

TEXTRON INC

FORM 8-K (Current report filing)

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 28, 2005

TEXTRON INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State of
Incorporation)

I-5480
(Commission File Number.)

05-0315468
(IRS Employer
Identification Number)

40 Westminster Street, Providence, Rhode Island 02903
(Address of principal executive offices)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement

On January 28, 2005, Textron's Board of Directors confirmed the objectives and their relative weightings that will be used to determine the amount of the incentive payments that will be payable to Textron's Executive Officers under the Annual Incentive Compensation Plan for Textron Employees and the factors and their relative weightings that will be used to determine the number of performance share units payable under Textron's Long Term Incentive Plan for the 2005 - 2007 plan cycle.

Incentive payments for 2005 under the Annual Incentive Compensation Plan will be based on the following:

- Achieving earnings per share performance target: 70%

- Achieving specified leadership initiatives, including financial achievements and the achievement of certain strategic and business initiatives, including six sigma, customer growth, talent development, supply chain information technology and compliance goals: 30%.

Potential multiplier based on return on invested capital: Up to 200%

The number of performance share units earned under Textron's Long Term Incentive Plan for the 2005-2007 cycle will be based upon:

- Cumulative earnings per share: 60%
- Return on invested capital: 15%
- Accomplishment of leadership initiatives, including strategic direction, company growth, talent development, enterprise management and portfolio management: 25%

Additional payout based on return on invested capital: up to 30%

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

The following exhibits are filed herewith:

- 99.1 2005 Objectives for Executive Officers Under Annual Incentive Compensation Plan for Textron Employees
- 99.2 Performance Factors for 2005 - 2007 Cycle Under the Textron 1999 Long Term Incentive Plan

SIGNATURES

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

TEXTRON INC.
(Registrant)

By: s/Michael D. Cahn
Name: Michael D. Cahn
Title: Senior Associate General Counsel - Securities and
Assistant Secretary

Dated: January 31, 2005

**2005 Objectives for Executive Officers Under
Annual Incentive Compensation Plan for Textron Employees**

- Achieving earnings per share performance target: 70%
- Achieving specified leadership initiatives, including financial achievements and the achievement of certain strategic and business initiatives, including six sigma, customer growth, talent development, supply chain information technology and compliance goals: 30%.

Potential multiplier based on return on invested capital: Up to 200%

Under the Textron Annual Incentive Compensation Plan, target annual incentive payments are recommended by the Organization and Compensation Committee (the "Committee") of the Board of Directors and approved by the full Board. The targets for Executive Officers can range from 50% to 100% of the Executive Officer's base salary. The amount actually paid generally can range from zero, if a threshold level of performance under the performance objectives is not achieved, to no more than twice the target award level, but the Committee can recommend payments above these levels if it deems performance warrants.

**Performance Factors for 2005 - 2007 Cycle for Performance Share Units
Issued Under the Textron 1999 Long Term Incentive Plan (2003 Restatement)**

- Cumulative earnings per share: 60%
- Average return on invested capital: 15%
- Accomplishment of leadership initiatives, including strategic direction, company growth, talent development, enterprise management and portfolio management: 25%

Additional payout based on return on invested capital: Up to 30%

Under the Performance Share Unit component of Textron's Long Term Incentive Plan, participants are awarded a number of performance share units that are payable in cash at the end of the respective three-year performance cycle. The payout is determined by multiplying the number of performance share units earned by the then current market value of Textron common stock at the end of the performance period. The number of performance share units earned by Executive Officers at the end of the three-year performance cycle is determined by the Board of Directors upon the recommendation of the Organization and Compensation Committee the "Committee"), and will be based on the factors listed above for the 2005 - 2007 cycle. Failure to attain a minimum EPS target (70% of target) will result in the failure to earn any performance units related to that EPS target. Attainment between the maximum and minimum EPS targets will result in earning a portion of the performance share units related to those EPS targets determined by a pre-established mathematical formula. The Committee may determine an award less than that determined by the formula but may not determine an award more than that derived by the formula. With respect to the ROIC target, if enterprise-wide ROIC averages 1% or more above weighted average cost of capital over the performance period, then this portion of the award will be earned. If the difference between ROIC and weighted average cost of capital is between 0% and 1%, then a pro rata portion of this amount is earned. Performance share units related to one or more leadership initiatives will be earned only as determined by the Committee and may not exceed more than 100% of the value of such units.