total Disability, the optionee shall have the right to exercise each Option granted to the optionee as to all unexercised shares until the expiration of its term.

(d) If an optionee shall die while employed by Textron or a related company or while any option granted to the optionee is still exercisable under section 2.6(b), (c) or (e), any such Option may be exercised as to all unexercised shares within a period of one year from the date of the optionee's death by the executor or administrator of the optionee's estate or by the person or persons whom the optionee shall have transferred such right by will or by the laws of descent or distribution.

(e) If an optionee's employment with Textron and its related companies shall end for any reason not specified in Sections 2.6(a), (b) or (d), the optionee shall have the right to exercise each Option granted to the optionee within three months after his or her termination of employment (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.

(f) Notwithstanding anything in the contrary in this Section 2.6, in no event shall an Option be exercisable after the expiration of its term.

2.7 INCENTIVE OPTIONS. (a) Incentive Options shall be subject to the additional terms and conditions of this Section 2.7.

(b) No Incentive Option shall be issued hereunder to any individual who, at the time the Incentive Option is granted, owns stock possessing more than ten percent of the total combined voting power of all classes of stock of Textron or any related company.

(c) To the extent that the aggregate fair Market Value (determined as of the time the Incentive Option is granted) of the Common Stock with respect to which any Incentive

Stock Options granted are exercisable for the first time by an optionee during any calendar year (under all employee benefit plans of Textron and its related companies) exceeds \$100,000 (or such larger maximum as may be permitted under the Code for Incentive Stock Options granted to an individual employee at the time the Incentive Option is granted), such options shall be treated as Non-Qualified Options.

(d) Any optionee who disposes of shares of Common Stock acquired by or pursuant to exercise of an Incentive Option by sale, exchange, gift or other disposition described in Section 424 (c) of the Code, either (1) within two years after the date of the grant of the Incentive Option under which the shares were acquired, or (2) within one year of the acquisition of such shares, shall notify the Secretary of Textron at Textron's principal office of such disposition, the amount realized, the exercise price and the date of exercise of such shares. 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 the sums in lieu of, an amount sufficient to satisfy any federal, state and local withholding tax requirements to such a disposition.

(e) The Option Agreement with respect to Incentive Options shall contain such other provisions as may be required by Section 422 or any other applicable law.

Article III - Performance Share Units

3.1 AWARD OF PERFORMANCE SHARE UNITS. (a) The Committee may, from time to time, subject to the provisions of the Plan and such other terms and conditions as the Committee may prescribe, grant to eligible employees one or more Performance Share Units. Such grants shall be evidenced in writing. A maximum of 60,000 Performance Share Units may be granted to any eligible employee for any Award Period, in each case subject to adjustment as provided in Section 7.9 of this Plan.

(b) The existence of the Performance Share Units is for record keeping purposes only and does not require and segregation of assets.

3.2 CONDITIONS OF GRANT. When a grant of Performance Share Units is made, the Committee shall determine: (1) the number of Performance Share Units included in this grant; (2) the Performance Targets or Performance Measures as described further in Section 3.4; and (3) the Award Period during which the Performance Targets or Performance Measurements are to be accomplished.

3.3 PAYMENT FOR PERFORMANCE SHARE UNITS. Payment in respect of earned Performance Share Units shall be due not more than 90 days after the Award Period for such Performance Share Units has ended. Such payment shall be in the amount determined under Section 3.6, or in a greater amount pursuant to the last two sentences of Section 3.4, and shall be made in one or more equal annual installments subject to such terms and conditions as the Committee shall specify. Payments for Performance Share Units shall be made in cash.

3.4 PERFORMANCE MEASURES AND PERFORMANCE TARGETS. Upon making a grant of Performance Share Units, the Committee shall establish the applicable Performance

Measures or Performance Targets to be attained for the Award Period as a Condition of the related Performance Shares being earned in whole or part. Performance Targets shall be established only in terms of the standards set forth in Article V of this Plan. Attainment of a primary Performance Target in an Award Period shall result in the earning of all of the Performance Share Units related to that Performance Target. For Corporate Officers only, Awards may not exceed 100% of the value of Performance Share Units related to the applicable Performance Targets. Failure to attain a minimum Performance Target in an Award Period shall result in the failure to earn any of the Performance Share Units related to that Performance Target. Attainment between a primary and minimum Performance target in an Award Period shall result in the earning of a portion of the Performance Share Units related to those Performance Targets, determined by a pre-established mathematical formula which shall be determined by the Committee. The Committee may determine an award less than that determined by the formula, but may not, however, determine an award more than that derived by the formula. Performance Measures may be expressed in terms of any standard, financial or otherwise, as the Committee may determine. Performance Share Units related to one or more Performance Measures shall be earned only as determined by the Committee and may not exceed 100% of the value of such Performance Share Units.

3.5 TERMINATION OF EMPLOYMENT. (a) If a grantee's employment with Textron or related company shall terminate for Cause, as determined by the Committee, all of the grantee's outstanding performance Share Units will be cancelled immediately.

(b) If the employment with Textron and its related companies of the grantee who is not described in Section 3.5(a) shall end during an Award Period but no more than one year after its beginning:

(1) due to death or Total Disability, or after the guarantee has become eligible for Early retirement, the grantee or the grantee's successor in interest shall be entitled to payment on account of the Performance Share Units earned during that Award Period, if any, on a pro rata basis, or

(2) otherwise than as described in Section 3.5(b)(1), the grantee or the grantee's successor in interest shall be entitled to payment on account of the Performance Share Units earned during that Award Period on a pro rata basis only as determined by the Committee.

(c) If a grantee's employment with Textron and its related companies shall end during an Award Period but one year or less after its beginning, all of the grantee's Performance Share Units relating to that Award Period shall be cancelled.

3.6 AMOUNT OF PAYMENT FOR SHARE UNITS. Any payment with respect to earned Performance Share Units shall be made in cash and shall be in an amount equal to the product of (1) the Current Value of Textron Common Stock on the date on which they are deemed earned, times (2) the number of whole and fractional Performance Share Units which have been earned. For purposes of this Plan, earned Performance Share Units shall be

deemed earned as of the last day of the applicable Award Period unless the Committee determines otherwise.

Article IV - Restricted Stock

4.1 GRANT OF RESTRICTED STOCK. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock to eligible employees in such amounts, as the Board shall determine. A maximum of 200,000 shares of Restricted Stock may be granted to any eligible employee in any one calendar year, in each case subject to adjustment as provided in Section 6.9 of this Plan.

4.2 RESTRICTED STOCK AGREEMENT. Each Restricted Stock grant shall be evidenced by a Restricted Stock Award Agreement that shall specify the Period(s) of Restriction, the number of Shares Restricted Stock granted, and such other provisions as the Committee shall determine.

4.3 TRANSFERABILITY. Except as provided in this Article IV, the Shares of Restricted Stock granted herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction established by the Committee in its sole discretion and set forth in the Restricted Stock Award Agreement. All rights with respect to the Restricted Stock granted to an eligible employee under the Plan shall be available during his or her lifetime only to such eligible employee.

4.4 OTHER RESTRICTIONS. The Committee shall impose such other conditions and/or restrictions on any Shares of Restricted Stock granted pursuant to the Plan as it may deem advisable including, without limitation, continued employment with Textron, a requirement that eligible employees pay a stipulated purchase price for each Share of Restricted Stock, restrictions based upon the achievement of specific performance goals (company-wide, divisional, and/or individual), time-based restrictions on vesting following the attainment of performance goals, and/or restrictions under applicable federal or state securities laws. With respect to awards of Restricted Stock based on Performance targets, the Committee will establish Performance targets in accordance with the standards set forth in Article V of this Plan.

Textron may retain the certificates representing Shares of Restricted Stock in its possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied.

Except as otherwise provided in this Article IV or pursuant to Section 7.2 of the Plan, or as restricted by applicable law, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan shall become freely transferable by the eligible employee after the last day of the applicable Period of Restriction.

4.5 VOTING RIGHTS. Eligible employees holding Shares of Restricted Stock granted hereunder may be granted the right to exercise full voting rights with respect to those Shares during the Period of Restriction.

4.6 DIVIDENDS AND OTHER DISTRIBUTIONS. During the Period of Restriction, eligible employees holding Shares of Restricted Stock granted hereunder may be credited with regular cash dividends paid with respect to the underlying Shares while they are so held. The Committee may apply any restrictions to the dividends that the Committee deems appropriate. Without limiting the generality of the preceding sentence, if the grant or vesting of Restricted Shares granted to an eligible employee is designated to comply with requirements of the Performance-Based Exception, the Committee may apply any restrictions it deems appropriate to the payment of dividends declared with respect to such Restricted Shares, such that the dividends and/or the Restricted Shares maintain eligibility for the Performance-Based Exception.

4.7 TERMINATION OF EMPLOYMENT/DIRECTORSHIP. Each Restricted Stock Award Agreement shall set forth the extent to which the eligible employee shall have the right to receive un-vested Restricted Stock following termination of the eligible employee's employment or directorship with Textron. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each eligible employee, need not be uniform among all Shares of Restricted Stock issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination; provided, however that, except in the cases of terminations connected with a Change in Control and terminations by reason or death or Total Disability, and certain terminations without Cause, the vesting of shares of Restricted Stock which qualify for the Performance-Based Exception and which are held by eligible employees shall occur at the time they otherwise would have, but for the termination.

Article V - Performance-Based Exception

Unless and until the Committee proposes for shareholders to vote and shareholders approve a change in the general Performance Targets set forth in this Article V, the attainment of which may determine the degree of payout and/or vesting with respect to awards to eligible employees which are designed to qualify for the Performance-Based Exception (such as Performance Share Units under Article III of this Plan, and, if the Committee so determines, Restricted Stock under Article IV of this Plan), the Performance Targets to be used for purposes of such grants shall be chosen from among:

- (a) Textron's earnings per share;
- (b) Net operating profit;
- (c) After-tax profit;
- (d) Return on equity;
- (e) Return on invested capital;
- (f) Economic profit;
- (g) Margins;

(h) Cash flow; and

(i) Shareholder value.

The Committee shall have the discretion to adjust the determinations of the degree of attainment of the pre-established Performance Targets; provided, however, that awards which are designed to qualify for the Performance-Based Exception, and which are held by eligible employees, may not be adjusted upward (the Committee shall retain the discretion to adjust such awards downward).

In the event that applicable tax and/or securities laws change to permit Committee discretion to alter the governing Performance Targets without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval. In addition, in the event that the Committee determines that it is advisable to grant awards, which shall not qualify for the Performance-Based Exception, the Committee may make such grants without satisfying the requirements of Code Section 162(m).

Article VI - Beneficiaries

6.1 A Participant may designate one or more Beneficiaries to receive Plan benefits payable on the Participant's account after his or her death. A Beneficiary may designate one or more Beneficiaries to receive any unpaid Plan benefits to the extent this designation does not contravene any designation filed by the deceased Participant through whom the Beneficiary himself or herself claims under this Plan. Beneficiaries shall be designated only upon forms made available by or satisfactory to the Benefits Committee or its designee, and filed by the Participant or Beneficiary with that committee or designee.

6.2 At any time prior to his or her death, a Participant or Beneficiary may change his own designation of Beneficiary by filing a substitute designation of Beneficiary with the Benefits Committee or its designee.

6.3 In the absence of an effective designation of Beneficiary, or if all persons so designated shall have predeceased the Participant or shall have died before the complete distribution of Plan benefits, the balance of Plan benefits shall be paid to the Participant's surviving spouse or, if none, to the Participant's issue per stirpes or, if no issue, to the executor or administrator of the Participant's or Beneficiary's estate, or as otherwise determined by the Benefits Committee in its sole discretion.

6.4 If a Participant's Compensation or a Plan benefit is community property, any designation of Beneficiary shall be valid or effective only as permitted under applicable law.

6.5 If a Plan benefit is payable to a minor or person declared incompetent or to a person incapable of handling the disposition of his property, the Benefits Committee may direct Textron to pay such Plan benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or person. The Benefits Committee may

require proof of incompetency, minority, incapacity or guardianship as it deems appropriate prior to distribution of the Plan benefit. Such distribution shall completely discharge the Benefits Committee and any Textron Company from all liability with respect to such benefit.

Article VII - Miscellaneous

7.1 GENERAL RESTRICTION. Each grant or award under the Plan shall be subject to the requirement that, if at any time the Committee shall determine that any listing or registration of the shares of Common Stock or any consent or approval of any governmental body, or any other agreement or consent, is necessary or desirable as a condition of a grant, an award or issuance of Common Stock or cash in satisfaction thereof, such grant or award may not be consummated unless each such requirement is satisfied in a manner acceptable to the Committee.

7.2 RESTRICTIONS ON SHARE TRANSFERABILITY. The Committee may impose such restrictions on any shares of Common Stock acquired pursuant to this Plan as it may seem advisable, including, without limitation, restrictions under federal securities laws, under the requirements of any stock exchange or market upon which such shares are then listed or traded, and under any blue sky or state securities laws applicable to such shares.

7.3 NON-ASSIGNABILITY. No award under the Plan shall be assignable or transferable by the recipient thereof, except by will or by laws of descent and distribution.

7.4 WITHHOLDING TAXES. Whenever Textron proposes to or is required to issue or transfer shares of Common Stock under the Plan, Textron shall have the right to withhold or to require the participant to remit to Textron an amount sufficient to satisfy any federal, state and local withholding tax requirements. A participant may elect to use company shares to satisfy tax withholding obligations on the exercise of non-qualified options and the vesting of restricted stock to meet the minimum statutory tax withholding 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.

7.5 NO RIGHT TO EMPLOYMENT. Nothing in the Plan or in any agreement entered into pursuant to it shall confer upon any participant the right to continue in the employment of Textron or a related company or affect any right which Textron or a related company may have to terminate the employment of such participant.

7.6 NON-UNIFORM DETERMINATION. The determinations under the Plan of the Committee or of any designate (including without limitation its determinations of the persons to receive grants or awards, the form, amount, timing and payment of such grants or awards, the terms and provisions of such grants or awards, and the establishment of Performance Measures or Performance Targets) need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, awards under the Plan, whether or not such persons are similarly situated.

7.7 NO RIGHTS AS SHAREHOLDERS. Recipients of grants or awards under the Plan shall have no rights as shareholders of Textron unless and until certificates for shares of Common Stock are issued to them, except for such voting rights and dividend rights as may be provided for in a Restricted Stock award agreement.

7.8 RELATED COMPANY. As used in the Plan, "related company" means any corporation in which Textron at the time in question owns, directly or indirectly, stock processing 50 percent or more of the total combined voting power of all classes of stock and any corporation which at the time in question owns, directly or indirectly, a similar interest in Textron.

7.9 ADJUSTMENTS FOR CERTAIN CHANGES. (a) The aggregate number of shares of Common Stock, of Performance Share Units and of Restricted Stock available for grant under the Plan, the number of shares of Common Stock covered by each outstanding Option, Performance Share Unit or award of Restricted Stock and the price per share thereof, and the maximum number of Options, Performance Share Units, or shares of Restricted Stock that can be awarded to any eligible employee shall all be proportionately adjusted for an increase or decrease in the number of issued shares of Common Stock resulting from a stock split, stock dividend or any other increase or decrease in such shares effective without receipt of consideration by Textron.

(b) The Committee may, in its discretion and for purposes of determining whether Performance Measures or Performance Targets have been met, equitably restate Textron's earnings per share, net operating profit, return on equity or any other standard utilized in establishing the Performance Measures or Performance Targets in order to take into account the effect, if any, of (1) acquisitions or dispositions of businesses by Textron, (2) extraordinary and non-recurring events, (3) a change in capitalization described in Section 7.9 (a), or (4) any change in accounting practices, tax laws or other laws or regulations that, in the opinion of the Committee, significantly affects the financial performance of Textron.

7.10 CHANGE IN CONTROL. (a) Notwithstanding any other provision of this Plan, in the event of a change in control as defined in Section 7.10(b):

(1) the Award Period for each outstanding Performance Share Unit shall end, and each such unit shall be deemed to have been earned, as of the end of the Award Period and shall be payable immediately and in full; and

(2) each unexpired Option shall be exercisable, beginning immediately, as to all remaining shares subject to the Option and

(3) each share of Restricted Stock subject to an outstanding grant shall become immediately vested and all restrictions on transferability (except those as shall be imposed by applicable law) shall be removed.

(b) 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 "person" who on April 27,

1994 was a director or officer of Textron, any trustee or other fiduciary holding Common Stock under an employee benefit plan of Textron, or 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 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 Textron, or (ii) during any period of two consecutive years, individuals who are 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) the shareholders of Textron approve 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 fifty percent (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 shareholders 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.

7.11 AMENDMENT OR TERMINATION OF THE PLAN. The Board, without further approval of the shareholders, may at any time terminate the Plan or any part thereof and may from time to time amend the Plan as it may deem advisable including with respect to Incentive Options any changes deemed necessary or desirable to comply with Section 422 and any regulations thereunder; provided, however, that without shareholder approval, the Board may not (a) increase the aggregate number of shares of Common Stock which may be issued under the Plan (other than increases permitted under section 4.9(a)) or (b) extend the period during which an Incentive Option may be exercised beyond ten years. Termination or amendment of the Plan shall not, without the consent of the individual, affect any right of such individual (including without limitation any right under Section 4.10) under an award previously granted.

7.12 COMPLIANCE WITH CODE SECTION 162(m). At all times when Code section 162(m) is applicable, all awards under this Plan shall comply with the requirements of Code section 162(m); provided, however, that in the event the Committee determines that such compliance is not desired with respect to any award or grant under the Plan, then compliance with Code section 162(m) shall not be required. In addition, in the event that changes are made to section 162(m) to permit greater flexibility with respect to awards or grants available under the plan, the Committee may, subject to this Article VI, make adjustments it deems appropriate.

Exhibit 10.11

DEFERRED INCOME PLAN FOR NON-EMPLOYEE DIRECTORS

This Deferred Income Plan for Non-Employee Directors, the "Plan", is effective as of January 1, 1998 and replaces the plan previously in effect.

ARTICLE I - PARTICIPATION

1.1 Non-employee members of the Board of Directors of Textron Inc. ("Textron") may elect to defer receipt of any or all of the cash portion of the annual retainer into either a stock unit account or an interest-bearing account. The deferred stock portion of the annual retainer is automatically deferred into the stock unit account. The Annual Stock Unit Grant is automatically deferred into the stock unit account.

1.2 Each Director must have on file with Textron a Deferral Election Form indicating deferral elections for the following calendar year(s).

1.3 For any complete calendar quarters remaining in the calendar year in which an individual initially becomes a non-employee director, the Director may elect to defer his or her fees at any time before the start of each such quarter.

ARTICLE II - DEFERRED INCOME ACCOUNTS

2.1 For record-keeping purposes only, Textron shall maintain a stock unit account and an interest-bearing account for each non-employee Director.

2.2 Stock Unit Account The Stock Unit Account shall consist of Stock Units, which are fictional shares of Textron common stock accumulated and accounted for the sole purpose of determining the cash payout of any distribution under this portion of the Plan.

As of the end of each calendar quarter, Textron shall credit to the Stock Unit Account 125% (includes a 25% Premium contributed by Textron, the "Premium") of the amount, including both the cash portion and the deferred stock portion of the annual retainer, the Director deferred into this account during the quarter. Textron shall credit no Premium with respect to the Annual Stock Unit Grant. Textron shall also credit to this account Stock Units equal to the number of shares of Textron common stock that would have been allocated on account of dividends.

The number of Stock Units Textron shall credit to the Stock Unit Account will equal the number of shares of Textron common stock that could have been purchased at a price per share equal to the average price per share of Textron common stock contributed to the Textron Savings Plan during that quarter.

Half of the 25% Premium contributed by Textron shall vest (become nonforfeitable) on December 31 of the calendar year in which the deferred

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income otherwise would have been paid, and the remaining half on the next December 31. The Premium will continue to vest after the termination of the Directorship. The Premium will vest only if the related deferred compensation is unpaid at the time of vesting. Unvested Premiums shall vest immediately upon the Director's death or total disability as determined by the Textron Benefits Committee.

2.3 Interest Account As of the end of each calendar quarter Textron shall credit to the Interest Account an amount equal to interest on the average balance in the Interest Account during such quarter. The average balance will be computed by adding the opening and closing balances for the quarter and dividing by two. Interest will be credited monthly at the greater of 8% or the Moody's Corporate Bond Yield Index rate.

ARTICLE III - PAYMENTS

3.1 Payments or withdrawals from either the Stock Unit Account or the Interest Account or transfers between the two accounts shall not be allowed while the individual remains a Director of Textron. Prior to or at the time of the Director's resignation, removal, or retirement from the Board of Directors, the Director must elect a payment schedule.

3.2 Upon the Director's resignation, removal or retirement from the Board of Directors, the Director may, once each calendar quarter, elect to transfer, in 10% increments, any or all amounts in the Stock Unit Account to the Interest Account. The cash amount transferred will be determined by multiplying the current value of Textron common stock by the number of whole or fractional Stock Units in the Stock Unit Account as of the end of that calendar quarter times the percentage being transferred. The current value shall be the average of the composite closing prices, as reported in the WALL STREET JOURNAL for the ten trading days immediately following the calendar quarter in which the election to transfer was made.

3.3 Upon the Director's resignation, removal or retirement from the Board of Directors, he or she must make a payment election by completing the Payment Election Form. The Director may elect on the Payment Election Form to receive (1) the entire amount of his or her accounts as soon as practical following the end of the current quarter which will be deemed to be an election to transfer under the provisions of paragraph 3.2 in the current quarter all amounts in the Director's Stock Unit Account, (2) the entire amount of his or her accounts as soon as practical following the end of the current calendar year which will be deemed to be an election to transfer under the provisions of paragraph 3.2 in

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the final quarter of the current calendar year all amounts in the Director's Stock Unit Account, or (3) payment in a number of annual installments, each payable as soon as practical following the end of each successive calendar year, over a period of up to five years which will be deemed to be an election to transfer under the provisions of paragraph 3.2 in the final quarter of each respective calendar year an amount, if necessary, from the Director's Stock Unit Account sufficient to make the required payment. Annual installments shall be calculated each year by dividing the unpaid amount as of January 1 of that year by the remaining number of unpaid installments.

3.4 During the installment period, the unpaid balance in the Interest Account will continue to earn interest at the same rate as if the individual had continued as a Director.

3.5 If the Director or former Director dies before all payments have been made, payment(s) shall be made to the beneficiary designated on the Designation of Beneficiary Form. In the event of death, the Benefits Committee shall choose in its sole discretion the payment schedule after considering the method of payment that may have been requested by the Director or by the beneficiaries.

The designated beneficiary may be changed from time to time by delivering a new Designation of Beneficiary Form to Textron. If no designation is made, or if the named beneficiary predeceases the Director, payment shall be made to the Director's estate.

3.6 At the discretion of Textron, the payments to be made after the Director's resignation, removal, or retirement from the Board of Directors pursuant to this Article III may be accelerated in such amounts and at such times as the Benefits Committee determines.

ARTICLE IV - MISCELLANEOUS

4.1 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 with respect to such obligations.

4.2 The Textron Benefits Committee shall be the plan administrator of this Plan and shall be solely responsible for its general administration and interpretation and for carrying out the provisions hereof, and shall have all such powers as may be necessary to do so.

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

4.4 No benefit payable at any time under this Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge or encumbrance of any kind unless specifically approved in writing in advance by the Textron Benefits Committee or its designee. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any such benefit, whether presently or subsequently payable, shall be void unless so approved. Except as required by

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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.

4.5 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 shall reduce the amount credited to either the Stock Unit Account or the Interest Account immediately before the effective date of the amendment, modification, suspension or termination.

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

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EXHIBIT 10.13C

Lewis B. Campbell
Restricted Stock Awards
June 1, 1999

The Board of Directors approved an award of 200,000 shares of restricted stock to Lewis B. Campbell (the "Executive") under the 1999 Long-Term Incentive Plan. The terms of the awards are as follows:

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

RESTRICTED SHARES	VESTING DATES
50,000	May 18, 2003 (57th birthday)
50,000	May 18, 2006 (60th birthday)
50,000	May 18, 2008 (62nd birthday)
50,000	May 18, 2011 (65th birthday)
200,000	

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

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

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

* Effective June 1, 1999 dividends shall be credited to the Executive and such dividends are to be accounted for as if reinvested in actual Textron common stock. Such dividends will vest immediately but payment will be deferred until the earlier of the restricted shares vest date or termination of employment.

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

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

John D. Butler Date

"DISABILITY"

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

"CAUSE"

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

"GOOD REASON"

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

Attachment A

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"CHANGE IN CONTROL"

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

- (a) Any person" or "group" (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) other than the Company, any trustee or other fiduciary holding Company common stock under an employee benefit plan of the Company or a related company, or any corporation which is owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the Company's common stock, is or becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of more than thirty percent (30%) of the then outstanding voting stock;
- (b) During any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two year period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board;
- (c) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or
- (d) The approval of the stockholders of the Company of a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of its assets.

EXHIBIT 10.15

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, is entered into as of this 25th day of May, 1999 by and between Textron Inc. (the "Company"), a Delaware corporation having its principal office at 40 Westminster Street, Providence, Rhode Island 02903 and John A. Janitz (the "Executive").

WITNESSETH:

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

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

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

1. TERM OF EMPLOYMENT

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

2. POSITION AND RESPONSIBILITIES

During the Employment Term, the Executive shall serve as the President and Chief Operating Officer of the Company or in such higher capacity as agreed by the Company and the Executive. The Executive shall report exclusively to the Chief Executive Officer and the Board of Directors of the Company (the "Board"). The Executive shall, to the extent appointed or elected, serve on the Board as a director and as a member of any committee of the Board, in each case, without additional compensation. The Executive shall, to the extent appointed or elected, serve as a director or as a member of any committee of the board (or the equivalent

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

3. COMPENSATION AND BENEFITS

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

3.1 BASE SALARY. The Company shall pay the Executive an initial base salary (the "Base Salary") at a rate of \$600,000. Base Salary shall be paid to the Executive in accordance with the Company's normal payroll practices for executives. Base Salary shall be reviewed at least annually by the O&C Committee (or as otherwise designated by the Board) to ascertain whether, in the judgment of the reviewing committee, such Base Salary should be increased. If so increased, Base Salary shall not be thereafter decreased and shall thereafter, as increased, be the Base Salary hereunder.

3.2 ANNUAL BONUS. The Company shall provide the Executive with the opportunity to earn an annual cash bonus under the Company's current annual incentive compensation plan for executives or a replacement plan therefor at a level commensurate with his position, provided that the minimum annual target award payable upon the achievement of reasonably attainable objective performance goals shall be at least seventy percent 70% of Base Salary.

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

3.4 EMPLOYEE BENEFITS. The Executive shall, to the extent eligible, be entitled

to participate at a level commensurate with his position in all employee benefit welfare and retirement plans and programs, as well as equity plans, generally provided by the Company to its senior executives in accordance with the terms thereof as in effect from time to time.

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

3.6 PERQUISITES. The Company shall provide to the Executive, at the Company's cost, all perquisites to which other senior executives of the Company are generally entitled to receive and such other perquisites which are suitable to the character of the Executive's position with the Company and adequate for the performance of his duties hereunder. To the extent legally permissible, the Company shall not treat such amounts as income to the Executive.

3.7 RIGHT TO CHANGE PLANS. The Company shall not be obligated by reason of this Section 3 to institute, maintain, or refrain from changing, amending, or discontinuing any benefit plan, program, or perquisite, so long as such changes are similarly applicable to executive employees generally.

4. EXPENSES

Upon submission of appropriate documentation, in accordance with its policies in effect from time to time, the Company shall pay, or reimburse, the Executive for all ordinary and necessary expenses, in a reasonable amount, which the Executive incurs in performing his duties under this Agreement including, but not limited to, travel, entertainment, professional dues and subscriptions, and all dues, fees, and expenses associated with membership in various professional, business, and civic associations and societies in which the Executive participates in accordance with the Company's policies in effect from time to time.

5. TERMINATION OF EMPLOYMENT

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

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

(b) Upon thirty (30) days written notice by the Company to the Executive of a termination due to Disability, provided such notice is delivered during the period of Disability. The term "Disability" shall mean, for purposes of this Agreement, the inability of the Executive, due to injury, illness, disease or bodily or mental infirmity, to engage in the performance of his material duties of employment with

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

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

(d) Immediately upon written notice by the Company to the Executive of a termination for Cause, provided such notice is given within ninety (90) days after the discovery by the Board or the Chief Executive Officer of the Cause event and has been approved by the O&C Committee at a meeting at which the Executive and his counsel had the right to appear and address such meeting after receiving at least five (5) business days written notice of the meeting and reasonable detail of the facts and circumstances claimed to provide a basis for such termination. The term "Cause" shall mean, for purposes of this Agreement: (i) an act or acts of willful misrepresentation, fraud or willful dishonesty (other than good faith expense account disputes) by the Executive which in any case is intended to result in his or another person or entity's substantial personal enrichment at the expense of the Company;

(ii) any willful misconduct by the Executive with regard to the Company, its business, assets or employees that has, or was intended to have, a material adverse impact (economic or otherwise) on the Company; (iii) any material, willful and knowing violation by the Executive of (x) the Company's Business Conduct Guidelines, or (y) any of his fiduciary duties to the Company which in either case has, or was intended to have, a material adverse impact (economic or otherwise) on the Company; (iv) the willful or reckless behavior of the Executive with regard to a matter of a material nature which has a material adverse impact (economic or otherwise) on the Company; (v) the Executive's willful failure to attempt to perform his duties under Section 2 hereof or his willful failure to attempt to follow the legal written direction of the Board, which in either case is not remedied within ten (10) days after receipt by the Executive of a written notice from the Company specifying the details thereof; (vi) the

Executive's conviction of, or pleading NOLO CONTENDERE or guilty to, a felony (other than (x) a traffic infraction or (y) vicarious liability solely as a result of his position provided the Executive did not have actual knowledge of the actions or inactions creating the violation of the law or the Executive relied in good faith on the advice of counsel with regard to the legality of such action or inaction (or the advice of other specifically qualified professionals as to the appropriate or proper action or inaction to take with regard to matters which are not matters of legal interpretation)); or

(vii) any other material breach by the Executive of this Agreement that is not cured by the Executive within twenty (20) days after receipt by the Executive of a written notice from the Company of such breach specifying the details thereof. No action or inaction should be deemed willful if not demonstrably willful and if taken or not taken by the Executive in good faith as not being adverse to the best interests of the Company. Reference in this paragraph (d) to the Company shall also include direct and indirect subsidiaries of the Company, and materiality and material adverse impact shall be measured based on the action or inaction and the impact upon, and not the size of, the Company taken as a whole, provided that after a Change in Control, the size of the Company, taken as a whole, shall be a relevant factor in determining materiality and material adverse impact.

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

(f) Upon twenty (20) days written notice by the Executive to the Company of a termination for Good Reason (which notice sets forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination) unless the Good Reason event is cured within such twenty (20) day period. The term "Good Reason" shall mean, for purposes of this Agreement, without the Executive's express written consent, the occurrence of any one or more of the following: (i) the assignment to the Executive of duties materially inconsistent with the Executive's then authorities, duties, responsibilities, and status (including offices, titles, and reporting requirements), or any reduction in the Executive's then title, position, reporting lines or a material reduction (other than temporarily while Disabled or otherwise incapacitated) in his then status, authorities, duties, or responsibilities or, if then a director of the Company, failure to be nominated or reelected as a director of the Company or removal as such; (ii) relocation of the Executive from the principal office of the Company (excluding reasonable travel on the Company's business to an extent substantially consistent with the

Executive's business obligations) or relocation of the principal office of the Company to a location which is at least fifty (50) miles from the Company's current headquarters, provided, however, if the Executive at the time of the relocation is not located at the principal office, such relocation provision shall apply based on his then location but shall not cover a relocation to the principal office prior to a Change in Control; (iii) a reduction by the Company in the Executive's Base Salary; (iv) a reduction in the Executive's aggregate level of participation in any of the Company's short and/or long-term incentive compensation plans, or employee benefit or retirement plans, policies, practices, or arrangements in which the Executive participated as of the Effective Date, or, after a Change in Control, participated immediately prior to the Change in Control; (v) the failure of the Company to obtain and deliver to the Executive a satisfactory written agreement from any successor to the Company to assume and agree to perform this Agreement; or (vi) any other material breach by the Company of this Agreement.

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

SECTION 6. CONSEQUENCES OF A TERMINATION OF EMPLOYMENT

6.1 TERMINATION DUE TO DEATH OR RETIREMENT. If the Employment Term ends on account of the Executive's termination due to death pursuant to Section 5(a) above or retirement pursuant to Section 5(c) above, the Executive (or the Executive's surviving spouse, or other beneficiary as so designated by the Executive during his lifetime, or to the Executive's estate, as appropriate) shall be entitled, in lieu of any other payments or benefits, to (i) payment promptly of any unpaid Base Salary, unpaid annual incentive compensation (for the preceding fiscal year) and any accrued vacation, (ii) reimbursement for any unreimbursed business expenses incurred prior to the date of termination, and (iii) any amounts, benefits or fringes due under any equity, benefit or fringe plan, grant or program in accordance with the terms of said plan, grant or program but without duplication (collectively, the "Accrued Obligations").

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

6.3 INVOLUNTARY TERMINATION BY THE COMPANY WITHOUT CAUSE OR TERMINATION BY THE EXECUTIVE FOR GOOD REASON. If the Executive is involuntarily terminated by the Company without Cause in accordance with Section 5(e) above or the Executive terminates his

employment for Good Reason in accordance with Section 5(f) above, the Executive shall be entitled, in lieu of any other payments or benefits, subject to Section 7(b) hereof, to any Accrued Obligations and the following:

(a) Payment of the Prorated Portion (as determined in the next sentence) of the earned annual incentive compensation award for the fiscal year in which the Executive's termination occurs, payable promptly after the end of such fiscal year. "Prorated Portion" shall be determined by multiplying such amount by a fraction, the numerator of which is the number of days during the fiscal year of termination that the Executive is employed by the Company, and the denominator of which is, 365.

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

(c) Payment of the premium for COBRA continuation health coverage for the Executive and the Executive's dependents until the earliest of (i) eighteen (18) months after such termination, (ii) until no longer eligible for COBRA continuation benefit coverage or (iii) the Executive commences other substantially full-time employment.

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

SECTION 7. NO MITIGATION/NO OFFSET/RELEASE

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

(b) Any amounts payable and benefits or additional rights provided pursuant to

Section 6.3 or Section 8.1 beyond and Accrued Obligations and beyond the sum of any amounts due (without execution of a release) under the Company severance program then in effect, or, if greater, three (3) months Base Salary as severance, shall only be payable if the Executive delivers to the Company a release of all claims of the Executive (other than those specifically payable or providable hereunder on or upon the applicable type of termination and any rights of indemnification under the Company's organizational documents) with regard to the Company, its subsidiaries and related entities and their respective past or present officers, directors and employees in such form as reasonably requested by the Company.

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

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

8. CHANGE IN CONTROL

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

(a) Any Accrued Obligations.

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

(c) A lump-sum cash payment equal to the Prorated Portion of the greater of: (i) the Executive's target annual incentive compensation award established for the fiscal

year during which the Executive's award termination occurs, or

(ii) the Executive's earned annual incentive award for the fiscal year prior to the fiscal year in which the earlier of the Change in Control or the Qualifying Termination occurs (whether or not deferred).

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

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

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

(g) A lump-sum cash payment of the actuarial present value equivalent (as determined in accordance with the most favorable (to the Executive) overall actuarial assumptions and subsidies in any of the Company's tax-qualified or nonqualified type defined benefit pension plans in which the Executive then participates) of the accrued benefits accrued by the Executive as of the date of termination under the terms of any nonqualified defined benefit type retirement plan, including but not limited to, the Amended and Restated Supplemental

Executive Retirement Plan for Textron Inc. Key Executives and the Supplemental Benefits Plan and assuming the benefit was fully vested without regard to any minimum age or service requirements. For this purpose, such benefits shall be calculated under the assumption that the Executive's employment continued following the date of termination for three (3) full years (i.e., three (3) additional years of age (including, but not limited to, for purposes of determining the actuarial present value), compensation and service credits shall be added).

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

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

(j) Immediate full vesting of any outstanding stock options, performance share units and other equity awards (and lapse of any forfeiture provisions) to the extent permitted under the plan or grant, or if full vesting is not permitted with regard to stock options, a cash payment equal to the difference between the fair market value of the shares covered by the unvested options and the exercise price of such unvested options on such unvested options on the date of termination (or, if later, the date of the Change in Control).

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

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

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

(ii) by the Executive for Good Reason.

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

- (a) Any "person" or "group" (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) other than the Company, any trustee or other fiduciary holding Company common stock under an employee benefit plan of the Company or a related company, or any corporation which is owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the Company's common stock, is or becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of more than thirty percent (30%) of the then outstanding voting stock;
- (b) During any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two year period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board;
- (c) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or
- (d) The approval of the stockholders of the Company of a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of its assets.

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

9. NONCOMPETITION, CONFIDENTIALITY AND NONDISPARAGEMENT

9.1 AGREEMENT NOT TO COMPETE.

- (a) The Executive agrees that for a period of two (2) years after the termination of

the Executive's employment, the Executive will not engage in Competition with the Company with the Listed Companies, provided that after the Executive's termination of employment the Listed Companies shall be limited to those effectively listed at the time of his termination and still on such list at the time of any alleged activity of the Executive, including, but not limited to, (i) soliciting customers, business or orders for, or selling any products and services in, Competition with the Company for such Listed Companies or (ii) diverting, enticing, or otherwise taking away customers, business or orders of the Company, or attempting to do so, in either case in Competition with the Company for such Listed Companies.

(b) The Executive agrees that if, while he is receiving severance pay from the Company pursuant to Section 6.3(b), the Executive: (i) violates (a) above, or (ii) otherwise engages in Competition in the Restricted Territory, whether or not with the Listed Companies, Section 9.6(b) hereof shall apply.

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

9.2 DEFINITIONS.

(a) "Competition" shall mean engaging in, as an employee, director, partner, principal, shareholder, consultant, advisor, independent contractor or similar capacity, with (a) the Listed Companies or (b) in any business, activity or conduct which directly competes with the business of the Company, provided that, with regard to the period after termination of the Executive's employment, Section 9.1(b)(ii) shall only apply to business lines in which the Company is engaged both at the time of termination of employment and at the time of the determination and which during the last fiscal year ending prior to the date of such termination represented at least five percent (5%) of the Company's revenues (the "Prohibited Lines"). Notwithstanding anything else in this

Section 9, Competition shall not include: (A) (i) holding five percent (5%) or less of an interest in the equity or debt of any publicly traded company, (ii) engaging in any activity with the prior written approval of the Chief Executive Officer or the O&C Committee, (iii) the practice of law in a law firm that represents entities in Competition with the Company, provided that the Executive does not personally represent such entities, or (iv) the employment by, or provision of services to, an investment banking firm or consulting firm that provides services to entities that are in Competition with the Company provided that the Executive does not personally represent or provide services to such entities that are Listed Companies or otherwise with regard to businesses in Competition with the Prohibited Lines,

or (B) with regard to Section 9.1(b)(ii), (i) being employed by, or consulting for, a non-Competitive division or business unit of an entity which is in Competition with the Company (and participating in such entity's employee equity plans),
(ii) being employed by, or consulting for, an entity which had annual revenues in the last fiscal year prior to the Executive being employed by, or consulting for, the entity generated through business lines in Competition with the Prohibited Lines of the Company that do not exceed five percent (5%) of such entity's total annual revenues, provided that revenues within the Executive's area of responsibility or authority are not more than ten percent (10%) composed of the revenues from the businesses in Competition with the Prohibited Lines, or
(iii) any activities conducted after a Change in Control of the Company.

(b) The Restricted Territory shall mean any geographic area in which the Company with regard to the Prohibited Lines did more than nominal business.

(c) Listed Companies shall mean those entities which are within the "peer group" established by the Company for the performance graphs in its proxy statement pursuant to Item 402(l) of Regulation S-K under the Exchange Act and which are in a list of no more than five (5) entities established by the Company from time to time and available from the Chief Human Resources Officer, provided that the addition of any entity to the list shall not be effective until sixty (60) days after it is so listed.

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

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

9.4 CONFIDENTIAL INFORMATION.

(a) The Executive specifically acknowledges that any trade secrets or confidential business and technical information of the Company or its vendors, suppliers or customers, whether reduced to writing, maintained on any form of electronic media, or maintained in mind or memory and whether compiled by the Executive or the Company (collectively, "Confidential Information"), derives independent economic value from not being readily known to or ascertainable by proper means by others; that reasonable efforts have been made by the Company to

maintain the secrecy of such information; that such information is the sole property of the Company or its vendors, suppliers, or customers and that any retention, use or disclosure of such information by the Executive during the Employment Term (except in the course of performing duties and obligations of employment with the Company) or any time after termination thereof, shall constitute misappropriation of the trade secrets of the Company or its vendors, suppliers, or customers, provided that Confidential Information shall not include: (i) information that is at the time of disclosure public knowledge or generally known within the industry, (ii) information deemed in good faith by the Executive, while employed by the Company, desirable to disclose in the course of performing the Executive's duties, (iii) information the disclosure of which the Executive in good faith deems necessary in defense of the Executive's rights provided such disclosure by the Executive is limited to only disclose as necessary for such purpose, or (iv) information disclosed by the Executive to comply with a court, or other lawful compulsory, order compelling him to do so, provided the Executive gives the Company prompt notice of the receipt of such order and the disclosure by the Executive is limited to only disclosure necessary for such purpose.

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

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

9.6 REMEDIES.

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

information.

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

(c) Upon written request of the Executive, the Company shall within thirty (30) days notify the Executive in writing whether or not in good faith it believes any proposed activities would be in Competition and, if it so determines or does not reply within thirty (30) days, it shall be deemed to waive any right to treat such activities as Competition unless the facts are otherwise than as presented by the Executive or there is a change thereafter in such activities. The Executive shall promptly provide the Company with such information as it may reasonably request to evaluate whether or not such activities are in Competition.

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

9.8 DELIVERY OF DOCUMENTS. Upon termination of this Agreement or at any other time upon request by the Company, the Executive shall promptly deliver to the Company all records, files, memoranda, notes, designs, data, reports, price lists, customer lists, drawings, plans, computer programs, software, software documentation, sketches, laboratory and research notebooks and other documents (and all copies or reproductions of such materials in his possession or control) belonging to the Company. Notwithstanding the foregoing, the Executive may retain his rolodex and similar phone directories (collectively, the "Rolodex") to the extent the Rolodex does not contain information other than name, address, telephone number and similar information, provided that, at the request of the Company, the Executive shall provide the Company with a copy of the Rolodex.

9.9 NONDISPARAGEMENT.

(a) During the Employment Term and thereafter, the Executive shall not with willful intent to damage economically or as to reputation or vindictively disparage the Company, its subsidiaries or their respective past or present officers, directors or employees (the "Protected Group"), provided that the foregoing shall not apply to (i) actions or statements taken or made by the Executive while employed by the Company in good faith as fulfilling the Executive's duties with the Company or otherwise at the request of the Company, (ii) truthful statements made in compliance with legal process or governmental inquiry, (iii) as the Executive in good faith deems necessary to rebut any untrue or misleading public statements made about him or any other member of the Protected Group, (iv) statements made in good faith by the Executive to rebut untrue or misleading statements

made about him or any other member of the Protected Group by any member of the Protected Group, and (v) normal commercial puffery in a competitive business situation. No member of the Protected Group shall be a third party beneficiary of this Section 9.9(a).

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

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

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

100 LIABILITY INSURANCE

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

110 ASSIGNMENT

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

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

120 LEGAL REMEDIES

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

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

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

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

130 MISCELLANEOUS

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

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

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

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

constitute one and the same Agreement.

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

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

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

140 GOVERNING LAW

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

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

TEXTRON INC.

By:-----

Name:

Title:

EXHIBIT A
PARACHUTE GROSS UP

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

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

(c) For purposes of determining the amount of the Gross-up Payment, the Executive shall be deemed to pay U.S. federal income taxes at the highest marginal rate of U.S. federal income taxation in the calendar year in which the Gross-up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence for the calendar year in which the Company Payment is to be made, net of the maximum reduction in U.S. federal income taxes which could be obtained from deduction of such state and local taxes if paid in such year. In the event that the Excise Tax is subsequently determined by the Accountants to be less than the amount taken into account hereunder at the time the Gross-up Payment is made, the Executive shall repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the prior Gross-up Payment attributable to such reduction (plus the portion of the Gross-up

Payment attributable to the Excise Tax and U.S. federal, state and local income tax imposed on the portion of the Gross-up Payment being repaid by the Executive if such repayment results in a reduction in Excise Tax or a U.S. federal, state and local income tax deduction), plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. Notwithstanding the foregoing, in the event any portion of the Gross-up Payment to be refunded to the Company has been paid to any U.S. federal, state and local tax authority, repayment thereof (and related amounts) shall not be required until actual refund or credit of such portion has been made to the Executive, and interest payable to the Company shall not exceed the interest received or credited to the Executive by such tax authority for the period it held such portion. The Executive and the Company shall mutually agree upon the course of action to be pursued (and the method of allocating the expense thereof) if the Executive's claim for refund or credit is denied.

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

(d) The Gross-up Payment or portion thereof provided for in subsection

(c) above shall be paid not later than the thirtieth (30th) day following an event occurring which subjects the Executive to the Excise Tax; provided, however, that if the amount of such Gross-up Payment or portion thereof cannot be finally determined on or before such day, the Company shall pay to the Executive on such day an estimate, as determined in good faith by the Accountant, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code), subject to further payments pursuant to subsection

(c) hereof, as soon as the amount thereof can reasonably be determined, but in no event later than the ninetieth day after the occurrence of the event subjecting the Executive to the Excise Tax. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the fifth day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

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

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

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

"DISABILITY"

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

"CAUSE"

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

"GOOD REASON"

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

Attachment A

Page 2

"CHANGE IN CONTROL"

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

- (a) Any "person" or "group" (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) other than the Company, any trustee or other fiduciary holding Company common stock under an employee benefit plan of the Company or a related company, or any corporation which is owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the Company's common stock, is or becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of more than thirty percent (30%) of the then outstanding voting stock;
- (b) During any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two year period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board;
- (c) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or
- (d) The approval of the stockholders of the Company of a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of its assets.

EXHIBIT B

John A. Janitz
Restricted Stock Awards
June 1, 1999

The Board of Directors approved an award of 120,000 shares of restricted stock to John A. Janitz (the "Executive") under the 1999 Long-Term Incentive Plan. These awards replace the 48,000 share equivalents retention awards previously awarded. The terms of the awards are as follows:

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

RESTRICTED SHARES	VESTING DATES
30,000	October 25, 2000 (58th birthday)
30,000	October 25, 2004 (62nd birthday)
15,000	October 25, 2005 (63rd birthday)
15,000	October 25, 2006 (64th birthday)
30,000	October 25, 2007 (65th birthday)

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

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

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

* Effective June 1, 1999 dividends shall be credited to the Executive and such dividends are to be accounted for as if reinvested in actual Textron common stock. Such dividends will vest immediately but payment will be deferred until the earlier of the restricted shares vest date or termination of employment.

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

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

John D. Butler

Date

John A. Janitz Special Pension Arrangement

The provisions of the Executive Supplemental Retirement Plan provide for the following vesting schedule:

AGE AT RETIREMENT	% OF BENEFIT
-----	-----
65	100
64	90
63	80
62	70
61	60
60	50
Less than 60	0

The O & C Committee has the authority to use its discretion to provide an enhanced benefit.

There is full vesting upon a change in control of Textron Inc. The O & C Committee approved a modification to the definition of change in control to include the sale of a segment.

Special Arrangement

The following special pension arrangement was approved by the O & C Committee to amend the Executive Supplemental Retirement Plan vesting schedule:

If John A. Janitz (the "Executive") is involuntarily terminated other than for "cause" (as defined in Attachment A) before age 60, the Executive will receive a pension benefit equal to 25% of the full benefit (12 1/2% of eligible compensation) under the Executive Supplemental Retirement Plan.

In such instance, the benefit will be calculated as follows:

* 1996 Compensation will be excluded from the average pay calculation

* 1997 will be the first year included in the average pay calculation

* Average pay will be the greater of:

(1) Eligible compensation for each full and partial calendar year divided by the number of full and partial years, or

(2) Eligible compensation for each full calendar year divided by the number of full calendar years.

John D. Butler Date

EXHIBIT 12.1

TEXTRON MANUFACTURING

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

(UNAUDITED)

(In millions except ratios)

	Year				
	1999	1998	1997	1996	1995
	-----	-----	-----	-----	-----
Fixed charges:					
Interest expense (1)	\$ 56	\$146	\$117	\$137	\$168
Distributions on preferred securities of subsidiary trust, net of income taxes	26	26	26	23	--
Estimated interest portion of rents	26	20	14	18	18
	----	-----	----	----	----
Total fixed charges	\$108	\$ 192	\$157	\$178	\$186
	====	=====	====	====	====
Income:					
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	\$623	\$ 763	\$648	\$540	\$413
Fixed charges (2)	82	166	131	155	186
Eliminate equity in undistributed pretax income of finance subsidiaries	(92)	(47)	(36)	(64)	(61)
	----	-----	----	----	----
Adjusted income	\$613	\$ 882	\$743	\$631	\$538
	====	=====	====	====	====
Ratio of income to fixed charges	5.68	4.59	4.73	3.54	2.89
	====	=====	====	====	====

(1) Includes interest unrelated to borrowings of \$3 million in 1999, \$16 million in 1998; \$12 million in 1997, \$11 million in 1996 and \$23 million in 1995.

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

EXHIBIT 12.2

TEXTRON INC. INCLUDING ALL MAJORITY-OWNED SUBSIDIARIES

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

(UNAUDITED)

(In millions except ratios)

	Year				
	1999	1998	1997	1996	1995
	-----	-----	-----	-----	-----
Fixed charges:					
Interest expense (1)	\$245	\$ 301	\$270	\$284	\$315
Distributions on preferred securities of subsidiary trust, net of income taxes	26	26	26	23	--
Estimated interest portion of rents	27	21	14	19	19
	----	-----	----	----	----
Total fixed charges	\$298	\$ 348	\$310	\$326	\$334
	=====	=====	=====	=====	=====
Income:					
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	\$623	\$ 763	\$648	\$540	\$413
Fixed charges (2)	272	322	284	303	334
	----	-----	----	----	----
Adjusted income	\$895	\$1085	\$932	\$843	\$747
	=====	=====	=====	=====	=====
Ratio of income to fixed charges	3.00	3.12	3.01	2.59	2.24
	=====	=====	=====	=====	=====

(1) Includes interest unrelated to borrowings of \$3 million in 1999, \$16 million in 1998, \$12 million in 1997, \$11 million in 1996 and \$23 million in 1995.

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

Exhibit 13 Business Segment Data

For a description of the businesses comprising each segment, see pages 66 through 68.

(In millions)	REVENUES			OPERATING INCOME			OPERATING INCOME MARGINS		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Aircraft	\$ 3,744	\$3,189	\$3,025	\$ 362	\$ 338	\$ 313	9.7%	10.6%	10.3%
Automotive	2,916	2,405	2,127	228	179	150	7.8	7.4	7.1
Industrial	4,456	3,722	3,181	483	410	346	10.8	11.0	10.9
Finance	463	367	350	128	113	108	27.6	30.8	30.9
	\$11,579	\$9,683	\$8,683	1,201	1,040	917	10.4%	10.7%	10.6%
Gain on sale of division				--	97	--			
Special credits/(charges)				1	(87)	--			
Corporate expenses and other - net				(143)	(141)	(152)			
Interest income				27	--	--			
Interest expense				(56)	(146)	(117)			
Income from continuing operations before income taxes*				\$1,030	\$ 763	\$ 648			

*Before distributions on preferred securities of subsidiary trusts.

1999 REVENUES - \$11.6 BILLION

[PIE CHART]

Aircraft	\$3,744	32%
Automotive	\$2,916	25%
Industrial	\$4,456	39%
Finance	\$ 463	4%

1999 OPERATING INCOME - \$1.201 BILLION

[PIE CHART]

Aircraft	\$362	30%
Automotive	\$228	19%
Industrial	\$483	40%
Finance	\$128	11%

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Management's Discussion and Analysis

RESULTS OF OPERATIONS

[BAR CHART]

Revenues

1997	\$ 8,683	16%
1998	\$ 9,683	12%
1999	\$11,579	20%

[BAR CHART]

Earnings per Share*

1997	\$2.19	23%
1998	\$2.68	22%
1999	\$4.05	51%

*Income from continuing operations - diluted

Textron Inc.

1999 vs. 1998

- Diluted earnings per share from continuing operations for 1999 were \$4.05 per share, up 51% from the 1998 amount of \$2.68. Income from continuing operations in 1999 of \$623 million was up 41% from \$443 million in 1998. Revenues increased 20% to \$11.6 billion in 1999 from \$9.7 billion in 1998.

- In August 1998, Textron announced that it had reached an agreement to sell Avco Financial Services (AFS) to Associates First Capital Corporation for \$3.9 billion in cash. The sale of AFS was completed on January 6, 1999 and a gain of \$1.62 billion on the sale of AFS was recorded in the first quarter 1999. Textron also recorded an extraordinary loss of \$43 million (net of tax) on the early retirement of debt in the first quarter 1999. Textron increased the gain on the sale of AFS to \$1.65 billion in the fourth quarter 1999, as a result of finalizing all activities associated with the sale. Net income, including the gain and extraordinary loss, was \$2.23 billion vs. \$608 million in 1998, which included \$165 million from AFS, a discontinued operation.

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

- Total segment margins decreased to 10.4% in 1999 from 10.7% in 1998, due primarily to lower Aircraft margins and the impact of lower margin acquisitions.

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

1998 vs. 1997

- Diluted earnings per share from continuing operations for 1998 were \$2.68 per share, up 22% from the 1997 amount of \$2.19. Income from continuing operations in 1998 of \$443 million was up 19% from \$372 million in 1997. Revenues increased 12% to \$9.7 billion in 1998 from \$8.7 billion in 1997. Net income including the results of AFS which is a discontinued operation was \$608 million vs. \$558 million in 1997.

- Operating income of Textron's four business segments aggregated \$1.040 billion in 1998, up 13% from 1997, as a result of continued improved financial results across all business segments.

- Total segment margins increased to 10.7% in 1998 from 10.6% in 1997.

- Corporate expenses and other - net decreased \$11 million due primarily to 1997 costs associated with the termination of interest rate swap agreements no longer qualifying as accounting hedges and 1997 litigation expenses related to a divested operation.

- Interest income and expense - the net interest expense for Textron manufacturing increased \$29 million due to higher average debt resulting from the incremental debt associated with acquisitions and share repurchases, partially offset by the payment of debt with proceeds in 1997 from the divestiture of Paul Revere.

AIRCRAFT

[BAR CHART]

Revenues

1997	\$ 3,025	17%
1998	\$ 3,189	5%
1999	\$ 3,744	17%

[BAR CHART]

Operating Income

1997	\$313	20%
1998	\$338	8%
1999	\$362	7%

Aircraft

1999 vs. 1998

The Aircraft segment's revenues and income increased \$555 million (17%) and \$24 million (7%), respectively, due to higher results at Cessna Aircraft.

- Cessna Aircraft's revenues increased \$435 million as a result of higher sales of business jets, primarily the Citation X and the Citation Excel, higher single-engine piston aircraft sales, and increased spares and service revenues. Its income increased as a result of the higher sales, partially offset by increased manufacturing costs associated with the ramp-up in production of new aircraft, higher warranty expense and increased new product development expense related to the Citation CJ2.

- Bell Helicopter's revenues increased \$120 million, due primarily to higher revenues on the V-22 production contract (\$105 million) and the Huey and Cobra upgrade contracts (\$63 million) and higher foreign military sales (\$42 million), partially offset by lower commercial and U.S. Government helicopter sales (\$102 million). Bell's income was unchanged from the 1998 level. 1999 results reflected the full year recognition into income (\$37 million in 1999 vs. \$10 million in 1998) of cash received in the fourth quarter of 1998 on the formation of a joint venture on the Bell Agusta commercial tiltrotor program (BA609), partially offset by higher expense related to new product development, while 1998 results reflected favorable contract adjustments related to the Bell-Boeing V-22 Engineering, Manufacturing and Development contract.

Research and development efforts for the BA609 program are provided by each joint venture partner in accordance with work plans developed at the time of the venture formation. Under the agreement, the venture is jointly controlled by both partners, with the individual parties retaining management responsibility for individual programs within the venture. Bell's research and development effort under the program is classified as company-funded research and development and totaled approximately \$60 million in 1999. This amount is net of approximately \$23 million of reimbursements from the joint venture partner, but excludes all amounts spent by Agusta for development activities that it is responsible for under the joint venture agreement. In addition, a portion of Bell's development responsibilities under the partnership agreement are being performed by risk-sharing subcontractors. The joint venture agreement provides for the sharing of marketing and production efforts and related profits on the BA609 program, as well as on other aircraft under development.

1998 vs. 1997

The Aircraft segment's revenues increased \$164 million (5%) and income before special charges increased \$25 million (8%) due to higher results at Cessna Aircraft.

- Cessna Aircraft's revenues increased \$301 million, primarily as a result of higher sales of business jets, single-engine piston aircraft and Caravans. Income increased as a result of the higher sales combined with improved results in the single-engine piston aircraft business.

- Bell Helicopter's revenues decreased \$137 million, due primarily to the completion in 1997 of the Canadian Forces contract (\$180 million), partially offset by higher commercial spares sales (\$23 million) and higher revenues to the U.S. Government (\$29 million). The higher U.S. Government revenues were due to higher revenues on the V-22 program (\$89 million) and the Huey and Cobra upgrade contracts (\$51 million), partially offset by lower foreign military sales (\$39 million) and lower revenues on other U.S. Government aircraft and spares (\$72 million). Bell's income decreased due to the lower revenues and a change in product mix, primarily resulting from lower margins on U.S. Government contracts. This unfavorable impact was partially offset by the benefit on the BA609 program from the joint venture with Agusta described above, and a lower level of product development expense in 1998.

Under the joint venture agreement, Bell has received \$100 million in cash and its partner has assumed a significant portion of product

development effort for joint venture aircraft. The benefit from the joint venture contribution in the fourth quarter 1998 (\$10 million) has been recognized in relation to total projected product development spending. The quarter also benefited by \$7 million for development spending that will be reimbursed by the venture partner.

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AUTOMOTIVE REVENUES

[BAR CHART]

1997	\$ 2,127	31%
1998	\$ 2,405	13%
1999	\$ 2,916	21%

OPERATING INCOME

[BAR CHART]

1997	\$150	3%
1998	\$179	19%
1999	\$228	27%

Automotive

1999 vs. 1998

The Automotive segment's revenues increased \$511 million (21%), while income increased \$49 million (27%). The increase in revenues was due primarily to higher North American market penetration by Kautex and higher sales at Trim, reflecting increased production at DaimlerChrysler, Ford and General Motors, which was depressed in 1998 by a strike. The increase in revenues also reflected the benefit of the Textron Breed Automotive S.r.l. joint venture and the Midland Industrial Plastics acquisition. Despite customer price reductions, income increased due to the contribution from higher organic sales and improved operating performance at Trim and Kautex.

1998 vs. 1997

The Automotive segment's revenues increased \$278 million (13%), while income before special charges increased \$29 million (19%). The revenue increase was due to higher North American market penetration by Kautex and higher sales at Trim, due primarily to increased Chrysler production (which was depressed by a strike at Chrysler in the second quarter of 1997) and the contribution from acquisitions. These revenue increases were partially offset by the impact of a strike at General Motors in 1998 and the impact of customer price reductions. The increase in income reflected the above factors and improved operating performance at Trim.

INDUSTRIAL REVENUES

[BAR CHART]

1997	\$ 3,181	8%
1998	\$ 3,722	17%
1999	\$ 4,456	20%

OPERATING INCOME

[BAR CHART]

1997	\$346	15%
1998	\$410	18%
1999	\$483	18%

Industrial

1999 vs. 1998

The Industrial segment's revenues and income before special charges increased \$734 million (20%) and \$73 million (18%), respectively.

- Fastening Systems revenues increased \$324 million (18%) as a result of the contribution from acquisitions, primarily Flexalloy, Ring Screw Works, Peiner, Sukosim and InteSys, partially offset by lower revenues in Europe, which were negatively impacted by foreign exchange. Its income increased as the benefit from acquisitions more than offset the lower revenues in Europe. Results were also affected by unfavorable

operating performance at certain plants in Europe caused by production scheduling issues, integration costs in the Vendor Managed Inventory business, lower income at an automotive plant related to economic conditions in Brazil and non-recurring costs associated with restructuring programs started in 1999.

- Other Industrial Products revenues increased \$410 million (21%) as a result of the contribution from acquisitions, primarily David Brown, OmniQuip, Ransomes and Progressive Electronics, and higher organic sales at Golf, Turf Care And Specialty Products and Greenlee. Its income increased as a result of the higher sales combined with strong margin improvement at Golf, Turf Care And Specialty Products and Textron Systems, and a gain on the sale of a product line. These benefits were partially offset by lower organic sales at Power Transmission Products, reflecting a decline in the worldwide mechanical power transmission market, and Turbine Engine Components due to lower customer requirements, and the impact of the divestiture of Fuel Systems in the second quarter 1998. In addition, 1998 results were depressed by a one-month strike at a Turf Care plant.

1998 vs. 1997

The Industrial segment's revenues and income before special charges increased \$541 million (17%) and \$64 million (18%), respectively.

- Fastening Systems revenues increased \$260 million (17%) as a result of the contribution from acquisitions, primarily Ring Screw Works, Sukosim and Peiner. Its income increased as a result of the higher sales and improved operating performance. These benefits were partially offset by a strike at General Motors in 1998.

- Other Industrial Products revenues increased \$281 million (17%) as a result of the contribution from acquisitions, primarily Ransomes and David Brown and higher organic sales across all business groups. Its income increased as a result of the higher sales combined with ongoing margin improvement, primarily at Golf, Turf Care And Specialty Products and Textron Systems. These benefits were partially offset by the divestitures of Speidel in the fourth quarter 1997 and Fuel Systems in the second quarter 1998, the impact of a one-month strike at a Textron Turf Care And Specialty Products plant in the second quarter 1998, and unfavorable contract adjustments related to certain Industrial Component products.

FINANCE REVENUES

[BAR CHART]

1997	\$ 350	7%
1998	\$ 367	5%
1999	\$ 463	26%

OPERATING INCOME

[BAR CHART]

1997	\$108	13%
1998	\$113	5%
1999	\$128	13%

Finance

1999 vs. 1998

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

1998 vs. 1997

The Finance segment's revenues increased \$17 million (5%), while income increased \$5 million (5%). Revenues increased due to a higher level of average receivables (\$3.190 billion in 1998 vs. \$3.128 billion in 1997) and an increase in residual, prepayment and portfolio servicing income. Income increased as the benefit of the higher revenues and a lower provision for losses was partially offset by higher expenses related to growth in managed receivables. Both years included a gain of approximately \$3 million on the securitization of Textron-related receivables.

Special (credits)/charges

As discussed in Note 16, Textron has recorded pre-tax charges of \$18 million and \$87 million in 1999 and 1998, respectively, related to restructuring activities. The charges include asset impairments, severance costs, and other exit related costs associated with cost reduction programs and announced plant closures. Textron continues to evaluate additional programs and expects cost reduction efforts to continue over the next year. Additional charges may be required in the future when such programs become finalized.

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

DISCONTINUED OPERATIONS

Discontinued Operations

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

1998 vs. 1997

Income from discontinued operations of \$165 million was \$21 million lower than 1997's income from discontinued operations of \$186 million. The decrease was due to (a) lower earnings in the U.S. Finance business as a result of an increase in the provision for receivables (receivables increased in 1998 while receivables decreased in 1997) and a decrease in the gain on sales of receivables, (b) lower earnings in Hong Kong due to a weakening economy and (c) the unfavorable impact of foreign exchange rates primarily in Australia and Canada. This unfavorable impact was partially offset by an increase in insurance earnings due to improved loss experience and an increase in capital gains.

LIQUIDITY & CAPITAL RESOURCES

The liquidity and capital resources of Textron's operations are best understood by separately considering its independent borrowing groups, Textron Manufacturing and Textron Finance. Textron Manufacturing consists of Textron Inc., the parent company, consolidated with the entities which operate in the Aircraft, Automotive and Industrial business

32 Consistent Growth

segments, whose financial results are a reflection of the ability to manage and finance the development, production and delivery of tangible goods and services. Textron Finance consists of Textron's wholly-owned commercial finance subsidiary, Textron Financial Corporation, consolidated with its subsidiaries. Textron Finance's financial results are a reflection of its ability to provide financial services in a competitive marketplace, at the appropriate pricing, while managing the associated financial risks. The fundamental differences between each borrowing group's activities result in different measures used by investors, rating agencies and analysts.

Operating Cash Flows

Textron's financial position continued to be strong at the end of 1999. During 1999, cash flows from operations was the primary source of funds for operating needs and capital expenditures of Textron Manufacturing. Operating activities have generated increased cash flow in each of the past three years. The Statements of Cash Flows for each borrowing group detailing the changes in cash balances are on pages 42-43. Textron Manufacturing's operating cash flow includes dividends received from Textron Finance. Beginning in early 1999, the methodology used by Textron Finance to determine the amount of dividends to be paid to Textron Manufacturing changed from payments based on Textron Finance maintaining a leverage ratio of 6.5 to 1 to payments based on maintaining a leverage ratio of 7.5 to 1.

Financing

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

Borrowings have historically been a secondary source of funds for Textron Manufacturing and, along with the collection of finance receivables, are a primary source of funds for Textron Finance. Both Textron Manufacturing and Textron Finance utilize a broad base of financial sources for their respective liquidity and capital requirements. The Company's strong credit ratings from Moody's (A2 - Long-Term; P1 - Short-Term), Standard & Poor's (A - Long-Term; A1 - Short-Term) and Duff & Phelps (A - Long-Term; D1 - Short-Term) provide flexibility in obtaining funds on competitive terms. The Company's credit facilities are summarized on pages 49-50.

During 1999, Textron retired \$553 million of long-term high coupon debt and terminated \$479 million of interest rate exchange agreements designated as hedges of the retired borrowings. As a result, Textron recorded, as an extraordinary item, an after-tax loss of \$43 million.

During 1999, Textron issued \$300 million of 6.375% senior notes which mature in 2004. The proceeds from the sale of notes will be used for general corporate purposes. Textron entered into two \$300 million interest rate swaps in connection with these notes. The first swap effectively converts the fixed rate notes to floating rate. The second swap was to insulate Textron against potentially higher floating rate interest rates around year-end 1999.

In 1999, Textron filed a shelf registration statement with the Securities and Exchange Commission registering up to \$2 billion in common stock, preferred stock and debt securities of Textron and preferred securities of trusts sponsored by Textron. During the third quarter of 1999, Textron issued \$500 million of 6.75% senior notes due 2002 under this registration.

During the fourth quarter of 1999, Textron Finance filed a Form S-3 registration statement with the Securities and Exchange Commission under the Securities Act of 1933. Under this shelf registration, Textron Finance may issue debt securities in one or more offerings up to a total maximum offering price of \$3 billion. In December 1999, Textron Finance issued \$600 million of fixed rate notes and \$400 million of variable rate notes under this facility, the proceeds of which were used to refinance maturing commercial paper and long-term debt.

At year-end 1999, Textron and Textron Finance have \$1.5 billion and \$2 billion, respectively, available for the issuance of unsecured debt securities under shelf-registration statements with the Securities and Exchange Commission. In early 2000, Textron

established a two billion Euro medium term note facility. Textron Finance also has a medium-term note facility of which \$115 million is available at year-end 1999. The Company believes that both borrowing groups, individually and in the aggregate, have adequate credit facilities and have available access to capital markets to meet their long-term financing needs.

Dispositions

On January 6, 1999, Textron completed its sale of Avco Financial Services to Associated First Capital Corporation for \$3.9 billion in cash. Net after-tax proceeds were approximately \$2.9 billion, resulting in an after-tax gain of \$1.65 billion. Proceeds from the AFS disposition had a significant short-term impact on Textron's capital structure. Textron assessed the potential incremental benefits that it could earn from investing the AFS proceeds (within the Company's established investment policies) versus the interest cost avoidance from the retirement of borrowings and determined that the latter provided the greatest value to shareholders. Therefore, in early 1999, the Company used the proceeds to repay long-term and short-term borrowings of Textron Manufacturing and Textron Finance commercial paper. Interest rate swaps designated as hedges of retired borrowings were also terminated.

Uses of Capital

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

- Contribute to EPS immediately, or have significant earnings growth potential.
- Achieve "economic profit" - earnings over and above the cost of capital, which Textron estimates at 10 percent after tax for domestic manufacturing (13 percent for domestic finance) - within a three-year time period. If an acquisition cannot produce an economic profit within this time frame, it must have a sound strategic justification (such as protecting an existing business with acceptable returns on capital) or the capital is better returned to shareholders.
- Have a capability to achieve an ROIC of at least 15 percent (18% for Textron Finance).

Acquisitions by Textron Manufacturing are evaluated on an enterprise basis, so that the capital employed is equal to the price paid for the target company's equity plus any debt assumed. During the past three years, Textron acquired 30 companies in the Manufacturing segments for an aggregate cost of \$2.8 billion, including notes issued for approximately \$234 million, treasury stock issued for \$32 million and \$571 million of debt assumed.

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

Capital spending increased in 1999 by approximately \$57 million. This increase was primarily used to expand aircraft and industrial capacity. Capital spending for 2000 is expected to increase from 1999, as a result of initiatives to increase aircraft and automotive capacity and to expand fluid and power capabilities.

In 1999, Textron repurchased 9.8 million shares of common stock under its Board authorized share repurchase program at an aggregate cost of \$751 million. Textron's Board of Directors raised the annual dividend per common share to \$1.30 in 1999 from \$1.14 in 1998. In 1999, dividend payments to shareholders included four payments as opposed to 1998 when three payments were paid. Dividend payments to shareholders in 1999 amounted to \$192 million, an increase of \$49 million from 1998.

FINANCIAL RISK MANAGEMENT

Interest Rate Risks

Textron's financial results are affected by changes in U.S. and foreign interest rates. As part of managing this risk, the Company enters into interest rate exchange agreements to convert certain variable-rate debt to long-term fixed-rate debt and vice versa. The overall objective of Textron's interest rate risk management is to achieve a prudent balance between floating and fixed-rate debt. The Company's mix of fixed and floating rate debt is continuously monitored by management and is adjusted, as necessary, based on evaluation of internal and external factors.

Historically, Textron Manufacturing has financed foreign acquisitions with domestic borrowings. In most cases, such borrowings are converted synthetically into foreign currency borrowings by means of foreign currency exchange agreements. Under the terms of the agreements, Textron is obligated to make floating rate foreign currency interest payments to the counterparties, and the counterparties, in turn, are obligated to make floating rate U.S. dollar interest payments to Textron. These payments are recorded as an adjustment to interest expense. At year-end 1999, Textron Manufacturing has begun to utilize actual foreign currency borrowings to finance foreign acquisitions and will continue to use those instruments to manage its interest rate risks.

In June 1999, Textron entered into fixed rate interest rate exchange agreements to fix the interest rate on certain foreign currency exchange agreements and other floating rate debt. The purpose of the fixed rate interest rate exchange agreements, which all mature by March 21, 2000, was to insulate Textron against potentially higher interest rates around year-end 1999. The fixed rate interest rate exchange agreements have the following notional principal amounts: \$297 million in Euros; \$344 million in British Pound sterling; and \$300 million in U.S. dollars.

The difference between the rates Textron Manufacturing received and the rates it paid on interest rate exchange agreements did not significantly impact interest expense in 1999 or 1998.

Textron Finance's strategy is to match interest-sensitive assets with interest-sensitive liabilities to limit the Company's exposure to changes in interest rates. As part of managing this matching strategy, Textron Finance has entered into interest rate exchange agreements. At year-end 1999, Textron Finance has also entered into a basis swap to lock-in desired spreads between certain interest-earning assets and certain interest-bearing liabilities. The difference between the variable-rate Textron Finance received and the fixed rate it paid on interest rate exchange agreements increased its reported interest expense by \$2 million in 1999; \$2 million in 1998 and \$1 million in 1997.

Foreign Exchange Risks and Euro Conversion

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

Textron Manufacturing manages its exposures to foreign currency assets and earnings primarily by funding certain foreign currency denominated assets with liabilities in the same currency and, as such, certain exposures are naturally offset. In addition, as part of managing its foreign currency transaction exposures, Textron enters into foreign currency forward exchange contracts. These contracts are generally used to fix the local currency cost of purchased goods or services or selling prices denominated in currencies other than the functional currency.

The notional amount of outstanding foreign exchange contracts and currency swaps was approximately \$1.3 billion at year-end 1999 and 1998.

Effective January 1, 1999, the European Economic and Monetary Union entered into a three-year transition phase during which a common currency, the Euro, was introduced in participating countries. The legacy currencies will remain legal tender for cash transactions between January 1, 1999 and January 1, 2002 at which time all legacy currencies will be withdrawn from circulation and the new Euro denominated bills and coins will be used for cash transactions. Textron has operations within the eleven participating countries that began utilizing the Euro as their local currency in 1999. Additionally, Textron's operations in other European countries and elsewhere in the world are conducting business transactions with customers and suppliers that are denominated in the Euro. The Euro conversion has not had a material impact on Textron's business.

Quantitative Risk Measures

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

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

(In millions)	1999			1998		
	CARRYING VALUE	FAIR VALUE	HYPOTHETICAL CHANGE IN FAIR VALUE	Carrying Value	Fair Value	Hypothetical Change In Fair Value
INTEREST RATE RISK						
Textron Manufacturing:						
Debt	\$ 1,745	\$ 1,740	\$ 22	\$ 2,615	\$ 2,706	\$ 27
Interest rate exchange agreements	--	7	(10)	--	(11)	(18)
Textron Finance:						
Finance receivables	4,647	4,665	57	2,774	2,837	28
Debt	4,551	4,535	38	2,829	2,836	12
Interest rate exchange agreements	--	(2)	1	--	1	1
FOREIGN EXCHANGE RATE RISK						
Textron Manufacturing:						
Debt	285	286	23	319	334	33
Foreign exchange contracts	--	(6)	(22)	--	9	(23)
Currency swaps	(21)	(25)	88	14	10	84
Interest rate exchange agreements	--	1	--	--	--	--

OTHER MATTERS

Environmental

As with other industrial enterprises engaged in similar businesses, Textron is involved in a number of remedial actions under various federal and state laws and regulations relating to the environment which impose liability on companies to clean up, or contribute to the cost of cleaning up, sites on which their hazardous wastes or materials were disposed or released. Expenditures to evaluate and remediate contaminated sites approximated \$16 million, \$10 million and \$10 million in 1999, 1998, and 1997, respectively. Textron currently projects that expenditures for remediation will range between \$10 million and \$15 million for each of the years 2000 and 2001.

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

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Year 2000 Disclosure

Year 2000 Program

In early 1997, Textron began a company-wide program (the "Program") to assess the possible vulnerability of Textron to the Year 2000 problem and to minimize the effect of the problem on Textron's operations. The Program was centrally directed from the Year 2000 Program Office at Textron's corporate headquarters and was executed at each Textron business unit. The Program addressed five "Major Elements" at the corporate headquarters and each business unit:

- Business Systems: management information systems and personal computer applications, including the computing environments that support them.
- Factory and Facilities Equipment: equipment that uses a computer to control its operation either for producing an end-product or providing services.
- End-Products: software products, delivered either alone or as a component of another product, that are supplied to Textron customers.
- Suppliers: assurance that those who sell goods and services to Textron will not interrupt Textron operations due to the Year 2000 problem.
- Customers: assurance that those who buy goods and services from Textron will not interrupt Textron operations due to the Year 2000 problem.

As of January 1, 2000, the Program is complete for all systems critical to operations. Subsequent to January 1, 2000, there have been no system failures or significant incidents reported at any Textron location. Certain activities remain to be completed relating to further enhancements to or replacement of non-critical systems. These are not expected to have an adverse impact on the operations of Textron.

Year 2000 Costs

The total cost of the Year 2000 Program for continuing operations is estimated to be approximately \$115 million. Approximately \$58 million is for modifications to existing items and other program expenses and \$57 million is for replacement systems which have been or are expected to be capitalized in accordance with Company policy. Through January 1, 2000, total expenditures were \$111 million. The estimated future cost to complete the Program is expected to be approximately \$4 million including approximately \$1 million for replacement systems. The Year 2000 Program has delayed certain other Textron information management projects. Delay of these projects has not had an adverse impact on Textron.

Backlog

Textron's commercial backlog was \$7.2 billion and \$5.6 billion at the end of 1999 and 1998, respectively, and U.S. Government backlog was \$2.0 billion at the end of 1999 and \$2.1 billion at the end of 1998. Backlog for the Aircraft segment was approximately 81% and 78% of Textron's commercial backlog at the end of 1999 and 1998, respectively, and 80% and 73% of Textron's U.S. Government backlog at the end of 1999 and 1998, respectively.

Foreign Military Sales

Certain Company products are sold through the Department of Defense's Foreign Military Sales Program. In addition, Textron sells directly to select foreign military organizations. Sales under these programs totaled approximately 1.8% of Textron's consolidated revenue in 1999 (0.6% in the case of foreign military sales and 1.2% in the case of direct sales) and 1.6% in 1998 (0.3% and 1.3%, respectively). Such sales include military and commercial helicopters, armored vehicles, turrets, and spare parts and in 1999 were made primarily to the countries of Venezuela (41%), Taiwan (34%), Japan (4%), Jamaica (4%), Bulgaria (3%), Israel (2%), and Germany (2%). All sales are made in full compliance with all applicable laws and in accordance with Textron's code of conduct.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued FAS 133 "Accounting for Derivative Instruments and Hedging Activities." FAS 133 requires an entity to recognize all derivatives as either assets or liabilities and measure those instruments at fair value. In June 1999, the FASB issued FAS 137 which deferred the effective date of FAS 133 to all fiscal quarters of all fiscal years beginning after June 15, 2000. Textron is evaluating the potential impact of this pronouncement on future reporting.

At the September 23, 1999 meeting, the EITF reached a consensus on Issue 99-5, "Accounting for Pre-Production Costs Related to Long-Term Supply Arrangements." The Issue addresses pre-production costs incurred by original equipment manufacturers (OEM) suppliers (e.g., automotive manufacturers) to perform certain services related to the design and development of the parts they will supply to the OEM as well as the design and development costs to build molds, dies and other tools that will be used in producing the parts. The consensus generally requires all design and development costs for products to be sold under long-term supply arrangements to be expensed unless there is a contractual guarantee that provides for specific required payments for design and development costs.

The Task Force concluded that the provisions of this consensus should be applied prospectively for costs incurred after December 31, 1999, with the option to elect adoption through a cumulative effect of change in accounting principle. At January 1, 2000, other assets includes approximately \$93 million of customer engineering costs for which customer reimbursement is anticipated but not contractually guaranteed. Textron will comply with the provisions of this consensus by writing-off all capitalized customer engineering costs that would not qualify for capitalization. In the first quarter of fiscal 2000, Textron will report a Cumulative Effect of Change in Accounting Principle of \$59 million (net of tax), or approximately \$0.39 per diluted share related to the adoption of this consensus. The effect of this change in accounting on future results will not have a significant impact on income from continuing operations in the affected segments (principally Automotive).

* * * * *

Forward-looking Information: Certain statements in this Report, and other oral and written statements made by Textron from time to time, are forward-looking statements, including those that discuss strategies, goals, outlook or other non-historical matters; or project revenues, income, returns or other financial measures. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those contained in the statements, including the following: (a) the extent which Textron is able to successfully integrate acquisitions, (b) changes in worldwide economic and political conditions and associated impact on interest and foreign exchange rates, (c) the occurrence of work stoppages and strikes at key facilities of Textron or Textron's customers or suppliers, (d) the extent to which the Company is able to successfully develop, introduce, and launch new products and enter new markets, and (e) the level of government funding for Textron products. For the Aircraft Segment: (a) the timing of certifications of new aircraft products and (b) the occurrence of a severe downturn in the U.S. economy that discourages businesses from purchasing business jets. For the Automotive Segment: (a) the level of consumer demand for the vehicle models for which Textron supplies parts to automotive original equipment manufacturers ("OEM's") and (b) the ability to offset, through cost reductions, pricing pressure brought by automotive OEM customers. For the Industrial Segment: the ability of Textron Fastening Systems to offset, through cost reductions, pricing pressure brought by automotive OEM customers. For the Finance Segment: (a) the level of sales of Textron products for which Textron Financial Corporation offers financing and (b) the ability of Textron Financial Corporation to maintain credit quality and control costs when entering new markets.

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REPORT OF MANAGEMENT

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

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

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

/s/ Lewis B. Campbell

*Lewis B. Campbell
Chairman and Chief Executive Officer*

/s/ Stephen L. Key

*Stephen L. Key
Executive Vice President and Chief Financial Officer
January 25, 2000*

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders Textron Inc.

We have audited the accompanying consolidated balance sheets of Textron Inc. as of January 1, 2000 and January 2, 1999, and the related consolidated statements of income, cash flows and changes in shareholders' equity for each of the three years in the period ended January 1, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Textron Inc. at January 1, 2000 and January 2, 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 1, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

*Boston, Massachusetts
January 25, 2000*

Consolidated Statements of Income

For each of the three years in the period ended January 1, 2000

(In millions except per share amounts)	1999	1998	1997
TEXTRON MANUFACTURING			
Revenues	\$ 11,116	\$ 9,316	\$ 8,333
COSTS AND EXPENSES			
Cost of sales	9,111	7,572	6,836
Selling and administrative	1,075	958	840
Gain on sale of division	--	(97)	--
Special (credits)/charges, net	(1)	87	--
Interest expense	56	146	117
Interest income	(27)	--	--
Total costs and expenses	10,214	8,666	7,793
Manufacturing income	902	650	540
TEXTRON FINANCE			
Revenues	463	367	350
COSTS AND EXPENSES			
Interest	204	155	153
Selling and administrative	99	79	66
Provision for losses on collection of finance receivables	32	20	23
Total costs and expenses	335	254	242
Finance income	128	113	108
TOTAL COMPANY			
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trusts	1,030	763	648
Income taxes	(381)	(294)	(250)
Distributions on preferred securities of subsidiary trusts, net of income taxes	(26)	(26)	(26)
INCOME FROM CONTINUING OPERATIONS	623	443	372
Discontinued operations, net of income taxes:			
Income from operations	--	165	186
Gain on disposal	1,646	--	--
	1,646	608	558
Income before extraordinary loss	2,269	608	558
Extraordinary loss from debt retirement, net of income taxes	(43)	--	--
NET INCOME	\$ 2,226	\$ 608	\$ 558
PER COMMON SHARE:			
BASIC:			
INCOME FROM CONTINUING OPERATIONS	\$ 4.14	\$ 2.74	\$ 2.25
Discontinued operations, net of income taxes	10.94	1.03	1.13
Extraordinary loss from debt retirement, net of income taxes	(.28)	--	--
NET INCOME	\$ 14.80	\$ 3.77	\$ 3.38
DILUTED:			
INCOME FROM CONTINUING OPERATIONS	\$ 4.05	\$ 2.68	\$ 2.19
Discontinued operations, net of income taxes	10.70	1.00	1.10
Extraordinary loss from debt retirement, net of income taxes	(.27)	--	--
NET INCOME	\$ 14.48	\$ 3.68	\$ 3.29

See notes to the consolidated financial statements.

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Balance Sheets

As of January 1, 2000 and January 2, 1999

(Dollars in millions)	1999	1998
ASSETS		
TEXTRON MANUFACTURING		
Cash and cash equivalents	\$ 192	\$ 31
Commercial and U.S. government receivables - net	1,363	1,160
Inventories	1,859	1,640
Other current assets	321	348
Investment in discontinued operations	--	1,176
TOTAL CURRENT ASSETS	3,735	4,355
Property, plant, and equipment - net	2,484	2,185
Goodwill - net	2,807	2,119
Other assets	1,378	1,277
TOTAL TEXTRON MANUFACTURING ASSETS	10,404	9,936
TEXTRON FINANCE		
Cash	17	22
Finance receivables - net	5,487	3,528
Other assets (including goodwill of \$211 in 1999 and \$27 in 1998)	485	235
TOTAL TEXTRON FINANCE ASSETS	5,989	3,785
TOTAL ASSETS	\$ 16,393	\$ 13,721
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
TEXTRON MANUFACTURING		
Current portion of long-term debt and short-term debt	\$ 688	\$ 1,735
Accounts payable	1,262	1,010
Income taxes payable	87	76
Other accrued liabilities	1,219	1,098
TOTAL CURRENT LIABILITIES	3,256	3,919
Accrued postretirement benefits other than pensions	741	762
Other liabilities	1,336	1,367
Long-term debt	1,079	880
TOTAL TEXTRON MANUFACTURING LIABILITIES	6,412	6,928
TEXTRON FINANCE		
Other liabilities	234	162
Deferred income taxes	307	322
Debt	4,551	2,829
TOTAL TEXTRON FINANCE LIABILITIES	5,092	3,313
TOTAL LIABILITIES	11,504	10,241
TEXTRON FINANCE - MANDATORILY REDEEMABLE PREFERRED SECURITIES OF FINANCE SUBSIDIARY HOLDING DEBENTURES	29	--
TEXTRON - OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY TEXTRON JUNIOR SUBORDINATED DEBT SECURITIES	483	483
SHAREHOLDERS' EQUITY		
Capital stock:		
Preferred stock:		
\$2.08 Cumulative Convertible Preferred Stock, Series A (liquidation value - \$11)	5	6
\$1.40 Convertible Preferred Dividend Stock, Series B (preferred only as to dividends)	7	7
Common stock (194,858,000 and 193,277,000 shares issued)	24	24
Capital surplus	1,009	931
Retained earnings	5,817	3,786
Accumulated other comprehensive income (loss)	(98)	(96)
Less cost of treasury shares	2,387	1,661
TOTAL SHAREHOLDERS' EQUITY	4,377	2,997
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 16,393	\$ 13,721

See notes to the consolidated financial statements.

Statements of Cash Flows

For each of the three years in the period ended January 1, 2000

(In millions)	CONSOLIDATED		
	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income from continuing operations	\$ 623	\$ 443	\$ 372
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Earnings of Textron Finance (greater than) less than distributions	--	--	--
Dividends received from discontinued operations	--	187	108
Depreciation	349	292	254
Amortization	91	69	56
Provision for losses on receivables	34	21	25
Gain on sale of division, net of income taxes	--	(54)	--
Special (credits)/charges	(1)	87	--
Deferred income taxes	63	(16)	68
Changes in assets and liabilities excluding those related to acquisitions and divestitures:			
Decrease (increase) in commercial and U.S. government receivables	34	(116)	44
Decrease (increase) in inventories	13	(157)	(89)
Decrease (increase) in other assets	(144)	(111)	(67)
Increase (decrease) in accounts payable	149	46	74
Increase (decrease) in accrued liabilities	(85)	262	(103)
Other - net	(10)	8	1
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,116	961	743
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from disposition of investments	--	--	251
Finance receivables:			
Originated or purchased	(4,920)	(4,069)	(2,712)
Repaid or sold	4,090	3,459	2,441
Proceeds on sales of securitized assets	--	260	373
Cash used in acquisitions	(1,574)	(956)	(364)
Net proceeds from dispositions	2,950	117	549
Capital expenditures	(532)	(475)	(374)
Other investing activities - net	29	22	48
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	43	(1,642)	212
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in short-term debt	(1,131)	1,571	(425)
Proceeds from issuance of long-term debt	3,195	438	401
Principal payments and retirements on long-term debt	(2,174)	(534)	(427)
Proceeds from exercise of stock options	50	71	38
Purchases of Textron common stock	(751)	(712)	(328)
Dividends paid	(192)	(143)	(202)
Dividends paid to Textron Manufacturing	--	--	--
Capital contributions to Textron Finance	--	--	--
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(1,003)	691	(943)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	156	10	12
Cash and cash equivalents at beginning of year	53	43	31
Cash and cash equivalents at end of year	\$ 209	\$ 53	\$ 43
SUPPLEMENTAL INFORMATION:			
Cash paid during the year for interest	\$ 239	\$ 345	\$ 293
Cash paid during the year for income taxes (includes \$912 in 1999 for AFS disposal)	1,167	260	156

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

For each of the three years in the period ended January 1, 2000

(In millions)	TEXTRON MANUFACTURING*		
	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income from continuing operations	\$ 623	\$ 443	\$ 372
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Earnings of Textron Finance (greater than) less than distributions	(43)	(8)	6
Dividends received from discontinued operations	--	187	108
Depreciation	337	282	243
Amortization	84	66	56
Provision for losses on receivables	2	1	2
Gain on sale of division, net of income taxes	--	(54)	--
Special (credits)/charges	(1)	87	--
Deferred income taxes	68	(18)	61
Changes in assets and liabilities excluding those related to acquisitions and divestitures:			
Decrease (increase) in commercial and U.S. government receivables	34	(116)	44
Decrease (increase) in inventories	13	(157)	(89)
Decrease (increase) in other assets	(143)	(130)	(54)
Increase (decrease) in accounts payable	147	21	70
Increase (decrease) in accrued liabilities	(113)	245	(99)
Other - net	(1)	18	8
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,007	867	728
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from disposition of investments	--	--	251
Finance receivables:			
Originated or purchased	--	--	--
Repaid or sold	--	--	--
Proceeds on sales of securitized assets	--	--	--
Cash used in acquisitions	(859)	(753)	(364)
Net proceeds from dispositions	2,945	117	549
Capital expenditures	(521)	(462)	(366)
Other investing activities - net	55	37	35
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,620	(1,061)	105
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in short-term debt	(1,045)	1,220	(484)
Proceeds from issuance of long-term debt	799	8	201
Principal payments and retirements on long-term debt	(974)	(190)	(52)
Proceeds from exercise of stock options	50	71	38
Purchases of Textron common stock	(751)	(712)	(328)
Dividends paid	(192)	(143)	(202)
Dividends paid to Textron Manufacturing	--	--	--
Capital contributions to Textron Finance	(353)	(59)	--
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(2,466)	195	(827)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	161	1	6
Cash and cash equivalents at beginning of year	31	30	24
Cash and cash equivalents at end of year	\$ 192	\$ 31	\$ 30
SUPPLEMENTAL INFORMATION:			
Cash paid during the year for interest	\$ 57	\$ 192	\$ 140
Cash paid during the year for income taxes (includes \$912 in 1999 for AFS disposal)	1,132	230	112

For each of the three years in the period ended January 1, 2000

(In millions)	TEXTRON FINANCE		
	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income from continuing operations	\$ 79	\$ 70	\$ 68
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Earnings of Textron Finance (greater than) less than distributions	--	--	--
Dividends received from discontinued operations	--	--	--
Depreciation	12	10	11
Amortization	7	3	--
Provision for losses on receivables	32	20	23
Gain on sale of division, net of income taxes	--	--	--
Special (credits)/charges	--	--	--
Deferred income taxes	(5)	2	7
Changes in assets and liabilities excluding those related to acquisitions and divestitures:			
Decrease (increase) in commercial and U.S. government receivables	--	--	--
Decrease (increase) in inventories	--	--	--
Decrease (increase) in other assets	(1)	8	(1)
Increase (decrease) in accounts payable	2	37	(12)
Increase (decrease) in accrued liabilities	28	17	(4)
Other - net	(9)	(10)	(7)
NET CASH PROVIDED BY OPERATING ACTIVITIES	145	157	85
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from disposition of investments	--	--	--
Finance receivables:			
Originated or purchased	(4,920)	(4,069)	(2,712)

Repaid or sold	4,090	3,459	2,444
Proceeds on sales of securitized assets	--	260	373
Cash used in acquisitions	(715)	(203)	--
Net proceeds from dispositions	5	--	--
Capital expenditures	(11)	(13)	(8)
Other investing activities - net	(26)	(16)	14

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,577)	(582)	111

CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in short-term debt	(86)	351	59
Proceeds from issuance of long-term debt	2,396	430	200
Principal payments and retirements on long-term debt	(1,200)	(344)	(375)
Proceeds from exercise of stock options	--	--	--
Purchases of Textron common stock	--	--	--
Dividends paid	--	--	--
Dividends paid to Textron Manufacturing	(36)	(62)	(74)
Capital contributions to Textron Finance	353	59	--

NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	1,427	434	(190)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5)	9	6
Cash and cash equivalents at beginning of year	22	13	7

Cash and cash equivalents at end of year	\$ 17	\$ 22	\$ 13
=====			
SUPPLEMENTAL INFORMATION:			
Cash paid during the year for interest	\$ 182	\$ 153	\$ 153
Cash paid during the year for income taxes (includes \$912 in 1999 for AFS disposal)	35	30	44
=====			

See notes to the consolidated financial statements.

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Consolidated Statements of Changes in Shareholders' Equity

For each of the three years in the period ended January 1, 2000

	SHARES OUTSTANDING*			DOLLARS		
	(In thousands)			(In millions)		
	1999	1998	1997	1999	1998	1997
\$2.08 PREFERRED STOCK						
Beginning balance	178	201	243	\$ 6	\$ 6	\$ 7
Conversion to common stock	(19)	(23)	(42)	(1)	--	(1)
Ending balance	159	178	201	\$ 5	\$ 6	\$ 6
\$1.40 PREFERRED STOCK						
Beginning balance	86	92	107	\$ 7	\$ 7	\$ 7
Conversion to common stock	(12)	(6)	(15)	--	--	--
Ending balance	74	86	92	\$ 7	\$ 7	\$ 7
COMMON STOCK						
Beginning balance	154,742	162,343	82,809	\$ 24	\$ 24	\$ 12
Purchases	(9,779)	(10,189)	(4,121)	--	--	--
Stock dividend declared	--	--	82,397	--	--	12
Conversion of preferred stock to common stock	129	123	166	--	--	--
Exercise of stock options	1,428	2,465	1,066	--	--	--
Other issuances of common stock	482	--	26	--	--	--
Ending balance	147,002	154,742	162,343	\$ 24	\$ 24	\$ 24
CAPITAL SURPLUS						
Beginning balance				\$ 931	\$ 830	\$ 793
Conversion of preferred stock to common stock				1	1	1
Exercise of stock options and other issuances				77	100	48
Stock dividend declared				--	--	(12)
Ending balance				\$ 1,009	\$ 931	\$ 830
RETAINED EARNINGS						
Beginning balance				\$ 3,786	\$ 3,362	\$ 2,969
Net income				2,226	608	558
Dividends declared:						
Preferred stock				(1)	(1)	(1)
Common stock (per share: \$1.30 in 1999; \$1.14 in 1998; and \$1.00 in 1997)				(194)	(183)	(164)
Ending balance				\$ 5,817	\$ 3,786	\$ 3,362
TREASURY STOCK						
Beginning balance				\$ 1,661	\$ 939	\$ 612
Purchases of common stock				748	722	328
Issuance of common stock				(22)	--	(1)
Ending balance				\$ 2,387	\$ 1,661	\$ 939
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)						
Beginning balance				\$ (96)	\$ (62)	\$ 7
Currency translation adjustment				8	(33)	(73)
Securities valuation adjustment				(13)	--	4
Pension liability adjustment				3	(1)	--
Other comprehensive income (loss)				(2)	(34)	(69)
Ending balance				\$ (98)	\$ (96)	\$ (62)
COMPREHENSIVE INCOME						
Net income				\$ 2,226	\$ 608	\$ 558
Other comprehensive income (loss)				(2)	(34)	(69)
Comprehensive income				\$ 2,224	\$ 574	\$ 489

*Shares issued at the end of 1999, 1998, 1997, and 1996, were as follows (in thousands): \$2.08 Preferred - 228; 247; 270; and 312; shares, respectively; \$1.40 Preferred - 561; 573; 579; and 594 shares, respectively; Common - 194,858; 193,277; 190,689; and 94,456; shares, respectively.

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. FINANCIAL STATEMENT PRESENTATION

Summary of Significant Accounting Policies

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

Cash and Cash Equivalents

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

Revenue Recognition

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

Nature of Operations and Principles of Consolidation

Textron is a global, multi-industry company with manufacturing and finance operations. Its principal markets (listed within segments in order of the amount of 1999 revenues) and the major locations of such markets are as follows:

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

The consolidated financial statements include the accounts of Textron and all of its majority- and wholly-owned subsidiaries. All significant intercompany transactions are eliminated. Avco Financial Services is reflected as a discontinued operation for all periods presented.

Textron's financings are conducted through two borrowing groups, Textron Finance and Textron Manufacturing. This framework is designed to enhance the Company's borrowing power by separating the Finance segment, which is a borrowing unit of a specialized business nature. Textron Finance consists of Textron Financial Corporation consolidated with its subsidiaries, which are the entities through which Textron operates its Finance segment. Textron Finance finances its operations by borrowing from its own group of external creditors. Textron Manufacturing is Textron Inc., the parent company, consolidated with the entities which operate in the Aircraft, Automotive and Industrial business segments.

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

ment's assessments of the probable future outcome of these matters. Consequently, actual results could differ from such estimates.

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

2. ACQUISITIONS AND DISPOSITIONS

Acquisitions

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

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

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

In 1997, Textron acquired Germany-based Kautex Group, a worldwide supplier of blow-molded plastic fuel tanks and other automotive components and systems for approximately \$350 million, which includes the assumption of debt. In addition, Textron acquired Brazil-based Brazaco Mapri Industrias, S.A.S., South America's leading maker of fasteners for a purchase price of \$70 million paid in the first quarter of 1998. Smaller acquisitions made in 1997 aggregated approximately \$70 million.

The acquisitions were accounted for as purchases and accordingly, the results of operations of each acquired company are included in the statement of income from the date of acquisition.

Dispositions

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

Fuel Systems Textron was sold to Woodward Governor Company for \$160 million in cash in June 1998, at a pretax gain of \$97 million (\$54 million after-tax). In 1997, Textron completed the sale of its 83.3% owned subsidiary, the Paul Revere Corporation to Provident Companies, Inc. Net proceeds to Textron after adjustments and contingent payments were approximately \$800 million (which included the value of shares of Provident common stock subsequently sold for \$245 million).

3. FINANCE RECEIVABLES

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

PROVISIONS FOR LOSSES ON FINANCE RECEIVABLES ARE CHARGED TO INCOME IN AMOUNTS SUFFICIENT TO MAINTAIN THE ALLOWANCE AT A LEVEL CONSIDERED ADEQUATE TO COVER LOSSES IN THE EXISTING RECEIVABLE

PORTFOLIO. MANAGEMENT EVALUATES THE ALLOWANCE BY EXAMINING CURRENT DELINQUENCIES, THE CHARACTERISTICS OF THE EXISTING ACCOUNTS, HISTORICAL LOSS EXPERIENCE, THE VALUE OF THE UNDERLYING COLLATERAL, AND GENERAL ECONOMIC CONDITIONS AND TRENDS.

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

Commercial installment contracts have initial terms ranging from one to 12 years. Commercial real estate and golf course mortgages have initial terms ranging from three to seven years. Finance leases have initial terms up to 12 years. Leveraged leases have initial terms up to approximately 30 years. Floorplan and revolving receivables generally mature within one year.

At the end of 1999 and 1998, Textron Finance had nonaccrual loans and leases totaling \$84 million and \$70 million, respectively. Approximately \$65 million and \$46 million of these respective amounts were considered impaired, which excludes finance leases and homogeneous loan portfolios. The allowance for losses on receivables related to impaired loans was \$21 million and \$15 million at the end of 1999 and 1998. The average recorded investment in impaired loans during 1999 and 1998 were \$47 million and \$51 million, respectively. The percentage of net write-offs to average finance receivables was 0.5% in 1999, 0.5% in 1998, and 0.6% in 1997.

The following table displays the contractual maturity of the finance receivables. It does not necessarily reflect future cash collections because of various factors including the refinancing of receivables and repayments prior to maturity. Cash collections from receivables, excluding finance charges and portfolio sales, were \$3.9 billion and \$3.4 billion in 1999 and 1998, respectively. In the same periods, the ratio of cash collections to average net receivables was approximately 96% and 108%, respectively.

(In millions)	CONTRACTUAL MATURITIES			LESS FINANCE CHARGES	FINANCE RECEIVABLES OUTSTANDING	
	2000	2001	After 2001		1999	1998
Installment contracts	\$ 435	\$ 327	\$1,577	\$ 202	\$2,137	\$1,339
Floorplan receivables	573	78	7	1	657	572
Revolving loans	614	176	619	9	1,400	556
Finance leases	153	139	323	106	509	424
Real estate and golf course mortgages	124	38	391	4	549	375
Leveraged leases	29	11	589	281	348	346
	\$1,928	\$ 769	\$3,506	\$ 603	5,600	3,612
Less allowance for credit losses					113	84
					\$5,487	\$3,528

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

(In millions)	1999	1998
Finance and leveraged lease receivables	\$ 656	\$ 590
Estimated residual values on equipment and assets	589	559
	1,245	1,149
Unearned income	(388)	(379)
Investment in leases	857	770
Deferred income taxes arising from leveraged leases	(260)	(256)
Net investment in leases	\$ 597	\$ 514

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

(In millions)	1999	1998	1997
Balance at the beginning of the year	\$ 84	\$ 77	\$ 75
Provision for losses	32	20	21
Charge-offs	(28)	(21)	(25)

Recoveries	5	5	6
Acquisitions and other	20	3	--

Balance at the end of the year	\$ 113	\$ 84	\$ 77
=====			

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Textron had both fixed-rate and variable-rate loan commitments totaling \$1,134 million at year-end 1999. Because interest rates on these commitments are not set until the loans are funded, Textron is not exposed to interest rate changes.

A portion of Textron Finance's business involves financing the sale and lease of Textron products. In 1999, 1998, and 1997, Textron Finance paid Textron \$1,260 million, \$980 million, and \$736 million, respectively, for receivables and operating lease equipment. Operating agreements with Textron specify that Textron Finance generally has recourse to Textron with respect to these purchases. At year-end 1999, finance receivables and operating lease equipment of \$841 million and \$69 million, respectively, (\$540 million and \$77 million, respectively, at year-end 1998) were due from Textron or subject to recourse to Textron. Included in the finance receivables balance guaranteed by Textron are past due loans of \$72 million at the end of 1999 (\$55 million at year-end 1998) that meet the non-accrual criteria but are not classified as non-accrual by Textron Finance due to the guarantee from Textron Manufacturing units. Textron Finance continues to recognize income on these loans. Concurrently, Textron Manufacturing is charged for their obligation to Textron Finance under the guarantee so that there are no net interest earnings for the loans on a consolidated basis.

Textron Finance manages finance receivables for a variety of investors, participants and third party portfolio owners. The total managed finance receivable portfolio, including owned finance receivables, was \$6,825 million and \$4,509 million, respectively for 1999 and 1998.

Textron Finance's finance receivables are diversified geographically across the United States. There are no significant industry or collateral concentrations at the end of 1999.

4. INVENTORIES

INVENTORIES ARE CARRIED AT THE LOWER OF COST OR MARKET.

(In millions)	JANUARY 1, 2000	January 2, 1999
-----	-----	-----
Finished goods	\$ 608	\$ 483
Work in process	970	878
Raw materials	489	454
-----	-----	-----
Less progress payments and customer deposits	2,067 208	1,815 175
-----	-----	-----
	\$1,859	\$1,640
=====	=====	=====

Inventories aggregating \$1,051 million at year-end 1999 and \$1,008 million at year-end 1998 were valued by the last-in, first-out (LIFO) method. (Had such LIFO inventories been valued at current costs, their carrying values would have been approximately \$174 million and \$170 million higher at those respective dates.) The remaining inventories, other than those related to certain long-term contracts, are valued generally by the first-in, first-out method.

Inventories related to long-term contracts, net of progress payments and customer deposits, were \$181 million at year-end 1999 and \$178 million at year-end 1998.

5. LONG-TERM CONTRACTS

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

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

Long-term contract receivables at year-end 1999 and 1998 totaled \$156 million and \$166 million, respectively. This includes \$112 million and \$102 million, respectively, of unbilled costs and accrued profits that had not yet met the contractual billing criteria. Long-term contract receivables do not include significant amounts (a) billed but unpaid due to contractual retainage provisions or (b) subject to collection uncertainty.

6. LONG-TERM ASSETS

THE COST OF PROPERTY, PLANT, AND EQUIPMENT IS DEPRECIATED BASED ON THE ASSETS' ESTIMATED USEFUL LIVES.

(In millions)	JANUARY 1, 2000	January 2, 1999
At cost:		
Land and buildings	\$1,083	\$ 942
Machinery and equipment	3,499	3,150
	4,582	4,092
Less accumulated depreciation	2,069	1,887
	\$2,513	\$2,205

GOODWILL IS AMORTIZED ON THE STRAIGHT-LINE METHOD OVER 20 TO 40 YEARS. Accumulated amortization of goodwill totaled \$463 million at January 1, 2000 and \$388 million at January 2, 1999.

GOODWILL IS PERIODICALLY REVIEWED FOR IMPAIRMENT BY COMPARING THE CARRYING AMOUNT TO THE ESTIMATED FUTURE UNDISCOUNTED CASH FLOWS OF THE BUSINESSES ACQUIRED. IF THIS REVIEW INDICATES THAT GOODWILL IS NOT RECOVERABLE, THE CARRYING AMOUNT WOULD BE REDUCED TO FAIR VALUE.

Customer engineering and tooling project costs for which customer reimbursement is anticipated are capitalized and classified in other assets. Effective January 2, 2000, Textron adopted Emerging Issues Task Force Issue 99-5 "Accounting for Pre-production Costs related to Long-Term Supply Agreements." This consensus requires that all design and development costs for products sold under long-term supply arrangements be expensed unless there is a contractual guarantee that provides for specific required payments for these costs. Textron will report a Cumulative Effect of Change in Accounting Principle of \$59 million (net of tax), or approximately \$0.39 per diluted share in the first quarter of 2000 related to the adoption of this consensus.

7. DEBT AND CREDIT FACILITIES

At the end of 1999 and 1998, debt consisted of the following:

(In millions)	JANUARY 1, 2000	January 2, 1999

TEXTRON MANUFACTURING:		
Short-term debt:		
Borrowings under or supported by long-term credit facilities*	\$ 626	\$ 1,671
Current portion of long-term debt	62	64
	688	1,735

Long-term senior debt:		
Medium-term notes due 2000-2011 (average rate - 9.71%)	63	230
6.375% due 2004	300	--
6.75% due 2002	500	--
8.75% due 2022	36	200
6.63% due 2007	32	200
Other long-term debt (average rate - 7.36%)	210	314
	1,141	944

Current portion of long-term debt	(62)	(64)
	1,079	880

Total Textron Manufacturing debt	\$ 1,767	\$ 2,615
=====		

*The weighted average interest rates on these borrowings, before the effect of interest rate exchange agreements, were 5.8%, 5.8%, and 4.8% at year-end 1999, 1998, and 1997, respectively. Comparable rates during the years 1999, 1998, and 1997 were 4.9%, 5.4%, and 4.8%, respectively.

Textron Manufacturing maintains credit facilities with various banks for both short- and long-term borrowings. At year-end, Textron Manufacturing had (a) a \$1.0 billion domestic credit agreement with 24 banks available on a fully revolving basis until April 1, 2003, (b) \$105 million in multi-currency credit agreements with three banks available through December 29, 2002, and (c) \$241 million in other credit facilities available with various banks. At year-end 1999, \$797 million of the credit facilities was not used or reserved as support for

commercial paper or bank borrowings.

(In millions)	JANUARY 1, 2000	January 2, 1999

TEXTRON FINANCE:		
Senior:		
Borrowings under or supported by credit facilities*	\$1,339	\$1,425
7.01% average rate debt; due 2000 to 2004	1,507	472
6.39% average rate variable notes; due 2000 to 2002	1,705	932

Total Textron Finance debt	\$4,551	\$2,829
=====		

*The weighted average interest rates on these borrowings, before the effect of interest rate exchange agreements, were 6.4%, 6.3%, and 6.1% at year-end 1999, 1998, and 1997, respectively. Comparable rates during the years 1999, 1998, and 1997 were 5.4%, 5.8%, and 5.8%, respectively.

Textron Finance has lines of credit with various banks aggregating \$1.2 billion at year-end 1999, of which \$196 million was not used or reserved as support for commercial paper or bank borrowings. Lending agreements limit Textron Finance's net assets available for cash dividends and other payments to Textron Manufacturing to approximately \$332 million of Textron Finance's net assets of \$869 million at year-end 1999. Textron Finance's loan agreements also contain provisions regarding additional debt, creation of liens or guarantees, and the making of investments.

The following table shows required payments during the next five years on debt outstanding at the end of 1999. The payments schedule excludes amounts that are payable under credit facilities and revolving credit agreements.

(In millions)	2000	2001	2002	2003	2004

Textron Manufacturing	\$ 62	\$ 56	\$ 510	\$ 38	\$ 305
Textron Finance	508	833	1,040	213	618

	\$ 570	\$ 889	\$1,550	\$ 251	\$ 923
=====					

Textron Manufacturing has agreed to cause Textron Finance to maintain certain minimum levels of financial performance. No payments from Textron Manufacturing were necessary in 1999, 1998, or 1997 for Textron Finance to meet these standards.

Extraordinary Loss from Debt Retirement

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

8. DERIVATIVES AND FOREIGN CURRENCY TRANSACTIONS

Interest rate exchange agreements

Textron is exposed to adverse movements in domestic and foreign interest rates. Interest rate exchange agreements are used to help manage interest rate risk by converting certain variable-rate debt to fixed-rate debt and vice versa. These agreements involve the exchange of fixed-rate interest for variable-rate amounts over the life of the agreement without the exchange of the notional amount.

INTEREST RATE EXCHANGE AGREEMENTS ARE ACCOUNTED FOR ON THE ACCRUAL BASIS WITH THE DIFFERENTIAL TO BE PAID OR RECEIVED RECORDED CURRENTLY AS AN ADJUSTMENT TO INTEREST EXPENSE. PREMIUMS PAID TO TERMINATE AGREEMENTS DESIGNATED AS HEDGES ARE DEFERRED AND AMORTIZED TO EXPENSE OVER THE REMAINING TERM OF THE ORIGINAL LIFE OF THE CONTRACT. IF THE UNDERLYING DEBT IS THEN PAID EARLY, UNAMORTIZED PREMIUMS ARE RECOGNIZED AS AN ADJUSTMENT TO THE GAIN OR LOSS ASSOCIATED WITH THE DEBT'S EXTINGUISHMENT.

SOME AGREEMENTS THAT REQUIRE THE PAYMENT OF FIXED-RATE INTEREST ARE DESIGNATED AGAINST SPECIFIC LONG-TERM VARIABLE-RATE BORROWINGS, WHILE THE BALANCE IS DESIGNATED AGAINST EXISTING SHORT-TERM BORROWINGS THROUGH MATURITY AND THEIR ANTICIPATED REPLACEMENTS. TEXTRON CONTINUOUSLY MONITORS VARIABLE-RATE BORROWINGS TO MAINTAIN THE LEVEL OF BORROWINGS ABOVE THE NOTIONAL AMOUNT OF THE DESIGNATED AGREEMENTS. IF IT IS PROBABLE THAT VARIABLE-RATE BORROWINGS WILL NOT CONTINUOUSLY EXCEED THE NOTIONAL AMOUNT OF THE DESIGNATED AGREEMENTS, THE EXCESS INTEREST RATE EXCHANGE AGREEMENTS ARE MARKED TO MARKET AND THE ASSOCIATED GAIN OR LOSS IS RECORDED IN INCOME.

Agreements that effectively fix the rate of interest on variable-rate borrowings are summarized as follows:

	JANUARY 1, 2000			January 2, 1999		
FIXED-PAY INTEREST RATE EXCHANGE AGREEMENTS						
(Dollars in millions)	NOTIONAL AMOUNT	WEIGHTED AVERAGE INTEREST RATE	WEIGHTED AVERAGE REMAINING TERM	Notional amount	Weighted average interest rate	Weighted average remaining term
Textron Manufacturing	\$ 941	4.69%	0.3	\$ --	--	--
Textron Finance	300	5.76%	0.8	250	6.26%	0.6
	\$1,241	4.95%	0.4	\$ 250	6.26%	0.6

Textron Manufacturing's and Textron Finance's fixed-pay interest rate exchange agreements were designated against specific long-term variable-rate debt. Textron Manufacturing's agreements were entered in June 1999 to insulate Textron against potential interest rate increases on variable-rate debt around year-end 1999. These agreements, which expire in March 2000, effectively adjusted the average rate of interest on variable-rate debt in 1999 to 4.69% from 4.76%. Textron Finance's agreements effectively adjusted the average rate of interest on variable-rate debt in 1999 to 5.64% from 5.57%. These agreements expire as follows: \$200 million (5.72%) in 2000 and \$100 million (5.85%) in 2001.

Agreements that have the effect of varying the rate of interest on fixed-rate borrowings are summarized as follows:

	JANUARY 1, 2000			January 2, 1999		
VARIABLE-PAY INTEREST RATE EXCHANGE AGREEMENTS						
(Dollars in millions)	NOTIONAL AMOUNT	WEIGHTED AVERAGE INTEREST RATE	WEIGHTED AVERAGE REMAINING TERM	Notional amount	Weighted average interest rate	Weighted average remaining term
Textron Manufacturing	\$852	6.39%	2.5	\$635	8.26%	5.5
Textron Finance*	125	5.84%	0.4	50	5.22%	0.5
	\$977	6.32%	2.2	\$685	8.04%	5.1

*Amounts at January 1, 2000 represent basis swaps to lock-in desired spreads between certain interest-earning assets and certain interest-bearing liabilities. These basis swaps require United States Prime Rate-based payments (5.84%) and LIBOR-based receipts (6.07%) at year-end 1999.

During 1999, Textron Manufacturing terminated \$479 million variable-pay interest rate exchange agreements related to the retirement of \$553 million of debt. Textron Manufacturing's and Textron Finance's variable-pay interest rate exchange agreements were designated against specific long-term fixed-rate debt. Textron Manufacturing's agreements effectively adjusted the average rate of interest on fixed-rate notes in 1999 to 5.92% from 6.18%. These agreements expire as follows: \$437 million (6.13%) in 2000, \$26 million (10.64%) in 2001, \$36 million (9.77%) in 2002, and \$353 million (6.06%) through 2020. Textron Finance had agreements (\$50 million notional amounts) which expired in 1999 that adjusted the average rate of interest on fixed-rate notes during the current year to 6.74% from 6.79%.

Textron had minimal exposure to loss from nonperformance by the counterparties to its interest rate exchange agreements at the end of 1999, and does not anticipate nonperformance by counterparties in the periodic settlements of amounts due. Textron currently minimizes this potential for risk by entering into contracts exclusively with major, financially sound counterparties having no less than a long-term bond rating of "A," by continuously monitoring the counterparties' credit ratings, and by limiting exposure with any one financial institution. The credit risk generally is limited to the amount by which the counterparties' contractual obligations exceed Textron's obligations to the counterparty.

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

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

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

(In millions)	BUY CONTRACTS		SELL CONTRACTS	
	CONTRACT AMOUNT	UNREALIZED GAIN/(LOSS)	CONTRACT AMOUNT	UNREALIZED GAIN/(LOSS)

JANUARY 1, 2000				
British Pound	\$ 74	\$ 1	\$485	\$ 7
Canadian Dollar	263	5	15	--
Euro	7	--	447	18
Other	11	--	35	--

Total	\$355	\$ 6	\$982	\$ 25
=====				
January 2, 1999				
British Pound	\$ 45	\$ --	\$375	\$ --
Canadian Dollar	228	(9)	8	--
German Mark	135	--	339	(5)
French Franc	1	--	119	(4)
Other	6	--	43	(1)

Total	\$415	\$ (9)	\$884	\$(10)
=====				

9. TEXTRON FINANCE - MANDATORILY REDEEMABLE PREFERRED SECURITIES OF FINANCE SUBSIDIARY HOLDING DEBENTURES

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

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

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

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

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

11. SHAREHOLDERS' EQUITY

Preferred stock

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

Common stock

Textron has authorization for 500,000,000 shares of 12.5 cent per share par value common stock. New shares in connection with a two-for-one stock split in the form of a stock dividend were issued and distributed on May 30, 1997 to shareholders of record on the close of business on May 9, 1997. Average shares outstanding, stock options, and per share amounts were restated for all periods.

Performance share units and stock options

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

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

Compensation expense under Textron's performance share program, measured under the intrinsic value method, was approximately \$25 million in 1999, \$77 million in 1998, and \$65 million in 1997. To mitigate the impact of stock price increases on compensation expense, Textron has a cash-settlement option program on Textron's common stock. This program generated income of approximately \$5 million in 1999, \$40 million in 1998, and \$37 million in 1997. Textron did not incur compensation expense related to common stock options in 1999, 1998, or 1997.

Pro forma information regarding net income and earnings per share has been determined using the fair value method. For the purpose of developing the pro forma information, the fair values of options granted after 1995 are estimated at the date of grant using the Black-Scholes option-pricing model. The estimated fair values are amortized to expense over the options' vesting period. Using this methodology, net income would have been reduced by \$9 million or \$.06 per diluted share in 1999, \$9 million or \$.06 per diluted share in 1998, and \$11 million or \$.07 per diluted share in 1997.

The assumptions used to estimate the fair value of an option granted in 1999, 1998, and 1997, respectively, are approximately as follows: dividend yield of 2%; expected volatility of 22%, 18%, and 16%; risk-free interest rates of 6%, 4%, and 6%, and weighted

average expected lives of 3.5 years. Under these assumptions, the weighted-average fair value of an option to purchase one share granted in 1999, 1998, and 1997 was approximately \$15, \$12, and \$10, respectively.

At year-end 1999, 5,933,000 stock options were available for future grant under the 1999 Plan. Stock option transactions during the last three years are summarized as follows:

(Shares in thousands)	1999		1998		1997	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at beginning of year	8,342	\$47.23	9,001	\$36.74	9,290	\$31.08
Options granted	2,176	\$73.75	1,909	\$74.08	1,333	\$62.54
Options exercised	(1,451)	\$34.86	(2,465)	\$29.52	(1,541)	\$24.56
Options canceled	(245)	\$67.06	(103)	\$51.48	(81)	\$43.40
Options outstanding at end of year	8,822	\$55.26	8,342	\$47.23	9,001	\$36.74
Options exercisable at end of year	5,815	\$45.60	5,818	\$36.80	6,641	\$30.21

Stock options outstanding at the end of 1999 are summarized as follows:

(Shares in thousands)	Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable	Weighted Average Exercise Price
JANUARY 1, 2000:					
\$13 - \$37	2,564	4.6	\$28.38	2,564	\$28.38
\$38 - \$63	2,399	7.4	\$53.57	2,377	\$53.50
\$64 - \$94	3,859	9.4	\$74.09	874	\$74.28

Reserved shares of common stock

At year-end 1999, 3,023,000 shares of common stock were reserved for the subsequent conversion of preferred stock and 8,822,000 shares were reserved for the exercise of stock options.

Preferred stock purchase rights

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

Income per common share

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

For the years ended	JANUARY 1, 2000		January 2, 1999		January 3, 1998	
(Dollars in millions, shares in thousands)	INCOME	AVERAGE SHARES	Income	Average Shares	Income	Average Shares
Income from continuing operations	\$ 623		\$ 443		\$ 372	
Less: Preferred stock dividends	(1)		(1)		(1)	
BASIC						
Available to common shareholders	622	150,389	442	161,254	371	164,830
Dilutive effect of convertible preferred stock and stock options	1	3,365	1	4,120	1	4,673
DILUTED						
Available to common shareholders and assumed conversions	\$ 623	153,754	\$ 443	165,374	\$ 372	169,503

Comprehensive Income

The components of Textron's other comprehensive income for 1999, 1998, and 1997 were as follows:

(In millions)	1999	1998	1997

CURRENCY TRANSLATION ADJUSTMENT			
Beginning balance	\$ (104)	\$ (71)	\$ 2
Change, net of income taxes	(71)	(33)	(73)
AFS disposal	79	--	--

Ending balance	\$ (96)	\$ (104)	\$ (71)
=====			
UNREALIZED GAINS (LOSSES) ON SECURITIES			
Beginning balance	\$ 13	\$ 13	\$ 9
Gross unrealized gains (losses) arising during the period*	--	8	7
Reclassification adjustment for realized gains in net income**	--	(8)	(3)
AFS disposal (Net of income tax expense of \$8)	(13)	--	--

Ending balance	\$ --	\$ 13	\$ 13
=====			
PENSION LIABILITY ADJUSTMENT			
Beginning balance	\$ (5)	\$ (4)	\$ (4)
Change, net of income taxes	3	(1)	--

Ending balance	\$ (2)	\$ (5)	\$ (4)
=====			
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)			
Beginning balance	\$ (96)	\$ (62)	\$ 7
Other comprehensive income (loss)	(2)	(34)	(69)

Ending balance	\$ (98)	\$ (96)	\$ (62)
=====			

*Net of income tax expense (benefit) of \$4 million and \$4 million for 1998 and 1997, respectively.

**Net of income tax expense (benefit) of \$4 million and \$2 million for 1998 and 1997, respectively.

12. LEASES

Rental expense approximated \$94 million, \$83 million, and \$65 million in 1999, 1998, and 1997, respectively. Future minimum rental commitments for noncancellable operating leases in effect at year-end 1999 approximated \$80 million for 2000; \$64 million for 2001; \$44 million for 2002; \$34 million for 2003; \$29 million for 2004; and a total of \$185 million thereafter.

13. RESEARCH AND DEVELOPMENT

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

RESEARCH AND DEVELOPMENT COSTS FOR WHICH TEXTRON IS RESPONSIBLE ARE EXPENSED AS INCURRED. THESE COMPANY FUNDED COSTS INCLUDE AMOUNTS FOR COMPANY INITIATED PROGRAMS, THE COST SHARING PORTIONS OF CUSTOMER INITIATED PROGRAMS, AND LOSSES INCURRED ON CUSTOMER INITIATED PROGRAMS. The company funded and customer funded research and development costs for 1999, 1998, and 1997 were as follows:

(In millions)	1999	1998	1997

Company funded	\$257	\$219	\$222
Customer funded	413	394	380

Total research and development	\$670	\$613	\$602
=====			

14. PENSION BENEFITS AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

Textron has defined benefit and defined contribution pension plans that together cover substantially all employees. The costs of the defined contribution plans amounted to approximately \$40 million, \$40 million, and \$36 million in 1999, 1998 and 1997, respectively. Defined benefits under salaried plans are based on salary and years of service. Hourly plans generally provide benefits based on stated amounts for each year of service. Textron's funding policy is consistent with federal law and regulations. Pension plan assets consist principally of corporate and government bonds and common stocks. Textron offers health care and life insurance benefits for certain retired employees.

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

(In millions)	PENSION BENEFITS		POSTRETIREMENT BENEFITS OTHER THAN PENSIONS	
	JANUARY 1, 2000	January 2, 1999	JANUARY 1, 2000	January 2, 1999
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	\$ 3,836	\$ 3,206	\$ 665	\$ 640
Service cost	109	83	7	6
Interest cost	252	235	41	45
Amendments	9	2	--	2
Effects of acquisitions	10	293	5	20
Effects of dispositions	(6)	(14)	--	(3)
Plan participants' contributions	4	1	4	4
Actuarial (gains)/losses	(299)	258	(54)	13
Benefits paid	(227)	(229)	(65)	(62)
Foreign exchange rate changes	(23)	1	--	--
Benefit obligation at end of year	\$ 3,665	\$ 3,836	\$ 603	\$ 665
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	\$ 4,824	\$ 4,130	\$ --	--
Actual return on plan assets	740	557	--	--
Employer contributions	21	15	--	--
Plan participants' contributions	4	1	--	--
Effects of acquisitions	12	363	--	--
Effects of dispositions	(5)	(12)	--	--
Benefits paid	(227)	(229)	--	--
Foreign exchange rate changes	(27)	(1)	--	--
Fair value of plan assets at end of year	\$ 5,342	\$ 4,824	\$ --	--
Funded status of the plan	\$ 1,677	\$ 988	\$ (603)	\$ (665)
Unrecognized actuarial gain	(1,331)	(679)	(122)	(78)
Unrecognized prior service cost	88	96	(16)	(19)
Unrecognized transition net asset	(61)	(78)	--	--
Net amount recognized in the consolidated balance sheet	\$ 373	\$ 327	\$ (741)	\$ (762)
Amounts recognized in the consolidated balance sheet consists of:				
Prepaid benefit cost	\$ 506	\$ 452	\$ --	\$ --
Accrued benefit liability	(144)	(157)	(741)	(762)
Intangible asset	7	24	--	--
Accumulated other comprehensive income	4	8	--	--
Net amount recognized in the consolidated balance sheet	\$ 373	\$ 327	\$ (741)	\$ (762)

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were \$191 million, \$159 million, and \$16 million, respectively, as of year-end 1999, and \$267 million, \$231 million, and \$78 million, respectively, as of year-end 1998.

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

(In millions)	PENSION BENEFITS			POSTRETIREMENT BENEFITS OTHER THAN PENSIONS		
	JANUARY 1, 2000	January 2, 1999	January 3, 1998	JANUARY 1, 2000	January 2, 1999	January 3, 1998
COMPONENTS OF NET PERIODIC BENEFIT COST						
Service cost	\$ 109	\$ 83	\$ 71	\$ 7	\$ 6	\$ 5
Interest cost	252	235	223	41	45	46
Expected return on plan assets	(378)	(323)	(298)	--	--	--
Amortization of unrecognized transition asset	(17)	(17)	(17)	--	--	--
Recognized actuarial (gain)/loss	2	1	1	(10)	(9)	(9)
Recognized prior service cost	16	14	15	(4)	(4)	(4)
Net periodic benefit cost	\$ (16)	\$ (7)	\$ (5)	\$ 34	\$ 38	\$ 38

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

	JANUARY 1, 2000	January 2, 1999	January 3, 1998	December 28, 1996
WEIGHTED AVERAGE ASSUMPTIONS AT YEAR-END				
Discount rate	7.50%	6.75%	7.25%	7.50%
Expected return on plan assets	9.25	9.25	9.00	9.00
Rate of compensation increase	4.80	4.80	5.00	5.00

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

The 1999 health care cost trend rate, which is the weighted average annual assumed rate of increase in the per capita cost of covered benefits, was 8.0% for retirees age 65 and over and 7.0% for retirees under age 65. Both rates are assumed to decrease gradually to 5.5% by 2001 and 2003, respectively, and then remain at that level. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

(In millions)	1% INCREASE	1% DECREASE
Effect on total of service and interest cost components	\$ 5	\$ (5)
Effect on postretirement benefit obligation	58	(52)

15. INCOME TAXES

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

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

(In millions)	1999	1998	1997
United States	\$ 831	\$ 582	\$ 441
Foreign	199	181	207
Total	\$ 1,030	\$ 763	\$ 648

Income tax expense is summarized as follows:

(In millions)	1999	1998	1997
Federal:			
Current	\$ 222	\$ 225	\$ 82
Deferred	54	(25)	71
State	36	33	27
Foreign	69	61	70
Income tax expense	\$ 381	\$ 294	\$ 250

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

	1999	1998	1997
Federal statutory income tax rate	35.0%	35.0%	35.0%
Increase (decrease) in taxes resulting from:			
State income taxes	2.3	2.7	2.8
Goodwill	2.2	4.3	2.7
Other - net	(2.5)	(3.5)	(1.9)
Effective income tax rate	37.0%	38.5%	38.6%

Textron's net deferred tax asset consisted of gross deferred tax assets and gross deferred tax liabilities of \$1,966 million and \$1,810 million, respectively, at the end of 1999 and \$1,775 million and \$1,576 million, respectively, at the end of 1998.

The components of Textron's net deferred tax asset were as follows:

(In millions)	JANUARY 1, 2000	January 2, 1999

Textron Finance transactions, principally leasing	\$ (353)	\$ (350)
Self insured liabilities (including environmental)	184	205
Obligation for postretirement benefits	171	186
Fixed assets, principally depreciation	(164)	(171)
Deferred compensation	144	152
Inventory	(51)	(48)
Allowance for credit losses	38	33
Other, principally timing of other expense deductions	187	192

	\$ 156	\$ 199
=====		

Deferred income taxes have not been provided for the undistributed earnings of foreign subsidiaries, which approximated \$500 million at the end of 1999. Management intends to reinvest those earnings for an indefinite period, except for distributions having an immaterial tax effect. If foreign subsidiaries' earnings were distributed, 1999 taxes, net of foreign tax credits, would be increased by approximately \$65 million.

16. SPECIAL (CREDITS)/ CHARGES

To enhance the competitiveness and profitability of its core businesses, Textron recorded a pretax charge of \$87 million in the second quarter of 1998 (\$54 million after-tax or \$0.32 per diluted share). This charge was recorded based on the decision to exit several small, nonstrategic product lines in Automotive and the former Systems and Components divisions which did not meet Textron's return criteria, and to realign certain operations in the Industrial segment. The pretax charges associated with the Automotive and Industrial segments were \$25 million and \$52 million, respectively. The charge also included the cost of a litigation settlement of \$10 million related to the Aircraft segment. Severance costs were included in special charges and are based on established policies and practices. The provision does not include costs associated with the transfer of equipment and personnel, inventory obsolescence, or other normal operating costs associated with the realignment actions.

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

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

As a result of the above, the Company reversed approximately \$24 million of reserves no longer deemed necessary for the 1998 program and recorded severance accruals of approximately \$21 million and recorded a charge related to asset impairment of \$5 million.

Textron recorded additional restructuring charges for the Industrial segment, primarily for severance (\$7 million) and asset impairment (\$9 million) associated with the announced closing of seven facilities. The Company continues to evaluate additional programs and expects cost reduction efforts to continue over the next year. Additional charges may be required in the future when such programs become finalized. As of January 1, 2000, approximately 1,700 employees had been terminated under these programs.

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The following table summarizes the activity associated with 1998 and 1999 programs:

(In millions)	ASSET IMPAIRMENTS	SEVERANCE & OTHER	TOTAL
Initial charge	\$ 28	\$ 49	\$ 77
Utilized in 1998	(28)	(9)	(37)
Balance January 2, 1999	\$ --	\$ 40	\$ 40
Additional programs	14	28	42
Utilized in 1999	(14)	(22)	(36)
No longer required	--	(24)	(24)
Balance January 1, 2000	\$ --	\$ 22	\$ 22

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

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(In millions)	JANUARY 1, 2000		January 2, 1999	
	CARRYING VALUE	ESTIMATED FAIR VALUE	Carrying value	Estimated fair value
ASSETS:				
Textron Finance:				
Finance receivables	\$ 4,647	\$ 4,665	\$ 2,774	\$ 2,837
Other	46	46	46	46
LIABILITIES:				
Textron Manufacturing:				
Debt	1,745	1,740	2,615	2,706
Interest rate exchange agreements	--	7	--	(11)
Textron Finance:				
Debt	4,551	4,535	2,829	2,836
Interest rate exchange agreements	--	(2)	--	1
FOREIGN EXCHANGE CONTRACTS	--	(6)	--	9
CURRENCY SWAPS	(21)	(25)	14	10

(i) Finance receivables - The estimated fair values of real estate loans and commercial installment contracts were based on discounted cash flow analyses. The estimated fair values of variable-rate receivables approximated the net carrying value. The estimated fair values of nonperforming loans were based on discounted cash flow analyses using risk-adjusted interest rates or the fair value of the related collateral.

(ii) Debt, interest rate exchange agreements, foreign exchange contracts and currency swaps - The estimated fair value of fixed-rate debt was determined by independent investment bankers or discounted cash flow analyses. The estimated fair values of variable-rate debt approximated their carrying values. The estimated fair values of interest rate exchange agreements were determined by independent investment bankers and represent the estimated amounts that Textron or its counterparty would be required to pay to assume the other party's obligations under the agreements. The estimated fair values of the foreign exchange contracts and currency swaps were determined by Textron's foreign exchange banks.

18. CONTINGENCIES AND ENVIRONMENTAL REMEDIATION

Contingencies

Textron is subject to a number of lawsuits, investigations and claims arising out of the conduct of its business, including those relating to commercial transactions, government contracts, product liability, and environmental, safety and health matters. Some seek damages, fines or penalties in substantial amounts or remediation of environmental contamination, and some are class actions. Under federal government procurement regulations, certain claims could result in suspension or debarment of Textron or its subsidiaries from U.S. government contracting for a period of time. On the basis of information presently available, Textron believes that any liability for these suits and proceedings would not have a material effect on Textron's net income or financial condition.

Environmental Remediation

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

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

19. SEGMENT REPORTING

Textron has four reportable segments: Aircraft, Automotive, Industrial and Finance. See Note 1 for principal markets and pages 66 through 68 for products of Textron's segments.

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

The following summarizes the revenues by type of products:

	REVENUES		
(In millions)	1999	1998	1997
Aircraft:			
Fixed-Wing Aircraft	\$ 2,219	\$ 1,784	\$ 1,483
Rotor Aircraft	1,525	1,405	1,542
Automotive:			
Trim	1,796	1,481	1,372
Fuel Systems and Functional Components	1,120	924	755
Industrial:			
Fasteners	2,082	1,758	1,498
Fluid & Power	895	619	489
Golf, Turf-Care and Specialty Products	773	719	483
Industrial Components and Other	706	626	711
Finance	463	367	350
	\$11,579	\$ 9,683	\$ 8,683

The following tables summarize selected financial information by segment:

(In millions)	ASSETS			PROPERTY, PLANT AND EQUIPMENT EXPENDITURES		
	1999	1998	1997	1999	1998	1997
Aircraft	\$ 2,348	\$ 2,199	\$ 1,941	\$ 164	\$ 140	\$ 107
Automotive	1,860	1,681	1,515	134	111	103
Industrial	5,142	3,882	2,596	215	208	153
Finance	5,990	3,785	3,178	11	13	8
Corporate (including investment in discontinued operations)	1,743	2,717	2,557	8	3	3
Eliminations	(690)	(543)	(457)	--	--	--
	\$ 16,393	\$ 13,721	\$ 11,330	\$ 532	\$ 475	\$ 374

(In millions)	AMORTIZATION*			DEPRECIATION		
	1999	1998	1997	1999	1998	1997
Aircraft	\$ 10	\$ 10	\$ 10	\$ 97	\$ 82	\$ 70
Automotive	19	15	14	84	72	69
Industrial	50	36	29	152	124	100
Finance	7	3	--	12	10	11
Corporate	5	5	3	4	4	4
	\$ 91	\$ 69	\$ 56	\$ 349	\$ 292	\$ 254

*Amortization is principally amortization of goodwill

Geographic Data

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

(In millions)	REVENUES(1)			PROPERTY, PLANT AND EQUIPMENT(2)		
	1999	1998	1997	1999	1998	1997
United States	\$ 7,360	\$ 6,291	\$ 5,550	\$ 1,718	\$ 1,466	\$ 1,232
Latin America and Mexico	704	634	447	68	84	40
Canada	701	589	640	118	115	92
Germany	690	575	458	187	205	138
United Kingdom	475	273	209	161	171	71
Asia and Australia	435	309	447	14	3	3
France	344	332	301	82	82	68
Other	870	680	631	165	79	126
	\$ 11,579	\$ 9,683	\$ 8,683	\$ 2,513	\$ 2,205	\$ 1,770

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

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

Revenues include sales to the U.S. Government of \$1.3 billion, \$1.1 billion, and \$1.0 billion in 1999, 1998, and 1997, respectively and sales of \$1.6 billion, \$1.3 billion, and \$1.1 billion in 1999, 1998, and 1997, respectively to DaimlerChrysler.

20. OTHER INFORMATION - TEXTRON MANUFACTURING CURRENT LIABILITIES

Included in accrued liabilities at the end of 1999 and 1998 were the following:

(In millions)	JANUARY 1, 2000	January 2, 1999
Customer deposits	\$ 253	\$ 195
Salary, wages and employer taxes	232	226
Reserve for warranties	193	148
Other	541	529
Total accrued liabilities	\$1,219	\$1,098

Quarterly Data

(Unaudited)

(Dollars in millions except per share amounts)

1999

	Q4	Q3	Q2	Q1
REVENUES				
Aircraft	\$ 1,133	\$ 899	\$ 885	\$ 827
Automotive	763	662	757	734
Industrial	1,197	1,026	1,141	1,092
Finance	141	122	104	96
TOTAL REVENUES	\$ 3,234	\$ 2,709	\$ 2,887	\$ 2,749
INCOME				
Aircraft	\$ 129	\$ 91	\$ 75	\$ 67
Automotive	66	38	62	62
Industrial	112	116	133	122
Finance	34	38	30	26
TOTAL OPERATING INCOME	341	283	300	277
Gain on sale of division	--	--	--	--
Special credits/(charges)	--	3	(2)	--
Corporate expenses and other - net	(33)	(37)	(35)	(38)
Interest income	1	4	6	16
Interest expense	(29)	(11)	(3)	(13)
Income taxes	(103)	(90)	(97)	(91)
Distributions on preferred securities of subsidiary trusts, net of income taxes	(7)	(6)	(7)	(6)
INCOME FROM CONTINUING OPERATIONS	170	146	162	145
Discontinued operations, net of income taxes:				
Income from operations	--	--	--	--
Gain on disposal	31	--	--	1,615
	31	--	--	1,615
Income before extraordinary loss	201	146	162	1,760
Extraordinary loss from debt retirement, net of income taxes	--	--	--	(43)
Net income	\$ 201	\$ 146	\$ 162	\$ 1,717
EARNINGS PER COMMON SHARE				
BASIC:				
Income from continuing operations	\$ 1.14	\$.97	\$ 1.08	\$.95
Discontinued operations, net of income taxes	.21	--	--	10.59
Extraordinary loss from debt retirement, net of income taxes	--	--	--	(.28)
Net income	\$ 1.35	\$.97	\$ 1.08	\$ 11.26
Average shares outstanding (in thousands)	148,309	150,069	150,512	152,517
DILUTED:				
Income from continuing operations	\$ 1.12	\$.95	\$ 1.05	\$.93
Discontinued operations, net of income taxes	.21	--	--	10.34
Extraordinary loss from debt retirement, net of income taxes	--	--	--	(.27)
Net income	\$ 1.33	\$.95	\$ 1.05	\$ 11.00
Average shares outstanding (in thousands)*	151,267	153,406	154,096	156,112
OPERATING INCOME MARGINS				
Aircraft	11.4%	10.1%	8.5%	8.1%
Automotive	8.7	5.7	8.2	8.4
Industrial	9.4	11.3	11.7	11.2
Finance	24.1	31.1	28.8	27.1
OPERATING INCOME MARGIN	10.5	10.4	10.4	10.1
COMMON STOCK INFORMATION				
Price range: High	\$ 77 3/4	\$ 90 1/2	\$ 97	\$ 81 7/16
Low	\$ 68 7/16	\$ 74 1/2	\$ 78 5/16	\$ 70
Dividends per share	\$.325	\$.325	\$.325	\$.325

(Unaudited)

(Dollars in millions except per share amounts)

1998

	Q4	Q3	Q2	Q1
REVENUES				
Aircraft	\$ 849	\$ 826	\$ 858	\$ 656
Automotive	670	534	583	618
Industrial	984	893	952	893
Finance	92	99	91	85
TOTAL REVENUES	\$ 2,595	\$ 2,352	\$ 2,484	\$ 2,252

INCOME				
Aircraft	\$ 95	\$ 91	\$ 91	\$ 61
Automotive	51	29	43	56
Industrial	104	103	108	95
Finance	28	33	27	25

TOTAL OPERATING INCOME	278	256	269	237
Gain on sale of division	--	--	97	--
Special credits/(charges)	--	--	(87)	--
Corporate expenses and other - net	(38)	(35)	(34)	(34)
Interest income	--	--	--	--
Interest expense	(40)	(37)	(36)	(33)
Income taxes	(73)	(70)	(86)	(65)
Distributions on preferred securities of subsidiary trusts, net of income taxes	(7)	(6)	(7)	(6)

INCOME FROM CONTINUING OPERATIONS	120	108	116	99

Discontinued operations, net of income taxes:				
Income from operations	40	34	48	43
Gain on disposal	--	--	--	--
	40	34	48	43

Income before extraordinary loss	160	142	164	142
Extraordinary loss from debt retirement, net of income taxes	--	--	--	--

Net income	\$ 160	\$ 142	\$ 164	\$ 142
=====				
EARNINGS PER COMMON SHARE				
BASIC:				
Income from continuing operations	\$.76	\$.67	\$.71	\$.60
Discontinued operations, net of income taxes	.26	.20	.29	.27
Extraordinary loss from debt retirement, net of income taxes	--	--	--	--

Net income	\$ 1.02	\$.87	\$ 1.00	\$.87
=====				
Average shares outstanding (in thousands)	157,225	162,156	163,613	162,809

DILUTED:				
Income from continuing operations	\$.74	\$.65	\$.70	\$.59
Discontinued operations, net of income taxes	.26	.20	.28	.26
Extraordinary loss from debt retirement, net of income taxes	--	--	--	--

Net income	\$ 1.00	\$.85	\$.98	\$.85
=====				
Average shares outstanding (in thousands)*	160,980	166,116	168,027	167,155

OPERATING INCOME MARGINS				
Aircraft	11.2%	11.0%	10.6%	9.3%
Automotive	7.6	5.4	7.4	9.1
Industrial	10.6	11.5	11.3	10.6
Finance	30.4	33.3	29.7	29.4
OPERATING INCOME MARGIN	10.7	10.9	10.8	10.5

COMMON STOCK INFORMATION				
Price range: High	\$ 79 1/4	\$ 76 1/2	\$ 80 5/16	\$ 79
Low	\$ 52 1/16	\$56 15/16	\$ 69 5/8	\$ 56 3/8
Dividends per share	\$.285	\$.285	\$.285	\$.285

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

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Selected Financial Information

(Dollars in millions except where otherwise noted and per share amounts)	1999	1998	1997	1996	1995	1994
REVENUES						
Aircraft	\$ 3,744	\$ 3,189	\$ 3,025	\$ 2,593	\$ 2,420	\$ 2,186
Automotive	2,916	2,405	2,127	1,627	1,534	1,511
Industrial	4,456	3,722	3,181	2,959	2,515	2,982
Finance	463	367	350	327	311	277
Total revenues	\$ 11,579	\$ 9,683	\$ 8,683	\$ 7,506	\$ 6,780	\$ 6,956
INCOME						
Aircraft	\$ 362	\$ 338	\$ 313	\$ 261	\$ 237	\$ 194
Automotive	228	179	150	146	135	132
Industrial	483	410	346	300	250	248
Finance	128	113	108	96	88	83
TOTAL OPERATING INCOME	1,201	1,040	917	803	710	657
Gain on sale of division	--	97	--	--	--	--
Special credits/(charges)	1	(87)	--	--	--	--
Corporate expenses and other - net	(143)	(141)	(152)	(125)	(128)	(101)
Interest expense - net	(29)	(146)	(117)	(138)	(169)	(181)
Income taxes	(381)	(294)	(250)	(211)	(165)	(160)
Distributions on preferred securities of subsidiary trusts, net of income taxes	(26)	(26)	(26)	(23)	--	--
INCOME FROM CONTINUING OPERATIONS*	\$ 623	\$ 443	\$ 372	\$ 306	\$ 248	\$ 215
PER SHARE OF COMMON STOCK						
Income from continuing operations-basic*	\$ 4.14	\$ 2.74	\$ 2.25	\$ 1.82	\$ 1.45	\$ 1.21
Income from continuing operations-diluted*	\$ 4.05	\$ 2.68	\$ 2.19	\$ 1.78	\$ 1.43	\$ 1.19
Dividends declared	\$ 1.30	\$ 1.14	\$ 1.00	\$.88	\$.78	\$.70
Book value at year-end	\$ 29.67	\$ 19.27	\$ 19.78	\$ 19.10	\$ 19.96	\$ 16.72
Common stock price: High	\$ 97	\$ 80 5/16	\$ 70 3/4	\$ 48 7/8	\$ 38 11/16	\$ 30 5/16
Low	\$ 68 7/16	\$ 52 1/16	\$ 45	\$ 34 9/16	\$ 24 5/16	\$ 23 1/4
Year-end	\$ 76 11/16	\$ 75 15/16	\$ 62 5/8	\$ 46 11/16	\$ 33 3/4	\$ 25 3/16
Common shares outstanding (in thousands):						
Basic average	150,389	161,254	164,830	167,453	169,848	176,474
Diluted average**	153,754	165,374	169,503	171,652	173,252	180,208
Year-end	147,002	154,742	167,315	169,745	173,340	174,616
FINANCIAL POSITION						
Total assets	\$ 16,393	\$ 13,721	\$ 11,330	\$ 11,514	\$ 11,207	\$ 10,374
Debt:						
Textron Manufacturing	\$ 1,767	\$ 2,615	\$ 1,221	\$ 1,507	\$ 1,774	\$ 1,582
Textron Finance	\$ 4,551	\$ 2,829	\$ 2,365	\$ 2,441	\$ 2,277	\$ 2,162
Preferred securities of subsidiary trusts:						
Textron Manufacturing	\$ 483	\$ 483	\$ 483	\$ 483	\$ --	\$ --
Textron Finance	\$ 29	\$ --	\$ --	\$ --	\$ --	\$ --
Shareholders' equity	\$ 4,377	\$ 2,997	\$ 3,228	\$ 3,183	\$ 3,412	\$ 2,882
Textron Manufacturing debt to total capital	27%	43%	25%	29%	34%	35%
INVESTMENT DATA						
Capital expenditures	\$ 532	\$ 475	\$ 374	\$ 312	\$ 258	\$ 274
Depreciation	\$ 349	\$ 292	\$ 254	\$ 213	\$ 188	\$ 201
Research and development	\$ 670	\$ 613	\$ 602	\$ 576	\$ 656	\$ 611
OTHER DATA						
Number of employees at year-end	68,000	64,000	56,000	49,000	46,000	43,000
Number of common shareholders at year-end	22,000	23,000	24,000	25,000	26,000	27,000

(Dollars in millions except where otherwise noted and per share amounts)

	1993	1992
REVENUES		
Aircraft	\$ 1,987	\$ 1,521
Automotive	1,178	788
Industrial	3,106	3,308
Finance	259	258
Total revenues	\$ 6,530	\$ 5,875
INCOME		
Aircraft	\$ 172	\$ 128
Automotive	89	68
Industrial	237	285
Finance	74	62
TOTAL OPERATING INCOME	572	543
Gain on sale of division	--	--
Special credits/(charges)	--	--
Corporate expenses and other - net	(109)	(89)

Interest expense - net	(208)	(230)
Income taxes	(87)	(87)
Distributions on preferred securities of subsidiary trusts, net of income taxes	--	--
=====		
INCOME FROM CONTINUING OPERATIONS*	\$ 168	\$ 137
=====		
PER SHARE OF COMMON STOCK		
Income from continuing operations-basic*	\$.95	\$.78
Income from continuing operations-diluted*	\$.94	\$.77
Dividends declared	\$.62	\$.56
Book value at year-end	\$ 15.59	\$ 14.05
Common stock price: High	\$ 29 7/16	\$ 22 3/8
Low	\$ 20 3/16	\$ 16 7/8
Year-end	\$ 29 1/8	\$ 22 3/8
Common shares outstanding (in thousands):		
Basic average	176,071	173,334
Diluted average**	179,713	177,087
Year-end	180,509	178,366
=====		
FINANCIAL POSITION		
Total assets	\$ 10,462	\$ 10,009
Debt:		
Textron Manufacturing	\$ 2,025	\$ 2,283
Textron Finance	\$ 2,037	\$ 1,873
Preferred securities of subsidiary trusts:		
Textron Manufacturing	\$ --	\$ --
Textron Finance	\$ --	\$ --
Shareholders' equity	\$ 2,780	\$ 2,488
Textron Manufacturing debt to total capital	42%	48%
=====		
INVESTMENT DATA		
Capital expenditures	\$ 227	\$ 199
Depreciation	\$ 196	\$ 188
Research and development	\$ 514	\$ 430
=====		
OTHER DATA		
Number of employees at year-end	46,000	44,000
Number of common shareholders at year-end	28,000	30,000
=====		

*Before cumulative effect of changes in accounting principles in 1992.

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

Textron Business Directory

AIRCRAFT	BELL HELICOPTER TEXTRON	TERRY D. STINSON Chairman and CEO	Vertical takeoff and landing aircraft for the U.S. government, foreign governments and commercial markets.
	THE CESSNA AIRCRAFT COMPANY	GARY W. HAY Chief Executive Officer	Light- and mid-size business jets, utility turboprops and single-engine piston aircraft.
AUTOMOTIVE	TEXTRON AUTOMOTIVE	SAM LICAVOLI Chairman, President and CEO	Automotive interior and exterior trim; fuel systems; functional components.
	CWC TEXTRON	JED A. LARSEN President	Gray iron and ductile iron castings, primarily camshafts for automobile and engine manufacturers.
	KAUTEX TEXTRON	JOACHIM V. HIRSCH President and CEO	Fuel tank systems and other automotive functional components.
	MCCORD WINN TEXTRON	WILLIAM N. WHITE President	Automotive windshield and headlamp washing systems, seating comfort systems and electro-mechanical components; blow-molded modular fluid management systems.
	MICROMATIC TEXTRON	MICHAEL J. BRENNAN President	Proprietary machine tools, components and assembly systems for automotive and commercial markets.
	TEXTRON AUTOMOTIVE TRIM	WILLIAM F. MACLEAN President	Instrument panels, cockpit systems, door trim panels, center consoles, painted fascias and exterior lighting.
INDUSTRIAL	TEXTRON FASTENING SYSTEMS	JACK W. SIGHTS Chairman, President and CEO	Engineered fastening systems, components, assemblies and value-added services for the automotive, telecommunications, aerospace, electronics, construction, do-it-yourself and transportation markets.
	AUTOMOTIVE SOLUTIONS	CHARLES R. O'BRIEN President	Engineered fastening systems, components, and assemblies for the automotive market. Includes: Ring Screw, Elco, Camcar, Mapri, Textron Industries S.A., Textron Fastening Systems-Germany, Sukosim, Peiner, and Boesner.
	COMMERCIAL SOLUTIONS	GEORGE W. DETTLOFF President	Engineered fastening systems, components, and assemblies for commercial markets. Includes: Avdel, Avdel Cherry, Camcar, Elco, Textron Aerospace Fasteners, Tri-Star, and Aylesbury.
	ADVANCED SOLUTIONS	GREGORY W. LAYNE President	Plastic and metal engineered assemblies for the telecommunications, automotive, computer/ business machines, medical and general consumer industries. Includes: InteSys.
	SUPPLY CHAIN SOLUTIONS	ANDREW K. RAYBURN President	Vendor managed inventory of fasteners and other products for a variety of industries, including automotive and do-it-yourself markets. Includes: Flexalloy and Textron Logistics Company.

Textron Business Directory (continued)

INDUSTRIAL (continued)	TEXTRON INDUSTRIAL PRODUCTS	FRANK J. FERACO President	Fluid and power systems; golf, turf-care and specialty products; electrical tools and technologies; light construction equipment; and industrial components.
	TEXTRON FLUID AND POWER	ROBERT A. GECKLE President	Motion control, power transmission, fluid handling products for the industrial, commercial, pharmaceutical, aerospace, transportation and defense industries.
	TEXTRON MOTION CONTROL	ROBERT A. GECKLE (Acting President)	Motion control components and systems for industrial, defense and aerospace markets. Includes: David Brown Hydraulics, HR Textron, Energy Manufacturing and Williams Machine and Tool.
	TEXTRON POWER TRANSMISSION	ANTON ELSBORG President	Mechanical power transmission components and systems for the industrial, mining, mobile equipment and transportation markets. Includes: Cone Drive Textron, David Brown, Textron Industrial S.p.A., AB Benzlers and Alstom Gears.
	TEXTRON FLUID HANDLING	GREGORY C. SCHREIBER President	Pumps and systems used in the plastics, chemical, oil and gas, and pharmaceutical industries. Includes: David Brown Union Pumps, Maag Pump Systems and David Brown Guinard Pumps.
	TEXTRON SYSTEMS	RICHARD J. MILLMAN President	Sensor-based, autonomous, real-time control systems and specialty materials for weapon systems, surveillance, agriculture, pharmaceutical and industrial applications.
	TEXTRON GOLF, TURF CARE AND SPECIALTY PRODUCTS	FRANK J. FERACO (Acting President)	Golf cars, lawn and turf-care products, and multi-purpose utility vehicles.
	E-Z-GO TEXTRON	L.T. WALDEN, JR. President	Electric- and gasoline-powered golf cars and multi-purpose utility vehicles. Includes: E-Z-GO and Cushman.
	TEXTRON TURF CARE AND SPECIALTY PRODUCTS AMERICAS	PHILIP J. TRALIES President	Professional mowing and turf maintenance equipment. Includes: Bob-Cat, Bunton, Cushman, Jacobsen, Ransomes, Ryan, Steiner and Brouwer.
	TEXTRON TURF CARE AND SPECIALTY PRODUCTS EUROPE/ASIA	HAROLD C. PINTO Managing Director	Turf-care machinery for the golf, municipal and commercial markets, and multi-purpose utility vehicles and cleaning equipment. Includes: Cushman, E-Z-GO, Jacobsen, Ransomes, Ryan and Iseki.
	GREENLEE TEXTRON	BARCLAY S. OLSON President	Products for wire and cable installation, maintenance and testing in residential, commercial and industrial facilities. Includes: Greenlee, Rifocs, Progressive, Datacom, Fairmont and Klauke.

Textron Business Directory (continued)

INDUSTRIAL (continued)	OMNIQUIP TEXTRON	P. ENOCH STIFF President and CEO	Light construction equipment, including telescopic material handlers, aerial work platforms and skid steer loaders.
	MATERIAL HANDLING TECHNOLOGIES	JAMES WILCOX President	Telescopic material handlers. Includes: SKY TRAK and LULL.
	COMPACT TECHNOLOGIES	JAMES HOOK President	Compact construction equipment. Includes: SCAT TRAK.
	SNORKEL INTERNATIONAL	P. ENOCH STIFF Acting President	Aerial work platforms. Includes: SNORKELIFT.
	ALLIANCE	RICH MUELLER President	Managing and developing strategic partnerships between OmniQuip businesses and key national rental fleets.
	TEXTRON INDUSTRIAL COMPONENTS		Components for the commercial aerospace and defense industries.
	TEXTRON LYCOMING	JAMES A. KOERNER President	Piston aircraft engines and replacement parts for the general aviation market.
	TEXTRON MARINE & LAND SYSTEMS	LASZLO G. BUJDOSO President	Amphibious air cushion vehicles, special usage lightweight/high strength aluminum marine systems and lightweight armored vehicles for the U.S. and foreign governments and commercial markets.
	TURBINE ENGINE COMPONENTS TEXTRON	JAMES A. KOERNER President	Air and land-based gas turbine engine components for engine OEMs.
FINANCE	TEXTRON FINANCIAL CORPORATION	STEPHEN A. GILIOTTI Chairman, President and CEO	Commercial lending and leasing of Textron products, golf courses, timeshare resorts, aircraft, franchise concepts, telecommunications, floorplanning, factoring, vendor programs, portfolio servicing, asset management, insurance brokerage and syndications.

TEXTRON, TAC, Textron Advanced Solutions, Textron Aerospace Fasteners, Textron Automotive Company, Textron Automotive Solutions, Textron Automotive Trim, Textron Commercial Solutions, Textron Fastening Systems, Textron Financial Corporation, TFC, TFS, Textron Fluid Handling, Textron Fluid and Power Systems, Textron Golf, Turf Care And Specialty Products, Textron Industrial Components, Textron Industrial S.p.A., Textron Industries S.A., Textron Logistics Company, Textron Lycoming, Textron Marine & Land Systems, Textron Motion Control, Textron Power Transmission, Textron Supply Chain Solutions, Textron Systems, AB Benzlers, AB139, Alstom Gears, ASCTec, Avdel, Avdel Cherry, Aylesbury, BA609, Bell 206B Jet Ranger, Bell 206L-4 Long Ranger, Bell 212, Bell 407, Bell 412, Bell 427, Bell 430, Bell AH-1W Super Cobra, Bell AH-1Y, Bell AH-1Z, Bell Boeing V-22 Osprey, Bell Helicopter Textron, Bell OH-58D Kiowa Warrior, Bell TH-67 Trainer, Bell UH-1Y, Boesner, Brouwer, Bunton, Burkland, Camcar, Cam Tool, Cessna 182 Skylane, Cessna Citation, Cessna Caravan 208, Cessna Caravan 208B, Cessna Skyhawk 172, Cessna Skyhawk 172SP, Cessna Stationair 206, Cessna Stationair T206, Cherry, Citation Bravo, Citation CJ1, Citation CJ2, Citation Excel, Citation Sovereign, Citation Ultra, Citation Ultra Encore, Citation VII, Citation X, CitationJet, Cone Drive, Cushman, CWC Textron, Datacom, David Brown, David Brown Guinard Pumps, David Brown Hydraulics, David Brown Union Pumps, Edwards & Associates, Elco, Energy/Williams, E-Z-GO, Fairmont, Flexalloy, Greenlee Textron, HR Textron, InteSys, Jacobsen, Kautex Textron, Klauke, Lull, Maag Italia, Maag Pump Systems, Mapri, McCord Winn Textron, Micromatic Textron, OmniQuip Textron, Optical Boring, Peiner, Progressive Electronics, Ransomes, Rifocs, Ring Screw, RITec, Ryan, Scat Trak, Sky Trak, Snorkel, Steiner, Sukosim, The Cessna Aircraft Company, Tri-Star, Turbine Engine Components Textron, Wildcat, Williams Machine & Tool, Wolverine, Workpro, Xact Products and their related trademark designs and logotypes (and variations of the foregoing) are service/trademarks or trade names of Textron Inc., its subsidiaries, affiliates, or joint ventures.

EXHIBIT 21

TEXTRON INC. - SIGNIFICANT SUBSIDIARIES
(AS OF FEBRUARY 24, 2000)

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

NAME	JURISDICTION
Avco Corporation	Delaware
Textron Systems Corporation	Delaware
Bell Helicopter Textron Inc.	Delaware
The Cessna Aircraft Company	Kansas
Flexalloy Inc.	Ohio
Greenlee Textron Inc.	Delaware
InteSys Technologies, Inc.	Massachusetts
OmniQuip Textron International Inc.	Delaware
TRAK International, Inc.	Delaware
Ring Screw Textron Inc.	Michigan
Textron Atlantic Inc.	Delaware
Textron Acquisition Limited	England
Avdel plc/Avdel plc Inc.	England/Delaware
Textron Fluid and Power Systems Holdings Limited	England
David Brown Group plc	England
David Brown Engineering Ltd.	England
Textron International Holding, S.L. (87.01%; 10.80% - Textron France Holding Inc. 0.53% - Textron Automotive Company Inc.; 1.66% - Textron Automotive Overseas Investment Inc.)	Spain
Kautex Textron Benelux B.V.B.A. (99.9%; 1 share - Textron International Holding, S.L.)	Belgium
Textron France Holding S.A.R.L. (99.9%; 1 share - Textron Industries Management S.N.C.)	France
Textron France S.A.R.L. (99.9%; 1 share - Textron Industries Management S.N.C.)	France
Textron Atlantic Holding GmbH (99.99%; .01% - Textron Atlantic Inc.)	Germany
Kautex Textron Verwaltungs GmbH	Germany
Kautex Textron GmbH & Co. K.G. (98%; 1% - Jacobsen E-Z-GO Textron GmbH Rasenpflegesystem; 1% - Deutsche Bank subsidiary)	Germany
Textron Industries S.A.S.	France
Textron Automotive Company Inc.	Delaware
McCord Corporation	Michigan
Textron Automotive Interiors Inc.	Delaware
Textron Automotive Exteriors Inc.	Delaware
Textron Capital I	Delaware
Textron Financial Corporation	Delaware
Cessna Finance Corporation	Kansas
Textron Funding Corporation	Delaware
Textron Properties Inc.	Delaware
Textron Canada Limited (64.5%; 35.5% - Textron Inc.)	Canada

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Textron Inc. of our report dated January 25, 2000, included in the 1999 Annual Report to Shareholders of Textron Inc.

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

We consent to the incorporation by reference in the Registration Statements (Form S-3 No. 333-84599, Form S-8 No. 333-78145, Form S-8 No. 333-50931, Form S-8 No. 333-07121, Form S-8 No. 33-63741, Form S-8 No. 33-57025, Form S-8 No. 33-38094) of Textron Inc. and in the related Prospectus and Prospectus Supplements of our report dated January 25, 2000, with respect to the consolidated financial statements and schedules of Textron Inc. included or incorporated by reference in this Annual Report (Form 10-K) for the year ended January 1, 2000.

Boston, Massachusetts
March 17, 2000

EXHIBIT 24.1

POWER OF ATTORNEY

The undersigned, Textron Inc. ("Textron") a Delaware corporation, and the undersigned directors and officers of Textron, do hereby constitute and appoint Wayne W. Juchatz, Arnold M. Friedman, Michael D. Cahn and Ann T. Willaman, and each of them, with full powers of substitution, their true and lawful attorneys and agents to do or cause to be done any and all acts and things and to execute and deliver any and all instruments and documents which said attorneys and agents, or any of them, may deem necessary or advisable in order to enable Textron to comply with the Securities and Exchange Act of 1934, as amended, and any requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing of Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2000, including specifically, but without limitation, power and authority to sign the names of the undersigned directors and officers in the capacities indicated below and to sign the names of such officers on behalf of Textron to such Annual Report filed with the Securities and Exchange Commission, to any and all amendments to such Annual Report, to any instruments or documents or other writings in which the original or copies thereof are to be filed as a part of or in connection with such Annual Report or amendments thereto, and to file or cause to be filed the same with the Securities and Exchange Commission; and each of the undersigned hereby ratifies and confirms all that such attorneys and agents, and each of them, shall do or cause to be done hereunder and such attorneys and agents, and each of them, shall have, and may exercise, all of the powers hereby conferred.

IN WITNESS WHEREOF, Textron has caused this Power of Attorney to be executed and delivered in its name and on its behalf by the undersigned duly authorized officer and its corporate seal affixed, and each of the undersigned has signed his or her name thereto, on this 23rd day of February, 2000.

TEXTRON INC.

By: *s/Lewis B. Campbell*

Lewis B. Campbell
Chairman and Chief Executive Officer

ATTEST:

s/Frederick K. Butler

Frederick K. Butler
Vice President and Secretary

s/Lewis B. Campbell

Lewis B. Campbell
Chairman and Chief Executive
Officer, Director

s/Brian H. Rowe

Brian H. Rowe
Director

s/John A. Janitz

John A. Janitz
President and Chief Operating
Officer, Director

s/Sam F. Segnar

Sam F. Segnar
Director

s/H. Jesse Arnelle

H. Jesse Arnelle
Director

Jean Head Sisco
Director

s/Teresa Beck

Teresa Beck
Director

s/Martin D. Walker

Martin D. Walker
Director

s/R. Stuart Dickson

R. Stuart Dickson
Director

s/Thomas B. Wheeler

Thomas B. Wheeler
Director

s/Lawrence K. Fish

Lawrence K. Fish
Director

s/Stephen L. Key

Stephen L. Key
Executive Vice President
and Chief Financial Officer
(principal financial officer)

s/Joe T. Ford

Joe T. Ford
Director

s/Richard L. Yates

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

s/Paul E. Gagne

Paul E. Gagne
Director

s/John D. Macomber

John D. Macomber
Director

Exhibit 24.2

TEXTRON INC.

ASSISTANT SECRETARY'S CERTIFICATE

I, ANN T. WILLAMAN, a duly elected Assistant Secretary of TEXTRON INC., a Delaware corporation (hereinafter, the "Corporation"), DO HEREBY CERTIFY that set forth below is a true and correct copy of resolutions passed at a meeting of the Corporation's Board of Directors held on February 23, 2000, at which a quorum was present and voted throughout:

RESOLVED, that the officers of the Corporation be, and they hereby are, authorized, in the name and on behalf of the Corporation, to prepare and execute, and to file with the Securities and Exchange Commission, the Corporation's Annual Report on Form 10-K for its fiscal year ended January 1, 2000, and any amendments thereto.

RESOLVED, that the officers of the Corporation be, and they hereby are, authorized in the name and on behalf of the Corporation, to execute and deliver a power of attorney appointing Wayne W. Juchatz, Arnold M. Friedman, Michael D. Cahn and Ann T. Willaman, or any of them, to act as attorneys-in-fact for the Corporation for the purpose of executing and filing the Corporation's Annual Report on Form 10-K for its fiscal year ended January 1, 2000, and any amendments thereto.

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

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Corporate seal of TEXTRON INC. to be affixed as of the 17th day of March, 2000.

CORPORATE SEAL

/s/ Ann T. Willaman

Assistant Secretary

ARTICLE 5

PERIOD TYPE	YEAR
FISCAL YEAR END	JAN 01 2000
PERIOD END	JAN 01 2000
CASH	209
SECURITIES	0
RECEIVABLES	6,963
ALLOWANCES	113
INVENTORY	1,859
CURRENT ASSETS	3,735
PP&E	4,582
DEPRECIATION	2,069
TOTAL ASSETS	16,393
CURRENT LIABILITIES	3,256
BONDS	6,318
PREFERRED MANDATORY	12
PREFERRED	0
COMMON	24
OTHER SE	4,341
TOTAL LIABILITY AND EQUITY	16,393
SALES	11,116
TOTAL REVENUES	11,579
CGS	9,111
TOTAL COSTS	9,111
OTHER EXPENSES	(1)
LOSS PROVISION	32
INTEREST EXPENSE	260
INCOME PRETAX	1,030
INCOME TAX	381
INCOME CONTINUING	623
DISCONTINUED	1,646
EXTRAORDINARY	43
CHANGES	0
NET INCOME	2,226
EPS BASIC	14.80
EPS DILUTED	14.48

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