TEXTRON INC

FORM 10-K
(Annual Report)

Filed 02/14/14 for the Period Ending 12/28/13

Address	40 WESTMINSTER ST
	PROVIDENCE, RI 02903
Telephone	4014212800
CIK	0000217346
Symbol	TXT
SIC Code	6162 - Mortgage Bankers and Loan Correspondents
Fiscal Year	01/02

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

Form 10-K

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

For the fiscal year ended December 28, 2013
or

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

For the transition period from _____ to _____.

Commission File Number 1-5480

Textron Inc.

(Exact name of registrant as specified in its charter)

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

Registrant's Telephone Number, Including Area Code: **(401) 421-2800**

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

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock — par value $0.125	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ✓ No___

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ___ No ✓

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No___

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ✓ No____

Indicate by check mark 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. [✓]

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

Large accelerated filer [✓]   Accelerated filer [__]

Non-accelerated filer [__]   Smaller reporting company [__]
(Do not check if a smaller reporting company)

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

The aggregate market value of the registrant's Common Stock held by non-affiliates at June 28, 2013 was approximately $7.3 billion based on the New York Stock Exchange closing price for such shares on that date. The registrant has no non-voting common equity.

At February 1, 2014, 282,500,851 shares of Common Stock were outstanding.

Documents Incorporated by Reference

Part III of this Report incorporates information from certain portions of the registrant's Definitive Proxy Statement for its Annual Meeting of Shareholders to be held on April 23, 2014.

PART I

Item 1. Business

Textron Inc. is a multi-industry company that leverages its global network of aircraft, defense, industrial and finance businesses to provide customers with innovative products and services around the world. We have approximately 32,000 employees worldwide. Textron Inc. was founded in 1923 and reincorporated in Delaware on July 31, 1967. Unless otherwise indicated, references to “Textron Inc.,” the “Company,” “we,” “our” and “us” in this Annual Report on Form 10-K refer to Textron Inc. and its consolidated subsidiaries.

We conduct our business through five operating segments: Cessna, Bell, Textron Systems and Industrial, which represent our manufacturing businesses, and Finance, which represents our finance business. A description of the business of each of our segments is set forth below. Our business segments include operations that are unincorporated divisions of Textron Inc. and others that are separately incorporated subsidiaries. Financial information by business segment and geographic area appears in Note 15 to the Consolidated Financial Statements on pages 75 through 76 of this Annual Report on Form 10-K. The following description of our business should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 18 through 37 of this Annual Report on Form 10-K. Information included in this Annual Report on Form 10-K refers to our continuing businesses unless otherwise indicated.

Cessna Segment

Cessna is the world’s leading general aviation company based on unit sales with two principal lines of business: aircraft sales and aftermarket services. Aircraft sales include Citation jets, Caravan single-engine utility turboprops and single-engine utility and high-performance piston aircraft. Aftermarket services include parts, maintenance, inspection and repair services. Revenues in the Cessna segment accounted for approximately 23%, 25% and 26% of our total revenues in 2013, 2012 and 2011, respectively. Revenues for Cessna’s principal lines of business were as follows:

(In millions)	**2013**	**2012**	**2011**
Aircraft sales	$ 1,868	$ 2,318	$ 2,263
Aftermarket	916	793	727
	$ 2,784	$ 3,111	$ 2,990

The family of jets currently produced by Cessna includes the Mustang, Citation M2, Citation CJ2+, Citation CJ3, Citation CJ4, Citation XLS+ and the new Citation Sovereign+. The new Citation X+, recently verified by the FAA as the fastest civilian jet in the world, is expected to be certified in early 2014. In addition, Cessna is developing the Citation Latitude, a midsize business jet scheduled for first flight in 2014 and expected to enter into service in 2015, as well as the Citation Longitude, a super midsize business jet expected to enter into service in 2017.

The Cessna Caravan is the world’s best-selling utility turboprop. Caravans are used in the United States primarily for overnight express package shipments and for personal transportation. International uses of Caravans include air taxi service, humanitarian flights, tourism and freight transport. Cessna also offers a single-engine piston product line that includes the Skyhawk SP, Stationair and the new high performance TTx which we began delivering during 2013. The Turbo Skylane JT-A, Cessna’s first Jet-A fueled piston aircraft, is expected to be certified and to begin delivering in 2014.

The Citation family of aircraft currently is supported by 15 Citation Service Centers owned or operated by Cessna, two of which are co-located with Bell Helicopter, along with authorized independent service stations and centers located in more than 25 countries throughout the world. Cessna-owned Service Centers provide customers with 24-hour service and maintenance. Cessna also provides around-the-clock parts support for Citation aircraft. Cessna offers an array of service options for Citation aircraft, known as ServiceDirect®, which delivers service capabilities directly to customer locations with a Mobile Service Unit fleet of 22 vehicles in the United States, Canada and Europe. Cessna Caravan and single-engine piston customers receive product support through independently owned service stations and around-the-clock parts support through Cessna.

Cessna markets its products worldwide through its own sales force, as well as through a network of authorized independent sales representatives. Cessna has several competitors domestically and internationally in various market segments. Cessna’s aircraft compete with other aircraft that vary in size, speed, range, capacity and handling characteristics on the basis of price, product quality and reliability, direct operating costs, product support and reputation.

Bell Segment

Bell Helicopter is one of the leading suppliers of military and commercial helicopters, tiltrotor aircraft, and related spare parts and services in the world. Revenues for Bell accounted for approximately 37%, 35% and 31% of our total revenues in 2013, 2012 and 2011, respectively. Revenues by Bell's principal lines of business were as follows:

(In millions)	2013	2012	2011
Military:			
V-22 Program	$ 1,755	$ 1,611	$ 1,380
Other Military	959	940	919
Commercial	1,797	1,723	1,226
	$ 4,511	$ 4,274	$ 3,525

Bell supplies advanced military helicopters and support to the U.S. Government and to military customers outside the United States. Bell's primary U.S. Government programs are the V-22 tiltrotor aircraft and the H-1 helicopters. Bell is one of the leading suppliers of helicopters to the U.S. Government and, in association with The Boeing Company (Boeing), the only supplier of military tiltrotor aircraft. Tiltrotor aircraft are designed to provide the benefits of both helicopters and fixed-wing aircraft. Through its strategic alliance with Boeing, Bell produces and supports the V-22 tiltrotor aircraft for the U.S. Department of Defense (DoD). During 2013, the Bell Boeing V-22 program was awarded a five-year contract for the production and delivery of an additional 99 V-22 tiltrotor aircraft from 2014 through 2019. The U.S. Marine Corps H-1 helicopter program includes a utility model and an advanced attack model, the UH-1Y and the AH-1Z, respectively, which have 84% parts commonality between them. Bell also continues to support the OH-58D Kiowa Warrior armed scout helicopter for the U.S. Army.

Through its commercial business, Bell is a leading supplier of commercially certified helicopters and support to corporate, offshore petroleum exploration and development, utility, charter, police, fire, rescue, emergency medical helicopter operators and foreign governments. Bell produces a variety of commercial aircraft types, including light single- and twin-engine helicopters and medium twin-engine helicopters, along with other related products. The helicopters currently offered by Bell for commercial applications include the 206L-4, 407, 407GX, 412EP/EPI, 429 and Huey II. Bell's 525 Relentless, its first super medium commercial helicopter, is currently in development with a projected first flight in 2014. In addition, during 2013 Bell announced the development of the Bell SLS, a high performance, short-light single helicopter, which will reenter Bell into the market it created with the introduction of the original JetRanger.

For both its military programs and its commercial products, Bell provides post-sale support and service for its installed base of approximately 13,000 helicopters through a network of 8 Bell-operated service centers, two of which are co-located with Cessna, 106 independent service centers located in 34 countries and four supply centers that are located worldwide. Collectively, these service sites offer a complete range of logistics support, including parts, support equipment, technical data, training devices, pilot and maintenance training, component repair and overhaul, engine repair and overhaul, aircraft modifications, aircraft customizing, accessory manufacturing, contractor maintenance, field service and product support engineering.

Bell competes against a number of competitors throughout the world for its helicopter business and its parts and support business. Competition is based primarily on price, product quality and reliability, product support, performance and reputation.

Textron Systems Segment

Textron Systems' product lines consist of unmanned aircraft systems, marine and land systems, weapons and sensors and a variety of defense and aviation mission support products and services. Textron Systems is a supplier to the defense, aerospace, homeland security and general aviation markets, and represents approximately 14%, 14% and 17% of Textron's revenues in 2013, 2012 and 2011, respectively. While this segment sells most of its products to U.S. Government customers, it also sells products to customers outside the U.S. through foreign military sales sponsored by the U.S. Government and directly through commercial sales channels. Textron Systems competes on the basis of technology, contract performance, price, product quality and reliability, product support and reputation. Revenues by Textron Systems' product lines were as follows:

(In millions)	2013	2012	2011
Unmanned Aircraft Systems	$ 666	$ 694	$ 701
Marine and Land Systems	392	443	519
Weapons and Sensors	311	285	298
Mission Support and Other	296	315	354
	$ 1,665	$ 1,737	$ 1,872

Unmanned Aircraft Systems

Unmanned Aircraft Systems (UAS) consists of the AAI UAS and AAI Logistics & Technical Services businesses. AAI UAS has designed, manufactured and fielded combat-proven unmanned aircraft systems for more than 25 years, including the U.S. Army's premier tactical UAS, the Shadow. AAI UAS's unmanned aircraft and interoperable command and control technologies provide critical situational awareness and actionable intelligence for users worldwide. AAI Logistics & Technical Services provides logistical support for various unmanned aircraft systems as well as training and supply chain services to government and commercial customers worldwide.

Marine and Land Systems

The Marine and Land Systems business is operated as Textron Marine & Land Systems (TMLS). TMLS is a world leader in the design, production and support of armored vehicles, turrets and related subsystems as well as advanced marine craft. TMLS produces a family of extremely mobile, highly protective vehicles for the U.S. Army and international allies, and is developing the U.S. Navy's next generation air cushion vehicle.

Weapons and Sensors

The Weapons and Sensors business is operated as Textron Defense Systems (TDS). This business consists of state-of-the-art smart weapons; airborne and ground-based sensors and surveillance systems; and protection systems for the defense, aerospace and homeland security industries. TDS primarily sells its products to international allies through foreign military sales.

Mission Support and Other

Mission Support and Other includes three businesses: AAI Test & Training, Lycoming and Overwatch. AAI Test & Training provides high technology test equipment and electronic warfare test and training solutions. Lycoming specializes in the engineering, manufacture, service and support of piston aircraft engines for the general aviation and remotely piloted aircraft markets. Overwatch, operated as Overwatch Geospatial Solutions and Overwatch Intelligence Solutions, provides intelligence software solutions for U.S. and international defense, intelligence and law enforcement communities.

In December 2013, we acquired two flight simulation and aircraft training product companies, Mechtronix, Inc. and OPINICUS Corporation. We intend to combine these businesses with our existing training and simulation business, currently included in the UAS product line, which serves the military aircraft market, to form Textron Simulation & Training Systems. This business designs, develops, installs and provides maintenance of advanced full flight simulators for both rotary- and fixed-wing aircraft and designs, markets and supports aviation training products and related services for airlines, aircraft OEMs, flight training centers and training organizations worldwide.

Industrial Segment

Our Industrial segment designs and manufactures a variety of products under three principal product lines. Industrial segment revenues were as follows:

(In millions)	**2013**	**2012**	**2011**
Fuel Systems and Functional Components	$ 1,853	$ 1,842	$ 1,823
Golf, Turf Care and Light Transportation Vehicles	713	660	560
Powered Tools, Testing and Measurement Equipment	446	398	402
	$ 3,012	$ 2,900	$ 2,785

Fuel Systems and Functional Components

Our Fuel Systems and Functional Components product line is operated by our Kautex business unit, which is headquartered in Bonn, Germany. Kautex is a leading developer and manufacturer of blow-molded plastic fuel systems for cars, light trucks, all-terrain vehicles, windshield and headlamp washer systems for automobiles and selective catalytic reduction systems used to reduce emissions from diesel engines. Kautex serves the global automobile market, with operating facilities near its major customers around the world. In addition, Kautex produces cast iron engine camshafts in North America. From facilities in Germany and Poland, Kautex develops and produces plastic bottles and containers for food, household, laboratory and industrial uses. Revenues of Kautex accounted for approximately 15%, 15% and 16% of our total revenues in 2013, 2012 and 2011, respectively.

Our automotive products have several major competitors worldwide, some of which are affiliated with the original equipment manufacturers that comprise our targeted customer base. Competition typically is based on a number of factors including price, technology, environmental performance, product quality and reliability, prior experience and available manufacturing capacity.

Golf, Turf Care and Light Transportation Vehicles
Our Golf, Turf Care and Light Transportation Vehicles product line includes the products designed, manufactured and sold by our E-Z-GO and Jacobsen business units.

E-Z-GO designs, manufactures and sells golf cars, off-road utility vehicles and light transportation vehicles under the E-Z-GO, Cushman and Bad Boy Buggies brand names. Although E-Z-GO is best known for its electric-vehicle technology, it also manufactures and sells models powered by internal combustion engines. E-Z-GO's diversified customer base includes golf courses and resorts, government agencies and municipalities, consumers, and commercial and industrial users such as factories, warehouses, airports and educational and corporate campuses. Sales are made through a combination of factory direct resources and a network of independent distributors and dealers worldwide. E-Z-GO has two major competitors for golf cars and several other competitors for off-road and light transportation vehicles. Competition is based primarily on price, product quality and reliability, product support and reputation.

Jacobsen designs, manufactures and sells professional turf-maintenance equipment, as well as specialized turf-care vehicles. Brand names include Ransomes, Jacobsen and Cushman. Jacobsen's customers include golf courses, resort communities, sporting venues and municipalities. Products are sold primarily through a worldwide network of distributors and dealers, as well as factory direct. Jacobsen has two major competitors for professional turf-maintenance equipment and several other major competitors for specialized turf-care products. Competition is based primarily on price, product features, product quality and reliability and product support.

Powered Tools, Testing and Measurement Equipment
Our Greenlee business unit designs and manufactures powered equipment, electrical test and measurement instruments, mechanical and hydraulic tools, cable connectors, and fiber optic assemblies under the Greenlee, Klauke, Paladin Tools and Tempo brand names. These products are used principally in the construction, maintenance, telecommunications, data communications, utility and plumbing industries. During 2013, our Greenlee business acquired Sherman & Reilly, Inc., a manufacturer of underground and aerial transmission and distribution products, and HD Electric Company, a designer and manufacturer of power utility products. Greenlee distributes its products through a global network of sales representatives and distributors and also sells its products directly to home improvement retailers and original equipment manufacturers. Through joint ventures in North America and China, Greenlee also sells its products to the plumbing, industrial manufacturing and related industries. Greenlee faces competition from numerous manufacturers based primarily on price, delivery lead time, product quality and reliability.

Finance Segment
Our Finance segment, or the Finance group, is a commercial finance business that consists of Textron Financial Corporation (TFC) and its consolidated subsidiaries. The Finance segment provides financing primarily to purchasers of new Cessna aircraft and Bell helicopters as well as pre-owned Cessna aircraft and Bell helicopters on a limited basis. The majority of new finance receivables are cross-border transactions for aircraft sold outside of the U.S. New originations in the U.S. are primarily for purchasers who had difficulty in accessing other sources of financing for the purchase of Textron-manufactured products. In 2013, 2012 and 2011, our Finance group paid our Manufacturing group $248 million, $309 million and $284 million, respectively, related to the sale of Textron-manufactured products to third parties that were financed by the Finance group.

The commercial finance business traditionally is extremely competitive. Our Finance segment is subject to competition from various types of financing institutions, including banks, leasing companies, commercial finance companies and finance operations of equipment vendors. Competition within the commercial finance industry primarily is focused on price, term, structure and service.

Our Finance segment's largest business risk is the collectability of its finance receivable portfolio. See "Finance Portfolio Quality" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 28 for information about the Finance segment's credit performance.

Backlog

Our backlog at the end of 2013 and 2012 is summarized below:

(In millions)	December 28, 2013	December 29, 2012
U.S. Government:		
Bell	$ 5,509	$ 6,382
Textron Systems	1,905	2,037
Total U.S. Government backlog	7,414	8,419
Commercial:		
Bell	941	1,087
Cessna	1,018	1,062
Textron Systems	898	882
Industrial	2	13
Total commercial backlog	2,859	3,044
Total	$ 10,273	$ 11,463

Approximately 43% of our total backlog at December 28, 2013 represents orders that are not expected to be filled in 2014. Orders from Cessna customers, which cover a wide spectrum of industries and individuals worldwide, are included in backlog when the customer enters into a definitive purchase agreement and the initial customer deposit is received. We work with our customers to provide estimated delivery dates, which may be adjusted based on customer needs or our production schedule, but do not establish definitive delivery dates until approximately six months before expected delivery. There is considerable uncertainty as to when or whether backlog will convert to revenues as the conversion depends on production capacity, customer needs and credit availability; these factors also may be impacted by the economy and public perceptions of private corporate jet usage. While backlog is an indicator of future revenues, we cannot reasonably estimate the year each order in backlog ultimately will result in revenues and cash flows. Orders remain in backlog until the aircraft is delivered or upon cancellation by the customer. Upon cancellation, deposits are used to defray costs, including remarketing fees, cost to reconfigure the aircraft and other costs incurred as a result of the cancellation. Remaining deposits, if any, may be retained or refunded at our discretion.

Backlog with the U.S. Government in the above table includes only funded amounts as the U.S. Government is obligated only up to the amount of funding formally appropriated for a contract. Bell's backlog includes $2.7 billion related to a multi-year procurement contract with the U.S. Government for the purchase of V-22 tiltrotor aircraft.

U.S. Government Contracts

In 2013, approximately 30% of our consolidated revenues were generated by or resulted from contracts with the U.S. Government. This business is subject to competition, changes in procurement policies and regulations, the continuing availability of funding, which is dependent upon congressional appropriations, national and international priorities for defense spending, world events, and the size and timing of programs in which we may participate.

Our contracts with the U.S. Government generally may be terminated by the U.S. Government for convenience or if we default in whole or in part by failing to perform under the terms of the applicable contract. If the U.S. Government terminates a contract for convenience, we normally will be entitled to payment for the cost of contract work performed before the effective date of termination, including, if applicable, reasonable profit on such work, as well as reasonable termination costs. If, however, the U.S. Government terminates a contract for default, generally: (a) we will be paid the contract price for completed supplies delivered and accepted and services rendered, an agreed-upon amount for manufacturing materials delivered and accepted and for the protection and preservation of property, and an amount for partially completed products accepted by the U.S. Government; (b) the U.S. Government may not be liable for our costs with respect to unaccepted items and may be entitled to repayment of advance payments and progress payments related to the terminated portions of the contract; (c) the U.S. Government may not be liable for assets we own and utilize to provide services under the "fee-for-service" contracts; and (d) we may 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 in Note 1 to the Consolidated Financial Statements on page 53 of 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 developed while under contract with the U.S. Government may be subject to use by the U.S. Government. We also own or license active trademark registrations and pending trademark applications in the U.S. and in various foreign countries or regions, as well as trade names and service marks. While our intellectual property rights in the aggregate are important to the operation of our business, we do not believe that any existing patent, license, trademark or other intellectual property right is of such importance that its loss or termination would have a material adverse effect on our business taken as a whole. Some of these trademarks, trade names and service marks are used in this Annual Report on Form 10-K and other reports, including: Aeronautical Accessories; AAI; acAlert; Ascent; Aerosonde; AH-1Z; Ambush; Arc Horizon; Bad Boy Buggies; BattleHawk; Bell; Bell Helicopter; Bravo; Cadillac Gage; Caravan; Caravan Amphibian; Caravan 675; Cessna; Cessna 350; Cessna 400; Cessna Corvalis TTX; Cessna Turbo Skylane JT-A; Citation; CITATION ALPINE EDITION; CitationAir; CitationAir Jetcard; Citation Encore+; Citation Latitude; Citation Longitude; Citation M2; Citation Sovereign; Citation TEN; Citation X; Citation XLS+; CJ1+; CJ2+; CJ3; CJ4; Clairity; CLAW; Commando; Corvalis; Cushman; Eclipse; Excel; Extreme; Extreme Ti-METAL; E-Z-GO; Gator Eye; Gator Grips; Grand Caravan; Greenlee; H-1; HDE; Huey; Huey II; iCommand; IE2; Instinct; Integrated Command Suite; Jacobsen; Kautex; Kiowa Warrior; Klauke; LF; Lycoming; M1117 ASV; McCauley; Mechtronix; Millenworks; Mustang; Next Generation Fuel System; NGFS; Odyssey; On a Mission; OPINICUS; Overwatch; PDCue; Power Advantage; Pro-Fit; ProParts; Ransomes; REALCue; REALFeel; Recoil; Relentless; Rothenberger LLC; RT^2; RXV; Sensor Fuzed Weapon; ServiceDirect; Shadow; Shadow Knight; Shadow Master; SkyBOOKS; Skycatcher; Skyhawk; Skyhawk SP; Skylane; SkyPLUS; Sovereign; Speed Punch; Spider; Stationair; ST 4X4; Super Cargomaster; Super Medium; SuperCobra; SYMTX; TDCue; Textron; Textron Defense Systems; Textron Financial Corporation; Textron Marine & Land Systems; Textron Systems; TRUESET; Turbo Skylane; Turbo Stationair; UH-1Y; VALOR; V-22 Osprey; V-280; 2FIVE; 206; 407; 407GT; 407GX; 412, 429, 525 and 525 Relentless. These marks 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 has not had a material effect on our capital expenditures, earnings or competitive position. Additional information regarding environmental matters is contained in Note 13 to the Consolidated Financial Statements on page 74 of this Annual Report on Form 10-K.

We do not believe that existing or pending climate change legislation, regulation, or international treaties or accords are reasonably likely to have a material effect in the foreseeable future on our business or markets nor on our results of operations, capital expenditures or financial position. We will continue to monitor emerging developments in this area.

Employees

At December 28, 2013, we had approximately 32,000 employees.

Executive Officers of the Registrant

The following table sets forth certain information concerning our executive officers as of February 14, 2014.

Name	Age	Current Position with Textron Inc.
Scott C. Donnelly	52	Chairman, President and Chief Executive Officer
Frank T. Connor	54	Executive Vice President and Chief Financial Officer
Cheryl H. Johnson	53	Executive Vice President, Human Resources
E. Robert Lupone	54	Executive Vice President, General Counsel, Secretary and Chief Compliance Officer

Mr. Donnelly joined Textron in June 2008 as Executive Vice President and Chief Operating Officer and was promoted to President and Chief Operating Officer in January 2009. He was appointed to the Board of Directors in October 2009 and became Chief Executive Officer of Textron in December 2009, at which time the Chief Operating Officer position was eliminated. In July 2010, Mr. Donnelly was appointed Chairman of the Board of Directors effective September 1, 2010. Previously, Mr. Donnelly was the President and CEO of General Electric Company's Aviation business unit, a position he had held since July 2005. GE's Aviation business unit is a $16 billion maker of commercial and military jet engines and components, as well as integrated digital, electric power and mechanical systems for aircraft. Prior to July 2005, Mr. Donnelly served as Senior Vice President of GE Global Research, one of the world's largest and most diversified industrial research organizations with facilities in the U.S., India, China and Germany and held various other management positions since joining General Electric in 1989.

Mr. Connor joined Textron in August 2009 as Executive Vice President and Chief Financial Officer. Previously, Mr. Connor was head of Telecom Investment Banking at Goldman, Sachs & Co from 2003 to 2008. Prior to that position, he served as Chief Operating Officer of Telecom, Technology and Media Investment Banking at Goldman, Sachs from 1998 to 2003. Mr. Connor joined the Corporate Finance Department of Goldman, Sachs in 1986 and became a Vice President in 1990 and a Managing Director in 1996.

Ms. Johnson was named Executive Vice President, Human Resources in July 2012. Ms. Johnson joined Textron in 1996 and has held various human resources leadership positions across Textron's businesses, including Senior Human Resources Business Partner for Greenlee and Vice President of Human Resources for E-Z-GO, a position she held from 2006 until joining Bell in 2009. At Bell, she most recently served as Director of Talent and Organizational Development. Prior to Textron, Ms. Johnson held roles in human resources, marketing and sales, and finance disciplines at several organizations, including IBM and Hamilton Sundstrand, a United Technologies Company.

Mr. Lupone joined Textron in February 2012 as Executive Vice President, General Counsel, Secretary and Chief Compliance Officer. Previously, he was senior vice president and general counsel of Siemens Corporation (U.S.) since 1999 and general counsel of Siemens AG for the Americas since 2008. Prior to joining Siemens in 1992, Mr. Lupone was vice president and general counsel of Price Communications Corporation.

Available Information

We make available free of charge on our Internet Web site (www.textron.com) our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

Forward-Looking Information

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

- Interruptions in the U.S. Government's ability to fund its activities and/or pay its obligations;
- Changing priorities or reductions in the U.S. Government defense budget, including those related to military operations in foreign countries;
- Our ability to perform as anticipated and to control costs under contracts with the U.S. Government;
- The U.S. Government's ability to unilaterally modify or terminate its contracts with us for the U.S. Government's convenience or for our failure to perform, to change applicable procurement and accounting policies, or, under certain circumstances, to withhold payment or suspend or debar us as a contractor eligible to receive future contract awards;
- Changes in foreign military funding priorities or budget constraints and determinations, or changes in government regulations or policies on the export and import of military and commercial products;
- Volatility in the global economy or changes in worldwide political conditions that adversely impact demand for our products;
- Volatility in interest rates or foreign exchange rates;
- Risks related to our international business, including establishing and maintaining facilities in locations around the world and relying on joint venture partners, subcontractors, suppliers, representatives, consultants and other business partners in connection with international business, including in emerging market countries;
- Our Finance segment's ability to maintain portfolio credit quality or to realize full value of receivables;
- Performance issues with key suppliers or subcontractors;
- Legislative or regulatory actions, both domestic and foreign, impacting our operations or demand for our products;
- Our ability to control costs and successfully implement various cost-reduction activities;
- The efficacy of research and development investments to develop new products or unanticipated expenses in connection with the launching of significant new products or programs;

- The timing of our new product launches or certifications of our new aircraft products;
- Our ability to keep pace with our competitors in the introduction of new products and upgrades with features and technologies desired by our customers;
- Increases in pension expense or employee and retiree medical benefits;
- Continued demand softness or volatility in the markets in which we do business;
- The inability to complete announced acquisitions;
- Difficulty or unanticipated expenses in connection with integrating acquired businesses; and
- The risk that anticipated synergies and opportunities as a result of acquisitions will not be realized or the risk that acquisitions do not perform as planned, including, for example, the risk that acquired businesses will not achieve revenue projections.

Item 1A. RISK FACTORS

Our business, financial condition and results of operations are subject to various risks, including those discussed below, which may affect the value of our securities. The risks discussed below are those that we believe currently are the most significant to our business.

We have customer concentration with the U.S. Government; reduction in U.S. Government defense spending may adversely affect our results of operations and financial condition.

During 2013, we derived approximately 30% of our revenues from sales to a variety of U.S. Government entities. Our revenues from the U.S. Government largely result from contracts awarded to us under various U.S. Government defense-related programs. The funding of these programs is subject to congressional appropriation decisions. Although multiple-year contracts may be planned in connection with major procurements, Congress generally appropriates funds on a fiscal year basis even though a program may continue for several years. Consequently, programs often are only partially funded initially, and additional funds are committed only as Congress makes further appropriations. If we incur costs in excess of funds committed on a contract, we are at risk for non-reimbursement of those costs until additional funds are appropriated. The reduction, termination or delay in the timing of funding for U.S. Government programs for which we currently provide or propose to provide products or services may result in a loss of anticipated future revenues that could materially and adversely impact our results of operations and financial condition. Significant changes in national and international priorities for defense spending could impact the funding, or the timing of funding, of our programs, which could negatively impact our results of operations and financial condition.

Under the Budget Control Act of 2011, the U.S. Government committed to significantly reduce the federal deficit over ten years. Notwithstanding the Bipartisan Budget Control Act of 2013, substantial spending cuts to the U.S. defense budget are likely in the future. In addition, Congress and the Administration continue to debate the nation’s debt ceiling and other fiscal issues. The outcome of that debate could have a significant impact on future defense spending plans. As a result, long-term funding for various programs in which we participate, as well as future purchasing decisions by our U.S. Government customers, could be reduced, delayed or cancelled. In addition, these cuts could adversely affect the viability of the suppliers and subcontractors under our programs.

There are many variables in how these budget cuts could be implemented that make it difficult to determine specific impacts; however, we expect that sequestration, as currently provided for under the Budget Control Act, would result in lower revenues, profits and cash flows for our company. Such circumstances may also result in an impairment of our goodwill and intangible assets. Because our Government contracts generally require us to continue to perform even if the U.S. Government is unable to make timely payments; if the debt ceiling is not raised, and, as a result, the U.S. Government does not pay us on a timely basis, we would need to finance our continued performance of the impacted contracts from our available cash resources, credit facilities and/or access to the capital markets, if available. An extended delay in the timely payment by the U.S. Government could result in a material adverse effect on our cash flows, results of operations and financial condition.

U.S. Government contracts may be terminated at any time and may contain other unfavorable provisions.

The U.S. Government typically can terminate or modify any of its contracts with us either for its convenience or if we default by failing to perform under the terms of the applicable contract. In the event of termination for the U.S. Government’s convenience, contractors are generally protected by provisions covering reimbursement for costs incurred on the contracts and profit on those costs but not the anticipated profit that would have been earned had the contract been completed. A termination arising out of our default for failure to perform could expose us to liability, including but not limited to, liability for re-procurement costs in excess of the total original contract amount, net of the value of work performed and accepted by the customer under the contract. Such an event could also have an adverse effect on our ability to compete for future contracts and orders. If any of our contracts are terminated by the U.S. Government whether for convenience or default, our backlog and anticipated revenues would be reduced by the expected value of the remaining work under such contracts. We also enter into “fee for service” contracts with the U.S.

Government where we retain ownership of, and consequently the risk of loss on, aircraft and equipment supplied to perform under these contracts. Termination of these contracts for convenience or default could materially and adversely impact our results of operations. On contracts for which we are teamed with others and are not the prime contractor, the U.S. Government could terminate a prime contract under which we are a subcontractor, irrespective of the quality of our products and services as a subcontractor. In addition, in the event that the U.S. Government is unable to make timely payments, failure to continue contract performance places the contractor at risk of termination for default. Any such event could result in a material adverse effect on our cash flows, results of operations and financial condition.

As a U.S. Government contractor, we are subject to procurement rules and regulations as well as changes in the Department of Defense (DoD) acquisition practices.

We must comply with and are affected by laws and regulations relating to the formation, administration and performance of U.S. Government contracts. These laws and regulations, among other things, require certification and disclosure of all cost and pricing data in connection with contract negotiation, define allowable and unallowable costs and otherwise govern our right to reimbursement under certain cost-based U.S. Government contracts, and restrict the use and dissemination of classified information and the exportation of certain products and technical data. Our U.S. Government contracts contain provisions that allow the U.S. Government to unilaterally suspend or debar us from receiving new contracts for a period of time, reduce the value of existing contracts, issue modifications to a contract, and control and potentially prohibit the export of our products, services and associated materials. A number of our U.S. Government contracts contain provisions that require us to make disclosure to the Inspector General of the agency that is our customer if we have credible evidence that we have violated U.S. criminal laws involving fraud, conflict of interest, or bribery; the U.S. civil False Claims Act; or received a significant overpayment under a U.S. Government contract. Failure to properly and timely make disclosures under these provisions may result in a termination for default or cause, suspension and/or debarment, and potential fines.

In addition, the DoD's "Better Buying Power Initiative," which provides guidance for its acquisition workforce to obtain greater efficiency and productivity in defense spending, significantly affects the contracting environment in which we do business with our DoD customers and could have a significant impact on current programs, as well as new business opportunities. Changes to the DoD acquisition system and contracting models could affect whether and, if so, how we pursue certain opportunities and the terms under which we are able to do so.

As a U.S. Government contractor, our businesses and systems are subject to audit and review by the Defense Contract Audit Agency (DCAA) and the Defense Contract Management Agency (DCMA).

We operate in a highly regulated environment and are routinely audited and reviewed by the U.S. Government and its agencies such as DCAA and DCMA. These agencies review our performance under contracts, our cost structure and our compliance with laws and regulations applicable to U.S. Government contractors. The systems that are subject to review include, but are not limited to, our accounting, estimating, material management and accounting, earned value management, purchasing and government property systems. If an audit uncovers improper or illegal activities we may be subject to civil and criminal penalties and administrative sanctions that may include the termination of our contracts, forfeiture of profits, suspension of payments, fines, and, under certain circumstances, suspension or debarment from future contracts for a period of time. Whether or not illegal activities are alleged, the U.S. Government also has the ability to decrease or withhold certain payments when it deems systems subject to its review to be inadequate. These laws and regulations affect how we conduct business with our customers and, in some instances, impose added costs on our business.

Cost overruns on U.S. Government contracts could subject us to losses or adversely affect our future business.

Under fixed-price contracts, as a general rule, we receive a fixed price irrespective of the actual costs we incur, and, consequently, any costs in excess of the fixed price are absorbed by us. Changes in underlying assumptions, circumstances or estimates used in developing the pricing for such contracts may adversely affect our results of operations. Under time and materials contracts, we are paid for labor at negotiated hourly billing rates and for certain expenses. Under cost-reimbursement contracts that are subject to a contract-ceiling amount, we are reimbursed for allowable costs and paid a fee, which may be fixed or performance based, however, if our costs exceed the contract ceiling or are not allowable under the provisions of the contract or applicable regulations, we may not be able to obtain reimbursement for all such costs. Under each type of contract, if we are unable to control costs incurred in performing under the contract, our cash flows, results of operations and financial condition could be adversely affected. Cost overruns also may adversely affect our ability to sustain existing programs and obtain future contract awards.

Weak demand for our aircraft products may continue to adversely affect our financial results.

Continued worldwide economic softness has adversely impacted the business jet market in recent years. As a result, we have experienced continued weak demand for our fixed-wing aircraft, particularly our business jets. Soft demand for our jets could persist and could continue to adversely impact the pricing of new jets and the valuation of pre-owned jets, which comprise a significant portion of our inventory. A prolonged weakness in the markets for our aircraft products could adversely impact our results of operations and our future prospects.

We may make acquisitions that increase the risks of our business.

We may enter into acquisitions in an effort to expand our business and enhance shareholder value. Acquisitions involve risks and uncertainties that could result in our not achieving expected benefits. Such risks include difficulties in integrating newly acquired businesses and operations in an efficient and cost-effective manner; challenges in achieving expected strategic objectives, cost savings and other benefits; the risk that the acquired businesses' markets do not evolve as anticipated and that the acquired businesses' products and technologies do not prove to be those needed to be successful in those markets; the risk that our due diligence reviews of the acquired business do not identify or adequately assess all of the material issues which impact valuation of the business or that may result in costs or liabilities in excess of what we anticipated; the risk that we pay a purchase price that exceeds what the future results of operations would have merited; the risk that the acquired business may have significant internal control deficiencies or exposure to regulatory sanctions; and the potential loss of key customers, suppliers and employees of the acquired businesses. In addition, unanticipated delays or difficulties in effecting acquisitions may prevent the consummation of the acquisition or divert the attention of our management and resources from our existing operations.

On December 26, 2013 we entered into an agreement and plan of merger pursuant to which we will acquire all outstanding equity interests in Beech Holdings, LLC ("Beech"), the parent of Beechcraft Corporation, for approximately $1.4 billion in cash. Each of the foregoing risks may impact the success of the Beech acquisition. We plan to finance the purchase of the equity in Beech and the repayment of Beech's outstanding debt, which is required at closing, through a combination of available cash at Beech and Textron and up to $1.1 billion in new debt. While we believe that these sources of funds will be sufficient to complete the transaction, it is possible that unanticipated cash requirements, for working capital or other business needs, either at Beech or at Textron, could cause us to incur borrowings in excess of what we currently anticipate.

Difficult economic conditions could continue to affect the performance of our Finance segment and our losses may increase if we are unable to successfully collect our finance receivables or realize sufficient value from collateral.

The financial performance of our Finance segment depends on the quality of loans, leases and other assets in its finance asset portfolios. Portfolio quality may be adversely affected by several factors, including finance receivable underwriting procedures, collateral value, geographic or industry concentrations, and the effect of general economic conditions on our customers' businesses. Valuations of the types of collateral securing our finance asset portfolio, particularly valuations of pre-owned aircraft, have decreased over recent years and may continue to decrease if weak economic conditions continue. Declining collateral values could result in greater delinquencies, credit losses and foreclosures if customers elect to discontinue payments on loan balances that exceed asset values. Bankruptcy proceedings involving our borrowers may prevent or delay our ability to exercise our rights and remedies and realize the full value of our collateral.

We may need to obtain financing in the future; such financing may not be available to us on satisfactory terms, if at all.

We may periodically need to obtain financing in order to meet our debt obligations as they come due, to support our operations and/or to make acquisitions. Although we currently have access to the capital markets, our access and the cost of borrowings are affected by a number of factors including market conditions and the strength of our credit ratings. If we cannot obtain adequate sources of credit on favorable terms, or at all, our business, operating results, and financial condition could be adversely affected.

Failure to perform by our subcontractors or suppliers could adversely affect our performance.

We rely on other companies to provide raw materials, major components and subsystems for our products. Subcontractors also perform services that we provide to our customers in certain circumstances. We depend on these suppliers and subcontractors to meet our contractual obligations to our customers and conduct our operations. Our ability to meet our obligations to our customers may be adversely affected if suppliers or subcontractors do not provide the agreed-upon supplies or perform the agreed-upon services in compliance with customer requirements and in a timely and cost-effective manner. Likewise, the quality of our products may be adversely impacted if companies to whom we delegate manufacture of major components or subsystems for our products, or from whom we acquire such items, do not provide components or subsystems which meet required specifications and perform to our and our customers' expectations. Our suppliers may be less likely than us to be able to quickly recover from natural disasters and other events beyond their control and may be subject to additional risks such as financial problems that limit their ability to conduct their operations. The risk of these adverse effects may be greater in circumstances where we rely on only one or two subcontractors or suppliers for a particular raw material, product or service. In particular, in the aircraft industry, most vendor parts are certified by the regulatory agencies as part of the overall Type Certificate for the aircraft being produced by the manufacturer. If a vendor does not or cannot supply its parts, then the manufacturer's production line may be stopped until the manufacturer can design, manufacture and certify a similar part itself or identify and certify another similar vendor's part, resulting in significant delays in the completion of aircraft. Such events may adversely affect our financial results, damage our reputation and relationships with our customers, and result in regulatory actions and/or litigation.

Our business could be negatively impacted by information technology disruptions and security threats.

Our information technology (IT) and related systems are critical to the smooth operation of our business and essential to our ability to perform day to day operations. From time to time we update and/or replace IT systems used by our businesses. The implementation of new systems can present temporary disruptions of business activities as existing processes are transitioned to the new systems, resulting in productivity issues, delays in production, shipments or other business operations. In addition, we outsource certain support functions, including certain global IT infrastructure services, to third-party service providers. Any disruption of such outsourced processes or functions also could have a material adverse impact on our operations. In addition, as a U.S. defense contractor, we face certain security threats, including threats to our IT infrastructure, unlawful attempts to gain access to our proprietary or classified information and threats to the physical security of our facilities and employees, as do our customers, suppliers, subcontractors and joint venture partners. Cybersecurity threats, such as malicious software, attempts to gain unauthorized access to information, and other security breaches, are persistent, continue to evolve and require highly skilled IT resources. While we have experienced cyber attacks, we have not suffered any material losses relating to such attacks, and we believe our threat detection and mitigation processes and procedures are robust. Due to the evolving nature of these security threats, the possibility of any future material incidents cannot be completely mitigated. An IT system failure, issues related to implementation of new IT systems or breach of data security could disrupt our operations, cause the loss of business information or compromise confidential information. Such an incident also could require significant management attention and resources and increased costs, and could adversely affect our competitiveness and our results of operations.

Developing new products and technologies entails significant risks and uncertainties.

To continue to grow our revenues and segment profit, we must successfully develop new products and technologies or modify our existing products and technologies for our current and future markets. Our future performance depends, in part, on our ability to identify emerging technological trends and customer requirements and to develop and maintain competitive products and services. Delays or cost overruns in the development and acceptance of new products, or certification of new aircraft and other products, could affect our results of operations. These delays could be caused by unanticipated technological hurdles, production changes to meet customer demands, unanticipated difficulties in obtaining required regulatory certifications of new aircraft or other products, coordination with joint venture partners or failure on the part of our suppliers to deliver components as agreed. Changes in environmental laws and regulations, for example, those enacted in response to climate change concerns and other actions known as “green initiatives,” could lead to the necessity for new or additional investment in product designs or manufacturing processes and could increase environmental compliance expenditures, including costs to defend regulatory reviews. We also could be adversely affected if our research and development investments are less successful than expected or if we do not adequately protect the intellectual property developed through these efforts. Likewise, new products and technologies could generate unanticipated safety or other concerns resulting in expanded product liability risks, potential product recalls and other regulatory issues that could have an adverse impact on us. Furthermore, because of the lengthy research and development cycle involved in bringing certain of our products to market, we cannot predict the economic conditions that will exist when any new product is complete. A reduction in capital spending in the aerospace or defense industries could have a significant effect on the demand for new products and technologies under development, which could have an adverse effect on our financial condition and results of operations. In addition, the market for our product offerings may not develop or continue to expand as we currently anticipate. Furthermore, we cannot be sure that our competitors will not develop competing technologies which gain market acceptance in advance of our products. A significant failure in our new product development efforts or the failure of our products or services to achieve market acceptance more rapidly than our competitors could have an adverse effect on our financial condition and results of operations.

We are subject to the risks of doing business in foreign countries.

Conducting business internationally, including U.S. exports, exposes us to different and additional risks than if we conducted our business solely within the U.S. Our exposure to such risks increases as our international business continues to grow. Our international business is subject to U.S. and local government regulations and procurement policies and practices, which may change from time to time, including regulations relating to import-export control; technology transfer; environmental, health and safety; investments; exchange controls; and repatriation of earnings or cash settlement challenges, as well as to varying currency, geopolitical and economic risks. These international risks may be especially significant with respect to aerospace and defense products for which we sometimes initially must obtain licenses and authorizations from various U.S. Government agencies before we are permitted to sell our products outside the U.S. Any significant impairment of our ability to sell products outside the U.S. could negatively impact our results of operations. Additionally, some international government customers require contractors to agree to specific in-country purchases, manufacturing agreements or financial support arrangements, known as offsets, as a condition for a contract award. The contracts generally extend over several years and may include penalties if we fail to meet the offset requirements, which could adversely impact our results of operations. Additionally, we are facing increasing competition in our international markets from foreign and multinational firms that may have certain home country advantages over us; as a result, our ability to compete successfully in those markets may be adversely affected, which could negatively impact our revenues and profitability.

We maintain manufacturing facilities, service centers, supply centers and other facilities worldwide, including in various emerging market countries. We also have entered into, and expect to continue to enter into, joint venture arrangements in emerging market countries, some of which may require capital investment, guaranties or other commitments. We expect that our investment in emerging market countries will continue to increase. Emerging market operations can present many risks in addition to those discussed above, including civil disturbances, economic and government instability, terrorism and related safety concerns, cultural differences in employment and business practices, difficulties in protecting intellectual property, and the imposition of exchange controls. The impact of any one or more of these or other factors could adversely affect our business, financial condition or operating results.

We also are exposed to risks associated with using foreign representatives and consultants for international sales and operations and teaming with international subcontractors and suppliers in connection with international programs. In many foreign countries, particularly in those with developing economies, it is common to engage in business practices that are prohibited by laws and regulations applicable to us, such as the Foreign Corrupt Practices Act. Although we maintain policies and procedures designed to facilitate compliance with these laws, a violation of such laws by any of our international representatives, consultants, joint ventures, business partners, subcontractors or suppliers, even if prohibited by our policies, could have an adverse effect on our business and reputation.

We are subject to increasing compliance risks that could adversely affect our operating results.
As a global business, we are subject to laws and regulations in the U.S. and other countries in which we operate. Our increased focus on international sales and global operations requires importing and exporting goods and technology, some of which have military applications subjecting them to more stringent import-export controls across international borders on a regular basis. Both U.S. and foreign laws and regulations applicable to us have been increasing in scope and complexity. For example, both U.S. and foreign governments and government agencies regulate the aviation industry, and they may impose new regulations with additional aircraft security or other requirements or restrictions, including, for example, restrictions and/or fees related to carbon emissions levels. New or changing laws and regulations or related interpretation and policies could increase our costs of doing business, affect how we conduct our operations, adversely impact demand for our products, and/or limit our ability to sell our products and services. Compliance with laws and regulations of increasing scope and complexity is even more challenging in our current business environment in which reducing our operating costs is often necessary to remain competitive. In addition, a violation of U.S. and/or foreign laws by one of our employees or business partners could subject us or our employees to civil or criminal penalties, including material monetary fines, or other adverse actions, including denial of import or export privileges and debarment as a government contractor. These improper actions could damage our reputation and have an adverse effect on our business.

We are subject to legal proceedings and other claims.
We are subject to legal proceedings and other claims arising out of the conduct of our business, including proceedings and claims relating to commercial and financial transactions; government contracts; alleged lack of compliance with applicable laws and regulations; production partners; product liability; patent and trademark infringement; employment disputes; and environmental, safety and health matters. Due to the nature of our manufacturing business, we may be subject to liability claims arising from accidents involving our products, including claims for serious personal injuries or death caused by weather or by pilot, driver or user error. In the case of litigation matters for which reserves have not been established because the loss is not deemed probable, it is reasonably possible that such claims could be decided against us and could require us to pay damages or make other expenditures in amounts that are not presently estimable. In addition, we cannot be certain that our reserves are adequate and that our insurance coverage will be sufficient to cover one or more substantial claims. Furthermore, we may not be able to obtain insurance coverage at acceptable levels and costs in the future. Litigation is inherently unpredictable, and we could incur judgments, receive adverse arbitration awards or enter into settlements for current or future claims that could adversely affect our financial position or our results of operations in any particular period.

Intellectual property infringement claims of others and the inability to protect our intellectual property rights could harm our business and our customers.
Intellectual property infringement claims may be asserted by third parties against us or our customers. Any related indemnification payments or legal costs we may be obliged to pay on behalf of our businesses, our customers or other third parties could be costly. In addition, we own the rights to many patents, trademarks, brand names, trade names and trade secrets that are important to our business. The inability to enforce these intellectual property rights may have an adverse effect on our results of operations. Additionally, our intellectual property could be at risk due to various cyber threats.

Certain of our products are subject to laws regulating consumer products and could be subject to repurchase or recall as a result of safety issues.
As a distributor of consumer products in the U.S., certain of our products also are subject to the Consumer Product Safety Act, which empowers the U.S. Consumer Product Safety Commission (CPSC) to exclude from the market products that are found to be

unsafe or hazardous. Under certain circumstances, the CPSC could require us to repair, replace or refund the purchase price of one or more of our products, or potentially even discontinue entire product lines, or we may voluntarily do so, but within strictures recommended by the CPSC. The CPSC also can impose fines or penalties on a manufacturer for non-compliance with its requirements. Furthermore, failure to timely notify the CPSC of a potential safety hazard can result in significant fines being assessed against us. Any repurchases or recalls of our products or an imposition of fines or penalties could be costly to us and could damage the reputation or the value of our brands. Additionally, laws regulating certain consumer products exist in some states, as well as in other countries in which we sell our products, and more restrictive laws and regulations may be adopted in the future.

The increasing costs of certain employee and retiree benefits could adversely affect our results.
Our earnings and cash flow may be adversely impacted by the amount of income or expense we expend or record for employee benefit plans. This is particularly true for our defined benefit pension plans, where required contributions to those plans and related expenses are driven by, among other things, our assumptions of the expected long-term rate of return on plan assets, the discount rate used for future payment obligations and the rates of future cost growth. Additionally, as part of our annual evaluation of these plans, significant changes in our assumptions, due to changes in economic, legislative and/or demographic experience or circumstances, or changes in our actual investment returns could negatively impact the funded status of our plans requiring us to substantially increase our pension liability with a resulting decrease in shareholders’ equity. Also, changes in pension legislation and regulations could increase the cost associated with our defined benefit pension plans.

In addition, medical costs are rising at a rate faster than the general inflation rate. Continued medical cost inflation in excess of the general inflation rate would increase the risk that we will not be able to mitigate the rising costs of medical benefits. Moreover, we expect that some of the requirements of the new comprehensive healthcare law will increase our future costs. Increases to the costs of pension and medical benefits could have an adverse effect on our results of operations.

Our business could be adversely affected by strikes or work stoppages and other labor issues.
Approximately 6,000 of our U.S. employees, or 26% of our total U.S. employees, are unionized, and approximately 2,900 of our non-U.S. employees, or 32% of our total non-U.S. employees, are represented by organized councils. As a result, we may experience work stoppages, which could negatively impact our ability to manufacture our products on a timely basis, resulting in strain on our relationships with our customers and a loss of revenues. The presence of unions also may limit our flexibility in responding to competitive pressures in the marketplace. In addition, the workforces of many of our suppliers and customers are represented by labor unions. Work stoppages or strikes at the plants of our key suppliers could disrupt our manufacturing processes; similar actions at the plants of our customers could result in delayed or canceled orders for our products. Any of these events could adversely affect our results of operations.

Currency, raw material price and interest rate fluctuations may adversely affect our results.
We are exposed to a variety of market risks, including the effects of changes in foreign currency exchange rates, raw material prices and interest rates. Currency variations also contribute to variations in sales of products and services in impacted jurisdictions. Accordingly, fluctuations in foreign currency rates could adversely affect our profitability in future periods. We monitor and manage these exposures as an integral part of our overall risk management program. In some cases, we purchase derivatives or enter into contracts to insulate our results of operations from these fluctuations. Nevertheless, changes in currency exchange rates, raw material prices and interest rates can have substantial adverse effects on our results of operations.

We may be unable to effectively mitigate pricing pressures.
In some markets, particularly where we deliver component products and services to original equipment manufacturers, we face ongoing customer demands for price reductions, which sometimes are contractually obligated. However, if we are unable to effectively mitigate future pricing pressures through technological advances or by lowering our cost base through improved operating and supply chain efficiencies, our results of operations could be adversely affected.

Unanticipated changes in our tax rates or exposure to additional income tax liabilities could affect our profitability.
We are subject to income taxes in both the U.S. and various non-U.S. jurisdictions, and our domestic and international tax liabilities are subject to the allocation of income among these different jurisdictions. Our effective tax rate could be adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes to unrecognized tax benefits or changes in tax laws, which could affect our profitability. In particular, the carrying value of deferred tax assets is dependent on our ability to generate future taxable income, as well as changes to applicable statutory tax rates. In addition, the amount of income taxes we pay is subject to audits in various jurisdictions, and a material assessment by a tax authority could affect our profitability.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

On December 28, 2013, we operated a total of 52 plants located throughout the U.S. and 52 plants outside the U.S. We own 53 plants and lease the remainder for a total manufacturing space of approximately 21.1 million square feet. We consider the productive capacity of the plants operated by each of our business segments to be adequate. We also own or lease offices, warehouses, service centers and other space at various locations. 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

As previously reported in Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 2010, on August 21, 2009, a purported class action lawsuit was filed in the United States District Court in Rhode Island by Dianne Leach, an alleged participant in the Textron Savings Plan. Plaintiffs alleged that the company and certain of its present and former employees, officers and directors had violated the United States Employee Retirement Income Security Act (ERISA) by imprudently permitting participants in the Textron Savings Plan to invest in Textron common stock. The complaints sought equitable relief and unspecified compensatory damages. As reported in Textron's Annual Report on Form 10-K for the fiscal year ended December 29, 2012, on December 13, 2012, as a result of a mediation process overseen by an independent mediator, the parties reached an agreement in principle, subject to settlement documentation and court approval, to settle the plaintiffs' claims for an immaterial amount. On August 21, 2013, the Court entered an order preliminarily approving the settlement, certifying a settlement class, and approving the form and manner of class notice. On February 10, 2014, the Court entered an order giving final approval of the settlement and final judgment in the case. Neither Textron nor any of the other defendants in the settlement admitted any wrongdoing with respect to the allegations in the case.

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The principal market on which our common stock is traded is the New York Stock Exchange under the symbol “TXT.” At December 28, 2013, there were approximately 11,500 record holders of Textron common stock. The high and low sales prices per share of our common stock as reported on the New York Stock Exchange and the dividends paid per share are provided in the following table:

	2013			2012		
	High	Low	Dividends per Share	High	Low	Dividends per Share
First quarter	$ 31.30	$ 23.94	$ 0.02	$ 28.29	$ 18.37	$ 0.02
Second quarter	30.22	24.87	0.02	29.18	21.97	0.02
Third quarter	29.81	25.36	0.02	28.80	22.15	0.02
Fourth quarter	37.43	26.17	0.02	26.75	22.84	0.02

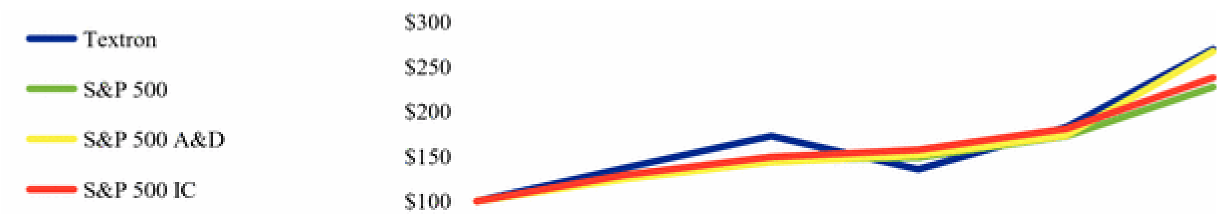
Issuer Repurchases of Equity Securities

On January 23, 2013, the company announced the adoption of a new plan authorizing the repurchase of up to 25 million shares of Textron common stock. This plan has no expiration date. There were no shares purchased under the plan during 2013.

On February 5, 2014, we entered into an accelerated share repurchase agreement (ASR) with a counterparty to repurchase an aggregate of 4.3 million shares of our outstanding common stock from the counterparty for $150 million. The ASR is scheduled to expire in December 2014. Upon final settlement of the ASR, we may receive additional shares or pay additional cash or shares, at our option, based on the daily volume weighted average market price of our common stock over the course of a calculation period, less a discount.

Stock Performance Graph

The following graph compares the total return on a cumulative basis at the end of each year of $100 invested in our common stock on December 31, 2008 with the Standard & Poor’s (S&P) 500 Stock Index, the S&P 500 Aerospace & Defense (A&D) Index and the S&P Industrial Conglomerates (IC) Index. We are included in both the S&P 500 and the S&P IC indices. The values calculated assume dividend reinvestment.



	2008	2009	2010	2011	2012	2013
Textron Inc.	$ 100.00	$ 136.71	$ 172.49	$ 135.46	$ 182.18	$ 269.78
S&P 500	100.00	126.46	145.51	148.59	172.37	227.30
S&P 500 A&D	100.00	124.64	143.47	151.04	173.04	267.33
S&P 500 IC	100.00	128.92	149.20	157.26	180.48	237.88

Item 6. Selected Financial Data

(Dollars in millions, except per share amounts)	2013	2012	2011	2010	2009
Revenues					
Cessna	$ 2,784	$ 3,111	$ 2,990	$ 2,563	$ 3,320
Bell	4,511	4,274	3,525	3,241	2,842
Textron Systems	1,665	1,737	1,872	1,979	1,899
Industrial	3,012	2,900	2,785	2,524	2,078
Finance	132	215	103	218	361
Total revenues	$ 12,104	$ 12,237	$ 11,275	$ 10,525	$ 10,500
Segment profit					
Cessna	$ (48)	$ 82	$ 60	$ (29)	$ 198
Bell	573	639	521	427	304
Textron Systems	147	132	141	230	240
Industrial	242	215	202	162	27
Finance (a)	49	64	(333)	(237)	(294)
Total segment profit	963	1,132	591	553	475
Special charges (b)	—	—	—	(190)	(317)
Corporate expenses and other, net	(166)	(148)	(114)	(137)	(164)
Interest expense, net for Manufacturing group	(123)	(143)	(140)	(140)	(143)
Income tax (expense) benefit	(176)	(260)	(95)	6	76
Income (loss) from continuing operations	$ 498	$ 581	$ 242	$ 92	$ (73)
Per share of common stock					
Income (loss) from continuing operations — basic	$ 1.78	$ 2.07	$ 0.87	$ 0.33	$ (0.28)
Income (loss) from continuing operations — diluted (c)	$ 1.75	$ 1.97	$ 0.79	$ 0.30	$ (0.28)
Dividends declared	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.08
Book value at year-end	$ 15.54	$ 11.03	$ 9.84	$ 10.78	$ 10.38
Common stock price: High	$ 37.43	$ 29.18	$ 28.87	$ 25.30	$ 21.00
Low	$ 23.94	$ 18.37	$ 14.66	$ 15.88	$ 3.57
Year-end	$ 36.61	$ 24.12	$ 18.49	$ 23.64	$ 18.81
Common shares outstanding *(In thousands)*					
Basic average	279,299	280,182	277,684	274,452	262,923
Diluted average (c)	284,428	294,663	307,255	302,555	262,923
Year-end	282,059	271,263	278,873	275,739	272,272
Financial position					
Total assets	$ 12,944	$ 13,033	$ 13,615	$ 15,282	$ 18,940
Manufacturing group debt	$ 1,931	$ 2,301	$ 2,459	$ 2,302	$ 3,584
Finance group debt	$ 1,256	$ 1,686	$ 1,974	$ 3,660	$ 5,667
Shareholders' equity	$ 4,384	$ 2,991	$ 2,745	$ 2,972	$ 2,826
Manufacturing group debt-to-capital (net of cash)	15%	24%	37%	32%	39%
Manufacturing group debt-to-capital	31%	44%	47%	44%	56%
Investment data					
Capital expenditures	$ 444	$ 480	$ 423	$ 270	$ 238
Depreciation	$ 349	$ 336	$ 343	$ 334	$ 344

(a) For 2011, segment profit included a $186 million initial mark-to-market adjustment for finance receivables in the Golf Mortgage portfolio that were transferred to the held for sale classification.

(b) Special charges include restructuring charges of $99 million and $237 million in 2010 and 2009, respectively, primarily related to severance and asset impairment charges. In 2010, special charges also include a $91 million non-cash pre-tax charge to reclassify a foreign exchange loss from equity to the income statement as a result of substantially liquidating a Finance segment entity. In 2009, special charges include a goodwill impairment charge of $80 million in the Industrial segment.

(c) For 2009, the potential dilutive effect of stock options, restricted stock units and the shares that could have been issued upon the conversion of our convertible notes and upon the exercise of the related warrants was excluded from the computation of diluted weighted-average shares outstanding as the shares would have an anti-dilutive effect on the loss from continuing operations.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview and Consolidated Results of Operations

For Textron, 2013 was an important year with significant new product introductions, strategic acquisitions and investments in the future of our businesses. During 2013, we accomplished the following:

- Invested $651 million in research and development costs, a 12% increase over the prior year, demonstrating our commitment to expanding our current product lines across all of our businesses. As a result, we brought new products to market in many of our businesses, including the certification of two new models of Cessna aircraft, the Citation M2 and the Sovereign+ jet.
- Acquired six companies, including two flight simulation and aircraft training product companies for the Textron Systems segment, two companies to augment our Greenlee business in the Industrial segment and two service centers at Cessna for an aggregate cash payment of $196 million.
- Made $204 million in contributions to our pension plans and ended the year with an unfunded pension plan liability of $199 million, compared to $1.3 billion at the end of 2012.
- Reduced our debt-to-capital, net of cash ratio to 15% from 24% in the prior year, in part due to the maturity of our convertible senior notes and the settlement of the related call option and warrants.

An analysis of our consolidated operating results is set forth below. A more detailed analysis of our segments' operating results is provided in the Segment Analysis section on pages 20 to 28.

Revenues

(Dollars in millions)	**2013**	**2012**	**2011**
Revenues	$ 12,104	$ 12,237	$ 11,275
% change compared with prior period	*(1)%*	*9%*	

Revenues decreased $133 million, 1%, in 2013, compared with 2012, as revenue decreases in the Cessna, Finance, and Textron Systems segments were partially offset by higher revenues in the Bell and Industrial segments. The net revenue decrease included the following factors:

- Lower Cessna revenues of $327 million, primarily due to lower Citation jet volume of $384 million and CitationAir volume of $114 million, partially offset by higher aftermarket volume of $65 million and higher pre-owned aircraft volume of $53 million.
- Lower Finance revenues of $83 million, primarily attributable to an unfavorable impact of $46 million from lower average finance receivables and a decrease of $25 million in revenues related to the resolution of a Timeshare account in 2012.
- Lower Textron Systems revenues of $72 million, largely due to lower volume of $51 million in the Marine & Land product line and lower volume of $28 million in the UAS product line.
- Higher Bell revenues of $237 million, largely due to higher volume of $163 million in our military programs, primarily reflecting higher V-22 deliveries and aftermarket volume, and $74 million of higher commercial revenues, largely due to higher aircraft volume.
- Higher Industrial segment revenues of $112 million, primarily due to higher volume of $58 million and the impact of acquisitions of $46 million.

Revenues increased $962 million, 9%, in 2012, compared with 2011, as increases in the Bell, Cessna, Industrial and Finance segments were partially offset by a reduction in the Textron Systems segment. The net revenue increase included the following factors:

- Higher Bell revenues of $749 million, primarily due to higher commercial aircraft volume of $476 million and an increase in V-22 program volume of $231 million, largely due to higher deliveries.
- Higher Cessna revenues of $121 million, primarily due to higher pre-owned aircraft volume of $68 million and Citation jet revenues of $57 million, reflecting a change in mix of jets sold during the period.
- Increased Industrial segment revenues of $115 million, primarily due to higher volume of $171 million, primarily reflecting higher market demand in the Fuel Systems and Functional Components and Golf, Turf Care and Light

the weakening of the euro.
Transportation Vehicles product lines, partially offset by an unfavorable foreign exchange impact of $80 million, primarily related to the weakening of the euro.

- Higher Finance revenues of $112 million as described more fully in the Segment Analysis below.
- Lower Textron Systems revenues of $135 million, primarily due to lower volume across all product lines.

Cost of Sales and Selling and Administrative Expense

(Dollars in millions)	2013	2012	2011
Operating expenses	$ 11,257	$ 11,184	$ 10,503
Cost of sales	10,131	10,019	9,308
% change compared with prior period	*1%*	*8%*	
Gross margin as a percentage of Manufacturing revenues	*15.4%*	*16.7%*	*16.7%*
Selling and administrative expenses	1,126	1,165	$ 1,195
% change compared with prior period	*(3)%*	*(3)%*	

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

Cost of sales as a percentage of manufacturing revenues was 84.6% in 2013, and 83.3% in both 2012 and 2011.

Consolidated manufacturing cost of sales increased $112 million, 1%, in 2013, compared with 2012, primarily due to higher sales volume at Bell and the impact from businesses acquired in 2013, partially offset by lower sales at Cessna and Textron Systems. In 2013, gross margin as a percentage of manufacturing revenues decreased 130 basis points primarily due to unfavorable performance at Bell, largely due to manufacturing inefficiencies associated with labor disruptions resulting from negotiations with bargained employees and with the implementation of a new enterprise resource planning system in the first quarter of 2013, as well as lower Citation jet and CitiationAir volume at Cessna.

Selling and administrative expenses decreased $39 million, 3%, in 2013 compared with 2012, largely due to a reduction in administrative expenses of $26 million and lower provision for loan losses of $20 million at the Finance segment, both primarily associated with the non-captive business. Selling and administrative expense was also impacted by $28 million in severance costs incurred in 2013 at Cessna, which were largely offset by a $27 million charge from an unfavorable arbitration award incurred in 2012 at Cessna.

In 2012, consolidated manufacturing cost of sales increased $711 million, 8%, compared with 2011, principally due to higher net sales volume. Cost of sales was reduced by $65 million in 2012 from foreign exchange fluctuations, primarily in the Industrial segment due to the weakening of the euro. In addition, cost of sales included $37 million in charges related to our new UAS fee-for-service contracts at Textron Systems, which were offset by the impact of 2011 charges at Textron Systems of $60 million related to the impairment of intangible assets and severance costs. Selling and administrative expense decreased $30 million, 3%, in 2012, compared with 2011. The decrease was largely driven by lower operating expenses of $56 million at the Finance segment primarily associated with the exit of the non-captive business, partially offset by a $27 million charge at Cessna from an unfavorable arbitration award described more fully in the Segment Analysis below.

Interest Expense

(Dollars in millions)	2013	2012	2011
Interest expense	$ 173	$ 212	$ 246
% change compared with prior period	*(18)%*	*(14)%*	

Interest expense on the Consolidated Statement of Operations includes interest for both the Finance and Manufacturing borrowing groups with interest related to intercompany borrowings eliminated. Interest expense for the Finance segment is included within segment profit and includes intercompany interest.

Consolidated interest expense decreased $39 million, 18%, in 2013, compared with 2012, and $34 million, 14%, in 2012 compared with 2011, primarily due to lower average debt outstanding.

Valuation Allowance on Transfer of Golf Mortgage Portfolio to Held for Sale

In the fourth quarter of 2011, we determined that we no longer had the intent to hold the remaining Golf Mortgage portfolio for investment for the foreseeable future, and, accordingly, transferred $458 million of the remaining Golf Mortgage finance receivables, net of an $80 million allowance for loan losses, from the held for investment classification to the held for sale classification. These finance receivables were recorded at fair value at the time of the transfer, resulting in a $186 million charge recorded to Valuation allowance on transfer of Golf Mortgage portfolio to held for sale.

Other Losses, net
In 2011, other losses, net included $55 million in losses on the early extinguishment of a portion of our convertible notes which was largely offset by a $52 million gain from the collection on notes receivable in connection with the disposition of the Fluid & Power business in 2008.

Income Tax Expense
Our effective tax rate was 26.1% in 2013, 30.9% in 2012 and 28.1% in 2011, and generally differs from the U.S. federal statutory tax rate of 35% due to certain earnings from our operations in lower-tax jurisdictions throughout the world, as well as research credits. The jurisdictions with favorable tax rates that have the most significant effective tax rate impact in the periods presented include primarily Canada, Germany, Belgium and China. We have not provided for U.S. taxes for those earnings because we plan to reinvest all of those earnings indefinitely outside of the U.S. Our effective tax rate will fluctuate based on the mix of earnings from our U.S. and non-U.S. operations. In addition, the American Taxpayer Relief Act of 2012 was enacted on January 2, 2013 to retroactively reinstate and extend the Federal Research and Development Tax Credit from January 1, 2012 to December 31, 2013. As a result our income tax provision for 2013 includes a tax benefit that reduced the annual effective tax rate by approximately four percent. We estimate our full year annual effective tax rate in 2014 to be approximately 31.5%. For a full reconciliation of our effective tax rate to the U.S. federal statutory tax rate of 35% see Note 12 to the Consolidated Financial Statements.

Segment Analysis

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

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

Approximately 30% of our 2013 revenues were derived from contracts with the U.S. Government. For our segments that have significant contracts with the U.S. Government, we typically express changes in segment profit related to the government business in terms of volume, changes in program performance or changes in contract mix. Changes in volume that are discussed in net sales typically drive corresponding changes in our segment profit based on the profit rate for a particular contract. Changes in program performance typically relate to profit recognition associated with revisions to total estimated costs at completion that reflect improved or deteriorated operating performance or award fee rates. Changes in contract mix refers to changes in operating margin due to a change in the relative volume of contracts with higher or lower fee rates such that the overall average margin rate for the segment changes.

Cessna

				% Change	
(Dollars in millions)	**2013**	**2012**	**2011**	**2013**	**2012**
Revenues	$ 2,784	$ 3,111	$ 2,990	(11)%	4%
Operating expenses	2,832	3,029	2,930	(7)%	3%
Segment (loss) profit	(48)	82	60	—	37%
Profit margin	(2)%	3%	2%		
Backlog	$ 1,018	$ 1,062	$ 1,889	(4)%	(44)%

Cessna Revenues and Operating Expenses

Factors contributing to the 2013 year-over-year revenue change are provided below:

(In millions)	2013 versus 2012
Volume	$ (373)
Acquisitions	33
Other	13
Total change	$ (327)

In 2013, Cessna's revenues decreased $327 million, 11%, compared with 2012, primarily due to lower Citation jet volume of $384 million and lower CitationAir volume of $114 million, largely related to the wind-down of our fractional share business. These decreases were partially offset by higher aftermarket volume of $65 million, largely due to increased service demand, and higher pre-owned aircraft volume of $53 million. We delivered 139 Citation jets in 2013, compared with 181 jets in 2012. During 2013, the portion of Cessna's revenues derived from aftermarket sales and services increased to 33% of Cessna's revenues, compared with 25% in the corresponding period of 2012, due to higher aftermarket volume and the impact of lower Citation jet revenues.

Cessna's operating expenses decreased $197 million, 7%, in 2013, compared with 2012, primarily due to lower sales volume as discussed above. The volume-related decrease in operating expenses was partially offset by $37 million of operating costs incurred by service centers acquired at the beginning of 2013 and $33 million of inflation, largely due to higher pension expense of $17 million.

Operating expenses in 2013 were impacted by $28 million in severance costs incurred during the first half of the year in connection with a voluntary separation program offered to qualifying salaried employees and a reduction of certain direct production positions due to an adjustment of our production schedule. Operating expenses in 2012 included a $27 million charge from an unfavorable arbitration award recorded in the fourth quarter.

Factors contributing to the 2012 year-over-year revenue change are provided below:

(In millions)	2012 versus 2011
Volume and mix	$ 126
Other	(5)
Total change	$ 121

Cessna delivered 181 Citation jets in 2012, compared with 183 jets in 2011, however revenues increased $121 million, 4%, in 2012, compared with 2011. The increase in revenues was primarily due to a $68 million impact from higher pre-owned aircraft volume and $57 million of higher Citation jet revenues reflecting a change in mix of new jets sold during the period. During 2012, the portion of Cessna's revenues derived from aftermarket sales and services represented 25% of Cessna's revenues, compared with 24% in the corresponding period of 2011.

Cessna's operating expenses increased by $99 million, 3%, in 2012, compared with 2011, primarily due to the following:

- $93 million in higher direct material costs, resulting from increased pre-owned aircraft sales volume and a change in the mix of jets sold during the period.
- $35 million in cost inflation, largely reflecting a $22 million favorable benefit recorded in 2011 related to the last-in, first-out (LIFO) method of accounting for inventories.
- $27 million charge recorded in the fourth quarter of 2012 due to an unfavorable award an arbitration panel entered against Cessna as a result of an alleged breach of a supply agreement.

These increases were partially offset by $33 million of cost reductions from improved factory efficiency and $24 million in lower engineering and development expenses.

Cessna Segment (Loss) Profit

Factors contributing to 2013 year-over-year segment (loss) profit change are provided below:

(In millions)	2013 versus 2012
Volume	$ (99)
Inflation, net of pricing	(21)
Other	(10)
Total change	$ (130)

Cessna's segment profit decreased $130 million in 2013, compared with 2012, primarily due to a $99 million impact from lower sales volume as described above and $21 million in inflation, net of pricing, largely due to higher pension expense of $17 million. Segment profit was also impacted by $28 million in severance costs incurred in 2013, largely offset by a $27 million charge from an unfavorable arbitration award incurred in 2012, as described above.

Factors contributing to 2012 year-over-year segment profit change are provided below:

(In millions)	2012 versus 2011
Volume and mix	$ 53
Performance	12
Inflation, net of pricing	(43)
Total change	$ 22

In 2012, Cessna's segment profit increased $22 million, 37%, compared with 2011, primarily due to the change in mix of Citation jets sold during the period. Improved performance included the following:

- $33 million in improved factory efficiency.
- $24 million in lower engineering and development expenses.
- $(27) million unfavorable arbitration award as described above.
- $(19) million of lower forfeiture income due to fewer order cancellations in 2012.

Inflation, net of pricing, included a $26 million unfavorable LIFO impact largely due to a $22 million LIFO benefit recorded in 2011.

Cessna Backlog

Cessna's backlog decreased $44 million, 4%, in 2013 and $827 million, 44%, in 2012. The decrease in backlog in 2012 was mainly attributable to deliveries in excess of new orders and canceled Citation jet orders.

Bell

				% Change	
(Dollars in millions)	2013	2012	2011	2013	2012
Revenues:					
V-22 program	$ 1,755	$ 1,611	$ 1,380	9%	17%
Other military	959	940	919	2%	2%
Commercial	1,797	1,723	1,226	4%	41%
Total revenues	4,511	4,274	3,525	6%	21%
Operating expenses	3,938	3,635	3,004	8%	21%
Segment profit	573	639	521	(10)%	23%
Profit margin	13%	15%	15%		
Backlog	$ 6,450	$ 7,469	$ 7,346	(14)%	2%

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

Bell Revenues and Operating Expenses

Factors contributing to the 2013 year-over-year revenue change are provided below:

(In millions)		**2013 versus 2012**
Volume	$	193
Other		44
Total change	$	237

Bell's revenues increased $237 million, 6% in 2013, compared with 2012, due to the following factors:

- $144 million increase in V-22 program volume largely due to higher aircraft deliveries, as we delivered 41 V-22 aircraft in 2013, compared with 39 aircraft in 2012. In addition, military aftermarket volume was higher by $35 million, reflecting increased support of fielded aircraft.
- $74 million increase in commercial revenues, largely due to higher aircraft volume, as we delivered 213 aircraft in 2013, compared to 188 aircraft in 2012. This increase was partially offset by lower commercial aftermarket revenue of $50 million, largely due to lower volume, which in part, resulted from the conversion to a new enterprise resource planning system in the first quarter of 2013.
- $19 million increase in other military volume, reflecting higher H-1 deliveries. We delivered 25 H-1 aircraft in 2013, compared with 24 H-1 aircraft in 2012.

Bell's operating expenses increased $303 million, 8%, in 2013, respectively, compared with 2012, largely due to higher volume as described above and $68 million in unfavorable performance, which included $27 million in lower favorable profit adjustments on its long-term contracts. The unfavorable performance was largely due to manufacturing inefficiencies associated with labor disruptions resulting from negotiations with bargained employees and with the implementation of a new enterprise resource planning system in the first quarter of 2013. On October 13, 2013, Bell reached a new five-year collective bargaining agreement with the United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) and UAW Local 218 which represents these employees. The impact of these disruptions is expected to continue to depress Bell's margins in 2014 as the costs for inventories manufactured in 2013 are realized as products are delivered.

Factors contributing to the 2012 year-over-year revenue change are provided below:

(In millions)		**2012 versus 2011**
Volume	$	728
Other		21
Total change	$	749

Bell's revenues increased $749 million, 21%, in 2012, compared with 2011, primarily due to higher volume, which included the following factors:

- $476 million increase in commercial volume, largely related to higher deliveries reflecting our investment in new products and increased focus on commercial markets. Bell delivered 188 commercial aircraft in 2012, compared with 125 aircraft in 2011.
- $231 million increase in volume related to the V-22 program, primarily reflecting higher deliveries based on schedule requirements and higher revenues related to the support of fielded aircraft. Bell delivered 39 V-22 aircraft in 2012, compared with 34 deliveries in 2011.
- $21 million increase in other military volume resulting from higher deliveries and services rendered under several programs, partially offset by lower spares and aftermarket volume. Bell delivered 24 H-1 aircraft in 2012, compared with 25 aircraft in 2011.

Bell's operating expenses increased $631 million, 21%, in 2012, compared with 2011, primarily due to higher sales volume discussed above.

Bell Segment Profit

Factors contributing to 2013 year-over-year segment profit change are provided below:

(In millions)		2013 versus 2012
Performance	$	(68)
Volume and Mix		(10)
Other		12
Total change	$	(66)

Bell's segment profit decreased $66 million, 10%, in 2013, respectively, compared with 2012, primarily due to unfavorable performance discussed above. Segment profit was also impacted by an unfavorable mix of commercial aircraft deliveries.

Factors contributing to 2012 year-over-year segment profit change are provided below:

(In millions)		2012 versus 2011
Volume and mix	$	143
Performance		(18)
Other		(7)
Total change	$	118

Bell's segment profit increased $118 million, 23%, in 2012, compared with 2011, primarily due to the impact of higher volume in our commercial aircraft and military businesses as described above. Performance reflects higher net research and development expense in 2012 of $26 million due to the ramp-up of new product development and higher selling and administrative expenses largely due to our investment in business system improvement and upgrade activities, which were partially offset by favorable program performance in our military programs, reflecting improved manufacturing efficiencies.

Bell Backlog

Backlog decreased $1.0 billion, 14%, at Bell during 2013 primarily due to deliveries on the V-22 and H-1 programs that exceeded orders. In 2012, Bell's backlog increased $123 million, 2%, reflecting orders in excess of deliveries.

Textron Systems

							% Change	
(Dollars in millions)		2013		2012		2011	2013	2012
Revenues	$	1,665	$	1,737	$	1,872	(4)%	(7)%
Operating expenses		1,518		1,605		1,731	(5)%	(7)%
Segment profit		147		132		141	11%	(6)%
Profit margin		9%		8%		8%		
Backlog	$	2,803	$	2,919	$	1,337	(4)%	118%

Textron Systems Revenues and Operating Expenses

Factors contributing to the 2013 year-over-year revenue change are provided below:

(In millions)		2013 versus 2012
Volume	$	(76)
Other		4
Total change	$	(72)

Revenues at Textron Systems decreased $72 million, 4%, in 2013, compared with 2012, primarily due to lower volume in the Marine & Land product line of $51 million and in the UAS product line of $28 million.

Textron Systems' operating expenses decreased $87 million, 5%, in 2013, compared with 2012, primarily due to improved performance reflecting the favorable impact of lower profit adjustments, including $22 million in lower UAS fee-for-service program charges, along with cost reduction initiatives across most product lines Operating expenses were also impacted by the lower sales volume described above.

Factors contributing to the 2012 year-over-year revenue change are provided below:

(In millions)		**2012 versus 2011**
Volume	$	(141)
Other		6
Total change	$	(135)

Revenues at Textron Systems decreased $135 million, 7%, in 2012, compared with 2011, primarily due to lower volume in the Marine & Land product line of $76 million, lower volume in the Mission Support and Other product line of $45 million and lower volume in Weapons and Sensors of $13 million.

Textron Systems' operating expenses decreased $126 million, 7%, in 2012, compared with 2011, primarily due to the lower volume. Operating expenses for 2012 included $37 million in charges discussed below related to the UAS fee-for-service program, which were offset by the impact of charges at Textron Systems of $60 million during 2011, related to the impairment of intangible assets and severance costs.

UAS Fee-For-Service Program

In 2012, we were awarded two indefinite delivery, indefinite quantity (IDIQ) contracts with separate U.S. Government customers for UAS fee-for-service activities. In the third quarter of 2012, we experienced start-up issues as we began deployment for the first of these contracts, the MEUAS II program, which required us to augment training procedures, add resources and adjust certain estimated costs. At that time, we took an $18 million charge reflecting our estimated loss on the awarded task orders under both contracts based on our deployment experience, which resulted in changes to certain assumptions, and also reflected higher subcontractor, up-front training and program management costs to support the ramp-up. In the fourth quarter of 2012, we experienced propulsion performance issues with our systems, and as a result, we were not able to perform within our previous cost estimates. Based on the issues we have encountered, we increased our estimate of the cost to complete the awarded task orders under both contracts through completion of those orders and recorded a $19 million unfavorable program profit adjustment in the fourth quarter of 2012.

In 2013, we recorded $15 million of charges for the UAS fee-for service program related to our estimate of costs to fulfill options that were exercised by the customer during the third quarter; these options extended the period of performance on the initial task orders under the contracts for one year. We continued to experience unacceptable quality from our engine supplier for this program and decided in the third quarter to transition the manufacture of the engine to our Lycoming business. We believe this change will allow us to improve performance.

Textron Systems Segment Profit

Factors contributing to 2013 year-over-year segment profit change are provided below:

(In millions)		**2013 versus 2012**
Performance	$	58
Volume and mix		(33)
Other		(10)
Total change	$	15

Segment profit at Textron Systems increased $15 million, 11% in 2013 compared with 2012, largely due to improved performance reflecting the favorable impact of lower profit adjustments, including $22 million in lower UAS fee-for-service program charges, along with cost reduction initiatives across most product lines. This improved performance was partially offset by the lower volume described above.

Factors contributing to 2012 year-over-year segment profit change are provided below:

(In millions)	2012 versus 2011
Volume and mix	$ (57)
Impairment charge in 2011	41
Performance	4
Other	3
Total change	$ (9)

Segment profit at Textron Systems decreased $9 million, 6%, in 2012, compared with 2011, reflecting the impact of lower volume described above and deliveries on lower margin contracts during the current period. The favorable performance reflects a charge in 2011 of $19 million primarily in severance costs related to workforce reductions, $9 million in lower amortization expense on intangible assets and $8 million in lower net research and development costs, partially offset by the $37 million in charges related to the UAS fee-for-service program described above.

Textron Systems Backlog
In 2013, Textron Systems backlog decreased $116 million, 4%, largely due to deliveries in excess of new orders. In 2012, Textron Systems backlog increased $1.6 billion, 118%, largely due to additional orders in the UAS and Marine & Land product lines, including the Canadian TAPV contract for $693 million.

Industrial

				% Change	
(Dollars in millions)	2013	2012	2011	2013	2012
Revenues:					
Fuel Systems and Functional Components	$ 1,853	$ 1,842	$ 1,823	1%	1%
Other Industrial	1,159	1,058	962	10%	10%
Total revenues	3,012	2,900	2,785	4%	4%
Operating expenses	2,770	2,685	2,583	3%	4%
Segment profit	242	215	202	13%	6%
Profit margin	8%	7%	7%		

Industrial Revenues and Operating Expenses
Factors contributing to the 2013 year-over-year revenue change are provided below:

(In millions)	2013 versus 2012
Volume	$ 58
Acquisitions	46
Other	8
Total change	$ 112

Industrial segment revenues increased $112 million, 4%, in 2013, compared with 2012, largely due to higher volume of $58 million and the impact from newly acquired companies of $46 million within our Powered Tools, Testing and Measurement Equipment product line. Higher volume resulted from a $32 million increase in the Other Industrial product lines, mostly due to higher market demand in the Golf, Turf Care and Light Transportation Vehicle product line, and a $26 million increase in the Fuel Systems and Functional Components line, reflecting higher automotive industry demand in North America.

Operating expenses for the Industrial segment increased $85 million, 3%, in 2013, compared with 2012, largely due to higher volume and a $43 million impact from newly acquired companies. Operating expenses were also impacted by improved performance of $27 million associated with the Fuel Systems and Functional Components product line, which was partially offset by $16 million of inflation in this product line, reflecting higher compensation and material costs.

Factors contributing to the 2012 year-over-year revenue change are provided below:

(In millions)		2012 versus 2011
Volume	$	171
Foreign exchange		(80)
Other		24
Total change	$	115

Industrial segment revenues increased $115 million, 4%, in 2012, compared with 2011. Higher volume resulted from a $93 million increase in the Fuel Systems and Functional Components product line, reflecting higher automotive industry demand in North America, and a $78 million increase in the Other Industrial product lines, largely related to higher market demand in the Golf, Turf Care and Light Transportation Vehicles product line. The unfavorable foreign exchange impact was mostly related to the weakening of the euro, which primarily impacted the Fuel Systems and Functional Components product line.

Operating expenses for the Industrial segment increased $102 million, 4%, in 2012, compared with 2011, largely due to $130 million in higher direct material costs in support of higher sales volume. In 2012, operating expenses were also impacted by cost inflation of $44 million, primarily due to higher material and overhead costs, partially offset by lower costs due to a favorable foreign exchange impact of $70 million resulting from the weakening of the euro.

Industrial Segment Profit

Factors contributing to 2013 year-over-year segment profit change are provided below:

(In millions)		2013 versus 2012
Performance	$	39
Volume		9
Inflation, net of pricing		(22)
Other		1
Total change	$	27

Segment profit for the Industrial segment increased $27 million, 13%, in 2013, compared with 2012, primarily due to improved performance of which $27 million was associated with the Fuel Systems and Functional Components product line. The $22 million unfavorable impact from inflation, net of pricing, was primarily in the Fuel Systems and Functional Components product line, reflecting higher compensation and material costs.

Factors contributing to 2012 year-over-year segment profit change are provided below:

(In millions)		2012 versus 2011
Volume	$	31
Inflation, net of pricing		(17)
Other		(1)
Total change	$	13

Segment profit for the Industrial segment increased $13 million, 6%, in 2012, compared with 2011, primarily due to the impact from higher volume as described above, partially offset by cost inflation that exceeded related price increases.

Finance

(In millions)	2013	2012	2011
Revenues	$ 132	$ 215	$ 103
Segment profit (loss)	49	64	(333)

Finance Revenues

Finance segment revenues decreased $83 million in 2013, compared with 2012, primarily attributable to an unfavorable impact of $46 million, attributable to lower average finance receivables of $834 million. Revenues during 2013 were also lower by $25 million due to the resolution of a Timeshare account that returned to accrual status in 2012.

Finance segment revenues increased $112 million in 2012 compared with 2011, primarily attributable to the following factors:

- $90 million increase related to the valuation of Golf Mortgage finance receivables held for sale. In 2012, we had $76 million in favorable valuation adjustments compared with unfavorable valuation adjustments of $14 million in 2011.
- $42 million of lower portfolio losses, net of gains, primarily associated with the Structured Capital and Timeshare portfolios.
- $25 million increase due to the resolution of one significant Timeshare account that returned to accrual status and was subsequently paid off during the third quarter of 2012.
- These increases were partially offset by a $61 million decrease attributable to lower average finance receivables of $1.2 billion.

Finance Segment Profit (Loss)

Finance segment profit decreased $15 million in 2013, compared with 2012, primarily resulting from the resolution of a Timeshare account in 2012 as discussed above, as well as an unfavorable impact of $25 million in net interest margin from lower average finance receivables. These decreases were partially offset by lower administrative expenses of $26 million and lower provision for loan losses of $20 million, largely related to the downsizing of the non-captive business.

Finance segment profit increased $397 million in 2012, compared with 2011, primarily due to changes in valuation adjustments, lower portfolio losses, net of gains, and the resolution of one significant Timeshare account discussed above, as well as lower administrative expense of $56 million, primarily associated with the exit of the non-captive business. In addition, we recorded a $186 million valuation allowance on the transfer of the Golf Mortgage portfolio from held for investment to the held for sale classification during the fourth quarter of 2011. These increases were partially offset by a $27 million decrease in net interest margin attributable to lower average finance receivables.

Finance Portfolio Quality

The following table reflects information about the Finance segment's credit performance related to finance receivables that are classified as held for investment.

(Dollars in millions)	December 28, 2013	December 29, 2012
Finance receivables	$ 1,483	$ 1,934
Nonaccrual finance receivables	105	143
Ratio of nonaccrual finance receivables to finance receivables	7.08%	7.39%
60+ days contractual delinquency	$ 80	$ 90
60+ days contractual delinquency as a percentage of finance receivables	5.39%	4.65%

Liquidity and Capital Resources

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

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

(In millions)	December 28, 2013	December 29, 2012
Manufacturing group		
Cash and equivalents	$ 1,163	$ 1,378
Debt	1,931	2,301
Shareholders' equity	4,384	2,991
Capital (debt plus shareholders' equity)	6,315	5,292
Net debt (net of cash and equivalents) to capital	15%	24%
Debt to capital	31%	44%
Finance group		
Cash and equivalents	$ 48	$ 35
Debt	1,256	1,686

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

On October 4, 2013, Textron entered into a senior unsecured revolving credit facility for an aggregate principal amount of $1.0 billion, of which up to $100 million is available for the issuance of letters of credit. This facility expires in October 2018. At December 28, 2013, there were no amounts borrowed against the facility, and there were $35 million of letters of credits issued against it.

We maintain an effective shelf registration statement filed with the Securities and Exchange Commission that allows us to issue an unlimited amount of public debt and other securities. On January 30, 2014, we issued $250 million in 3.65% notes due 2021 and $350 million in 4.30% notes due 2024 under this registration statement. We plan to use the net proceeds of the issuance of these notes to finance a portion of the acquisition of all outstanding equity interests in Beech Holdings, LLC, the parent of Beechcraft Corporation, which we have agreed to purchase for approximately $1.4 billion in cash. The transaction is expected to close during the first half of 2014, subject to customary closing conditions, including regulatory approvals. If the transaction is not completed, or the related merger agreement is terminated, on or before December 31, 2014, we will be required to redeem all outstanding 2021 notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest.

On January 24, 2014, in order to finance the Beechcraft acquisition, we also entered into a five-year term loan with a syndicate of banks in the principal amount of $500 million which we intend to draw down upon the closing of the transaction.

Manufacturing Group Cash Flows

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

(In millions)	2013	2012	2011
Operating activities	$ 658	$ 958	$ 761
Investing activities	(624)	(476)	(423)
Financing activities	(240)	29	(360)

We generated $658 million in cash from operating activities in 2013 on $914 million in Manufacturing group segment profit and $470 million of net income. The $300 million decrease in cash flows from operating activities from 2012 was largely due to a $429 million impact related to working capital requirements and $64 million in lower income from continuing operations, which were partially offset by $211 million in lower contributions to our pension plans in 2013. The most significant change within working capital was a $230 million unfavorable impact resulting from net tax payments of $223 million in 2013, compared to net tax refunds of $7 million in 2012. In addition, we had $165 million in cash inflows related to changes in inventory levels, largely at Cessna, which was more than offset by $264 million of cash outflows from changes in accounts receivable and accounts payable. The change in inventory levels at Cessna was primarily related to lower pre-owned inventory, partially offset by higher inventory in support of new sales.

In 2012, we generated $958 million in cash from operating activities on $1.1 billion in Manufacturing group segment profit and $534 million of Manufacturing group net income. The 26% increase in cash flows from operating activities from 2011 was largely due to lower cash contributions of $237 million made to our pension plans in 2012. Within working capital, we had a $117 million reduction in cash resulting from an increase in pre-owned inventory in at Cessna primarily due to higher trade-in activities, which was largely offset by a reduction in net taxes paid.

Pension contributions were $194 million, $405 million and $642 million in 2013, 2012 and 2011, respectively.

Investing cash flows in 2013, 2012 and 2011 primarily included capital expenditures of $444 million, $480 million, and $423 million, respectively. Cash flows from investing activities also included $196 million of cash used in 2013 for acquisitions of four businesses within our Textron Systems and Industrial segments and two service centers in our Cessna segment.

In 2013, financing activities primarily consisted of the repayment of $528 million of outstanding debt, including the settlement of our convertible notes, which was partially offset by proceeds from a $150 million variable-rate term loan agreement. In 2012, we generated cash from financing activities, largely due to the receipt of $490 million from the Finance group in payment of its intergroup borrowing, partially offset by $272 million in share repurchases and $189 million in payments on our outstanding debt. In 2011, financing activities primarily consisted of $580 million in payments related to the purchase and cancellation of convertible notes and $175 million in intergroup financing for our Finance group, partially offset by $496 million in proceeds from the issuance of notes.

Dividends

Dividend payments to shareholders totaled $22 million, $17 million and $22 million in 2013, 2012 and 2011, respectively.

Share Repurchases

In the fourth quarter of 2012, under a 2007 share repurchase authorization, we repurchased 11.1 million shares of our common stock for a total cost of $272 million which fully utilized our available repurchase authorization. On January 23, 2013, our Board of Directors approved a new authorization program for 25 million shares under which we intend to purchase shares of common stock to offset the impact of dilution from share-based compensation plans beginning in 2014 and for opportunistic capital management purposes.

On February 5, 2014, we entered into an accelerated share repurchase agreement (ASR) with a counterparty to repurchase an aggregate of 4.3 million shares of our outstanding common stock from the counterparty for $150 million. The ASR is scheduled to expire in December 2014. Upon final settlement of the ASR, we may receive additional shares or pay additional cash or shares, at our option, based on the daily volume weighted average market price of our common stock over the course of a calculation period, less a discount.

Capital Contributions Paid To and Dividends Received From the Finance Group

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

(In millions)	2013	2012	2011
Dividends paid by TFC to Textron	$ 175	$ 345	$ 179
Capital contributions paid to TFC under Support Agreement	—	(240)	(182)

During 2013, we also made a $1 million capital contribution to TFC to fund the repurchase of a portion of TFC's 6% Fixed-to-Floating Rate Junior Subordinated Notes.

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

Finance Group Cash Flows

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

(In millions)	2013	2012	2011
Operating activities	$ 66	$ 5	$ 65
Investing activities	624	934	1,453
Financing activities	(677)	(918)	(1,536)

In 2013 and 2012, the Finance group's cash flows from operating activities were primarily impacted by changes in net taxes received/paid and the impact of earnings. Net tax refunds/(payments) were $49 million, $(43) million and $65 million in 2013, 2012 and 2011, respectively. Net tax payments in 2012 included a settlement related to the Internal Revenue Service's challenge of tax deductions claimed in prior years for certain leveraged lease transactions.

Cash flows from investing activities primarily included collections on finance receivables and proceeds from sales of finance receivables and other finance assets totaling $853 million in 2013, $1.3 billion in 2012 and $1.9 billion in 2011, partially offset by financial receivable originations of $271 million in 2013, $331 million in 2012 and $471 million in 2011.

Cash used in financing activities included principal payments on long-term debt of $743 million, $426 million and $756 million in 2013, 2012 and 2011, respectively. These cash outflows were partially offset by proceeds from long term debt of $298 million, $106 million and $430 million, respectively. In 2012, the Finance group also made cash payments totaling $493 million to the Manufacturing group related to intergroup borrowings. In 2011, the Finance group paid $1.4 billion against the outstanding balance on its bank line of credit.

Consolidated Cash Flows

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

(In millions)	2013	2012	2011
Operating activities	$ 813	$ 935	$ 1,068
Investing activities	(264)	378	843
Financing activities	(742)	(781)	(1,951)

Cash flows from operating activities decreased $122 million during 2013 as compared with 2012, largely due to a $133 million impact related to working capital requirements and lower earnings, which were partially offset by a $206 million impact of lower contributions to our pension plans in 2013. Significant changes within working capital included a $138 million unfavorable impact resulting from net taxes paid between the periods as net tax payments were $174 million and $36 million in 2013 and 2012, respectively, and $264 million of cash outflows related to changes in accounts receivable and accounts payable. These cash outflows were partially offset by $198 million of cash inflows related to changes in inventory levels, largely at Cessna, and a $141 million impact from lower captive finance receivables.

Cash flows from operating activities decreased during 2012 as compared with 2011, as higher earnings were offset by changes in working capital, which included lower net cash receipts from our captive financing activities of $140 million and an increase in pre-owned inventory in the Cessna segment largely due to higher trade-in activities, resulting in a cash reduction of $117 million. Our use of cash for working capital requirements was partially offset by $237 million in lower cash pension contributions made in 2012.

Cash flows from investing activities included capital expenditures of $444 million, $480 million, and $423 million in 2013, 2012 and 2011, respectively. Collections on finance receivables and proceeds from sales of finance receivables and other finance assets totaled $368 million in 2013, $848 million in 2012 and $1.4 billion in 2011. Cash flows from investing activities also included $196 million of cash used in 2013 for acquisitions of four businesses within our Textron Systems and Industrial segments and two service centers in our Cessna segment.

Financing activities primarily consisted of the repayment of outstanding long-term debt of $1.3 billion, $0.6 billion and $1.4 billion in 2013, 2012 and 2011, respectively, partially offset by proceeds from the issuance of long-term debt of $448 million, $106 million and $926 million, in 2013, 2012 and 2011, respectively. Cash used in financing activities also included $272 million of share repurchases in 2012 and repayments of $1.4 billion against the outstanding balance on our bank credit lines in 2011.

Captive Financing and Other Intercompany Transactions

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

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

(In millions)	2013	2012	2011
Reclassifications from investing activities:			
Finance receivable originations for Manufacturing group inventory sales	$ (248)	$ (309)	$ (284)
Cash received from customers and the sale of receivables	485	405	520
Other capital contributions made to Finance group	—	—	(60)
Other	27	(16)	11
Total reclassifications from investing activities	264	80	187
Reclassifications from financing activities:			
Capital contribution paid by Manufacturing group to Finance group	1	240	182
Dividends received by Manufacturing group from Finance group	(175)	(345)	(179)
Other capital contributions made to Finance group	—	—	60
Other	(1)	(3)	(8)
Total reclassifications from financing activities	(175)	(108)	55
Total reclassifications and adjustments to cash flow from operating activities	$ 89	$ (28)	$ 242

Contractual Obligations

Manufacturing Group

The following table summarizes the known contractual obligations, as defined by reporting regulations, of our Manufacturing group as of December 28, 2013:

		Payments Due by Period			
(In millions)	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**More Than 5 Years**
Liabilities reflected in balance sheet:					
Long-term debt	$ 1,936	$ 8	$ 765	$ 365	$ 798
Interest on borrowings	509	108	183	122	96
Pension benefits for unfunded plans *(1)*	359	26	48	43	242
Postretirement benefits other than pensions *(1)*	445	48	85	71	241
Other long-term liabilities *(2)*	549	123	147	65	214
Liabilities not reflected in balance sheet:					
Operating leases *(3)*	342	63	82	49	148
Purchase obligations *(4)*	3,264	2,492	742	18	12
Total Manufacturing group	$ 7,404	$ 2,868	$ 2,052	$ 733	$ 1,751

(1) We maintain defined benefit pension plans and postretirement benefit plans other than pensions as discussed in Note 11 to the Consolidated Financial Statements. Included in the above table are discounted estimated benefit payments we expect to make related to unfunded pension and other postretirement benefit plans. Actual benefit payments are dependent on a number of factors, including mortality assumptions, expected retirement age, rate of compensation increases and medical trend rates, which are subject to change in future years. Our policy for funding pension plans is to make contributions annually, consistent with applicable laws and regulations; however, future contributions to our pension plans are not included in the above table. In 2014, we expect to make contributions to our funded pension plans of approximately $33 million and approximately $19 million in the Retirement Account Plan. Based on our current assumptions, which may change with changes in market conditions, our current contribution estimates for each of the years from 2015 through 2018 are estimated to be in the range of approximately $75 million to $130 million under the plan provisions in place at this time.

(2) Other long-term liabilities included in the table consist primarily of undiscounted amounts in the Consolidated Balance Sheet as of December 28, 2013, representing obligations under deferred compensation arrangements and estimated environmental remediation costs. Payments under deferred compensation arrangements have been estimated based on management's assumptions of expected retirement age, mortality, stock price and rates of return on participant deferrals. The timing of cash flows associated with environmental remediation costs is largely based on historical experience. Other long-term liabilities, such as deferred taxes, unrecognized tax benefits and product liability, warranty and litigation reserves, have been excluded from the table due to the uncertainty of the timing of payments combined with the absence of historical trends to be used as a predictor for such payments.

(3) Operating leases represent undiscounted obligations under noncancelable leases.

(4) Purchase obligations include undiscounted amounts committed under legally enforceable contracts or purchase orders for goods and services with defined terms as to price, quantity and delivery dates. Approximately 40% of the purchase obligations we disclose represent purchase orders issued for goods and services to be delivered under firm contracts with the U.S. Government for which we have full recourse under customary contract termination clauses.

Finance Group
The following table summarizes the known contractual obligations, as defined by reporting regulations, of our Finance group as of December 28, 2013:

		Payments Due by Period			
(In millions)	Total	Less than 1 Year	1-3 Years	4-5 Years	More Than 5 Years
Liabilities reflected in balance sheet:					
Term debt	$ 783	$ 174	$ 357	$ 133	$ 119
Securitized debt *(1)*	172	49	93	26	4
Subordinated debt	299	—	—	—	299
Interest on borrowings *(2)*	260	40	67	24	129
Total Finance group	$ 1,514	$ 263	$ 517	$ 183	$ 551

(1) Securitized debt payments do not represent contractual obligations of the Finance group, and we do not provide legal recourse to investors who purchase interests in the securitizations beyond the credit enhancement inherent in the retained subordinate interests.

(2) Interest payments reflect the current interest rate paid on the related debt. They do not include anticipated changes in market interest rates, which could have an impact on the interest rate according to the terms of the related debt.

At December 28, 2013, the Finance group also had $93 million in other liabilities, primarily accounts payable and accrued expenses, that are payable within the next 12 months.

Critical Accounting Estimates

To prepare our Consolidated Financial Statements to be in conformity with generally accepted accounting principles, we must make complex and subjective judgments in the selection and application of accounting policies. The accounting policies that we believe are most critical to the portrayal of our financial condition and results of operations are listed below. We believe these policies require our most difficult, subjective and complex judgments in estimating the effect of inherent uncertainties. This section should be read in conjunction with Note 1 to the Consolidated Financial Statements, which includes other significant accounting policies.

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

Our cost estimation process is based on the professional knowledge and experience of engineers and program managers along with finance professionals. We update our projections of costs at least semiannually or when circumstances significantly change. Adjustments to projected costs are recognized in earnings when determinable. Anticipated losses on contracts are recognized in full in the period in which the losses become probable and estimable. Due to the significance of judgment in the estimation process described above, it is likely that materially different revenues and/or cost of sales amounts could be recorded if we used different assumptions or if the underlying circumstances were to change. Our earnings could be reduced by a material amount resulting in a charge to earnings if (a) total estimated contract costs are significantly higher than expected due to changes in customer specifications prior to contract amendment, (b) total estimated contract costs are significantly higher than previously estimated due to cost overruns or inflation, (c) there is a change in engineering efforts required during the development stage of the contract or (d) we are unable to meet contract milestones.

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

The following table sets forth the aggregate gross amount of all program profit adjustments that are included within segment profit for the three years ended December 28, 2013:

(In millions)	**2013**	**2012**	**2011**
Gross favorable	$ 51	$ 88	$ 83
Gross unfavorable	(22)	(73)	(29)
Net adjustments	$ 29	$ 15	$ 54

Goodwill

We evaluate the recoverability of goodwill annually in the fourth quarter or more frequently if events or changes in circumstances, such as declines in sales, earnings or cash flows, or material adverse changes in the business climate, indicate that the carrying value of a reporting unit might be impaired. The reporting unit represents the operating segment unless discrete financial information is prepared and reviewed by segment management for businesses one level below that operating segment, in which case such component is the reporting unit. In certain instances, we have aggregated components of an operating segment into a single reporting unit based on similar economic characteristics.

We calculate the fair value of each reporting unit, primarily using discounted cash flows. These cash flows incorporate assumptions for short- and long-term revenue growth rates, operating margins and discount rates that represent our best estimates of current and forecasted market conditions, cost structure, anticipated net cost reductions, and the implied rate of return that we believe a market participant would require for an investment in a business having similar risks and business characteristics to the reporting unit being assessed. The revenue growth rates and operating margins used in our discounted cash flow analysis are based on our strategic plans and long-range planning forecasts. The long-term growth rate we use to determine the terminal value of the business is based on our assessment of its minimum expected terminal growth rate, as well as its past historical growth and broader economic considerations such as gross domestic product, inflation and the maturity of the markets we serve. We utilize a weighted-average cost of capital in our impairment analysis that makes assumptions about the capital structure that we believe a market participant would make and include a risk premium based on an assessment of risks related to the projected cash flows of each reporting unit. We believe this approach yields a discount rate that is consistent with an implied rate of return that an independent investor or market participant would require for an investment in a company having similar risks and business characteristics to the reporting unit being assessed.

If the reporting unit's estimated fair value exceeds its carrying value, the reporting unit is not impaired, and no further analysis is performed. Otherwise, the amount of the impairment must be determined by comparing the carrying amount of the reporting unit's goodwill to the implied fair value of that goodwill. The implied fair value of goodwill is determined by assigning a fair value to all of the reporting unit's assets and liabilities, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination. If the carrying amount of the goodwill exceeds the implied fair value, an impairment loss would be recognized in an amount equal to that excess.

Based on our annual impairment review, the fair value of all of our reporting units exceeded their carrying values, and we do not believe that there is a reasonable possibility that any units might fail the initial step of the impairment test in the foreseeable future.

Retirement Benefits

We maintain various pension and postretirement plans for our employees globally. These plans include significant pension and postretirement benefit obligations, which are calculated based on actuarial valuations. Key assumptions used in determining these obligations and related expenses include expected long-term rates of return on plan assets, discount rates and healthcare cost projections. We also make assumptions regarding employee demographic factors such as retirement patterns, mortality, turnover and rate of compensation increases. We evaluate and update these assumptions annually.

To determine the weighted-average expected long-term rate of return on plan assets, we consider the current and expected asset allocation, as well as historical and expected returns on each plan asset class. A lower expected rate of return on plan assets will increase pension expense. For 2013, the assumed expected long-term rate of return on plan assets used in calculating pension expense was 7.56%, compared with 7.58% in 2012. In 2013 and 2012, the assumed rate of return for our domestic plans, which represent approximately 90% of our total pension assets, was 7.75%. A 50-basis-point decrease in this long-term rate of return in 2013 would have increased pension expense for our domestic plans by approximately $25 million.

The discount rate enables us to state expected future benefit payments as a present value on the measurement date, reflecting the current rate at which the pension liabilities could be effectively settled. This rate should be in line with rates for high-quality fixed income investments available for the period to maturity of the pension benefits, which fluctuate as long-term interest rates change. A lower discount rate increases the present value of the benefit obligations and increases pension expense. In 2013, the weighted-average discount rate used in calculating pension expense was 4.23%, compared with 4.94% in 2012. For our domestic plans, the assumed discount rate was 4.25% in 2013, compared with 5.00% for 2012. A 50-basis-point decrease in this discount rate in 2013 would have increased pension expense for our domestic plans by approximately $31 million.

The trend in healthcare costs is difficult to estimate, and it has an important effect on postretirement liabilities. The 2013 medical and prescription drug healthcare cost trend rates represent the weighted-average annual projected rate of increase in the per capita cost of covered benefits. The 2013 medical rate of 7.20% is assumed to decrease to 5.00% by 2021 and then remain at that level. The 2013 prescription drug rate of 7.20% is assumed to decrease to 5.00% by 2021 and then remain at that level. See Note 11 to the Consolidated Financial Statements for the impact of a one-percentage-point change in the cost trend rate.

Warranty Liabilities

We provide limited warranty and product maintenance programs, including parts and labor, for certain products for periods ranging from one to five years. A significant portion of these liabilities arises from our commercial aircraft businesses. We also may incur costs related to product recalls. We estimate the costs that may be incurred under warranty programs and record a liability in the amount of such costs at the time product revenue is recognized. Factors that affect this liability include the number of products sold, historical costs per claim, contractual recoveries from vendors, and historical and anticipated rates of warranty claims, including production and warranty patterns for new models. During our initial aircraft model launches, we typically incur higher warranty-related costs until the production process matures, at which point warranty costs moderate. We assess the adequacy of our recorded warranty and product maintenance liabilities periodically and adjust the amounts as necessary. Adjustments are made to accruals as claim data and actual experience warrant. Should future warranty experience differ materially from our historical experience, we may be required to record additional warranty liabilities, which could have a material adverse effect on our results of operations and cash flows in the period in which these additional liabilities are required.

Finance Receivables

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

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

Income Taxes
Deferred income tax balances reflect the effects of temporary differences between the financial reporting carrying amounts of assets and liabilities and their tax bases, as well as from net operating losses and tax credit carryforwards, and are stated at enacted tax rates in effect for the year taxes are expected to be paid or recovered. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. We evaluate the recoverability of these future tax deductions and credits by assessing the adequacy of future expected taxable income from all sources, including the future reversal of existing taxable temporary differences, taxable income in carryback years, available tax planning strategies and estimated future taxable income.

The amount of income taxes we pay is subject to ongoing audits by federal, state and foreign tax authorities, which may result in proposed assessments. Our estimate of the potential outcome for any uncertain tax issue is highly judgmental. We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. For those tax positions for which it is more likely than not that a tax benefit will be sustained, we record the largest amount of tax benefit with a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. Interest and penalties are accrued, where applicable. We recognize net tax-related interest and penalties for continuing operations in income tax expense. If we do not believe that it is more likely than not that a tax benefit will be sustained, no tax benefit is recognized. However, our future results may include favorable or unfavorable adjustments to our estimated tax liabilities due to settlement of income tax examinations, new regulatory or judicial pronouncements, or other relevant events. As a result, our effective tax rate may fluctuate significantly on a quarterly and annual basis.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Foreign Exchange Risks
Our financial results are affected by changes in foreign currency exchange rates in the various countries in which our products are manufactured and/or sold. For our manufacturing operations, we manage exposures to foreign currency assets and earnings primarily by funding certain foreign currency-denominated assets with liabilities in the same currency so that certain exposures are naturally offset. We primarily use borrowings denominated in euro and British pound sterling for these purposes. In managing our foreign currency transaction exposures, we also enter into foreign currency forward exchange and option contracts. These contracts generally are 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 foreign currency options was approximately $636 million and $664 million at the end of 2013 and 2012, respectively.

The impact of foreign exchange rate changes for 2013 and 2012 from the prior year for each period is provided below:

(In millions)	**2013**	**2012**
Impact of foreign exchange rates increased (decreased):		
Revenues	$ 6	$ (80)
Segment profit	(1)	(10)

Interest Rate Risks
Our financial results are affected by changes in interest rates. As part of managing this risk, we seek to achieve a prudent balance between floating- and fixed-rate exposures. We continually monitor our mix of these exposures and adjust the mix, as necessary. For our Finance group, we limit our risk to changes in interest rates with a strategy of matching floating-rate assets with floating-rate liabilities that includes the use of interest rate exchange agreements.

Quantitative Risk Measures

In the normal course of business, we enter into financial instruments for purposes other than trading. To quantify the market risk inherent in our financial instruments, we utilize a sensitivity analysis. The financial instruments that are subject to market risk (interest rate risk and foreign exchange rate risk) include finance receivables (excluding lease receivables), debt (excluding lease obligations), interest rate exchange agreements and foreign currency exchange contracts.

Presented below is a sensitivity analysis of the fair value of financial instruments outstanding at year-end. We estimate the fair value of the financial instruments using discounted cash flow analysis and indicative market pricing as reported by leading financial news and data providers. This sensitivity analysis is most likely not indicative of actual results in the future. The following table illustrates the sensitivity to a hypothetical change in the fair value of the financial instruments assuming a 10% decrease in interest rates and a 10% strengthening in exchange rates against the U.S. dollar:

	2013			2012		
(In millions)	Carrying Value*	Fair Value*	Sensitivity of Fair Value to a 10% Change	Carrying Value*	Fair Value*	Sensitivity of Fair Value to a 10% Change
Manufacturing group						
Foreign exchange rate risk						
Debt	$ (249)	$ (275)	$ (27)	$ (564)	$ (598)	$ (60)
Foreign currency exchange contracts	(12)	(12)	33	6	6	34
	$ (261)	$ (287)	$ 6	$ (558)	$ (592)	$ (26)
Interest rate risk						
Debt	$ (1,854)	$ (2,027)	$ (13)	$ (2,225)	$ (2,636)	$ (9)
Finance group						
Interest rate risk						
Finance receivables	$ 1,296	$ 1,356	$ 24	$ 1,766	$ 1,793	$ 36
Debt, including intergroup	(1,256)	(1,244)	(4)	(1,687)	(1,678)	(13)
	$ 40	$ 112	$ 20	$ 79	$ 115	$ 23

** The value represents an asset or (liability).*

Item 8. Financial Statements and Supplementary Data

Our Consolidated Financial Statements and the related reports of our independent registered public accounting firm thereon are included in this Annual Report on Form 10-K on the pages indicated below:

All other schedules are omitted either because they are not applicable or not required or because the required information is included in the financial statements or notes thereto.

Report of Management

Management is responsible for the integrity and objectivity of the financial data presented in this Annual Report on Form 10-K. The Consolidated Financial Statements have been prepared in conformity with U.S. generally accepted accounting principles and include amounts based on management's best estimates and judgments. Management also is responsible for establishing and maintaining adequate internal control over financial reporting for Textron Inc. as such term is defined in Exchange Act Rules 13a-15(f). With the participation of our management, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework). Based on our evaluation under the framework in Internal Control – Integrated Framework, we have concluded that Textron Inc. maintained, in all material respects, effective internal control over financial reporting as of December 28, 2013.

The independent registered public accounting firm, Ernst & Young LLP, has audited the Consolidated Financial Statements of Textron Inc. and has issued an attestation report on Textron's internal controls over financial reporting as of December 28, 2013, as stated in its reports, which are included herein.

We conduct our business in accordance with the standards outlined in the Textron Business Conduct Guidelines, which are communicated to all employees. Honesty, integrity and high ethical standards are the core values of how we conduct business. Every Textron business 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's management is 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 consists of six directors who are not officers or employees of Textron and meets regularly with the independent auditors, management and our internal auditors to review matters relating to financial reporting, internal accounting controls and auditing.

/s/ Scott C. Donnelly

Scott C. Donnelly
Chairman, President and Chief Executive Officer

/s/ Frank T. Connor

Frank T. Connor
Executive Vice President and Chief Financial Officer

February 14, 2014

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Textron Inc.

We have audited Textron Inc.'s internal control over financial reporting as of December 28, 2013, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) (the COSO criteria). Textron Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Textron Inc. maintained, in all material respects, effective internal control over financial reporting as of December 28, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Balance Sheets of Textron Inc. as of December 28, 2013 and December 29, 2012, and the related Consolidated Statements of Operations, Comprehensive Income (Loss), Shareholders' Equity and Cash Flows for each of the three years in the period ended December 28, 2013 of Textron Inc. and our report dated February 14, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts
February 14, 2014

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Textron Inc.

We have audited the accompanying Consolidated Balance Sheets of Textron Inc. as of December 28, 2013 and December 29, 2012, and the related Consolidated Statements of Operations, Comprehensive Income (Loss), Shareholders' Equity and Cash Flows for each of the three years in the period ended December 28, 2013. Our audits also included the financial statement schedule contained on page 78. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Textron Inc. at December 28, 2013 and December 29, 2012 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 28, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Textron Inc.'s internal control over financial reporting as of December 28, 2013, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) and our report dated February 14, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts
February 14, 2014

Consolidated Statements of Operations

For each of the years in the three-year period ended December 28, 2013

(In millions, except per share data)	**2013**	**2012**	**2011**
Revenues			
Manufacturing revenues	$ 11,972	$ 12,022	$ 11,172
Finance revenues	132	215	103
Total revenues	12,104	12,237	11,275
Costs, expenses and other			
Cost of sales	10,131	10,019	9,308
Selling and administrative expense	1,126	1,165	1,195
Interest expense	173	212	246
Valuation allowance on transfer of Golf Mortgage portfolio to held for sale	—	—	186
Other losses, net	—	—	3
Total costs, expenses and other	11,430	11,396	10,938
Income from continuing operations before income taxes	674	841	337
Income tax expense	176	260	95
Income from continuing operations	498	581	242
Income from discontinued operations, net of income taxes	—	8	—
Net income	$ 498	$ 589	$ 242
Basic earnings per share			
Continuing operations	$ 1.78	$ 2.07	$ 0.87
Discontinued operations	—	0.03	—
Basic earnings per share	$ 1.78	$ 2.10	$ 0.87
Diluted earnings per share			
Continuing operations	$ 1.75	$ 1.97	$ 0.79
Discontinued operations	—	0.03	—
Diluted earnings per share	$ 1.75	$ 2.00	$ 0.79

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income (Loss)

For each of the years in the three-year period ended December 28, 2013

(In millions)		**2013**		**2012**		**2011**
Net income	$	498	$	589	$	242
Other comprehensive income (loss), net of tax:						
Pension and postretirement benefits adjustments, net of reclassifications		747		(146)		(286)
Deferred gains/losses on hedge contracts, net of reclassifications		(16)		(1)		(20)
Foreign currency translation adjustments		12		2		(3)
Other comprehensive income (loss)		743		(145)		(309)
Comprehensive income (loss)	$	1,241	$	444	$	(67)

See Notes to the Consolidated Financial Statements.

Consolidated Balance Sheets

(In millions, except share data)	**December 28, 2013**	**December 29, 2012**
Assets		
Manufacturing group		
Cash and equivalents	$ 1,163	$ 1,378
Accounts receivable, net	979	829
Inventories	2,963	2,712
Other current assets	467	470
Total current assets	5,572	5,389
Property, plant and equipment, net	2,215	2,149
Goodwill	1,735	1,649
Other assets	1,697	1,524
Total Manufacturing group assets	11,219	10,711
Finance group		
Cash and equivalents	48	35
Finance receivables, net	1,493	1,990
Other assets	184	297
Total Finance group assets	1,725	2,322
Total assets	$ 12,944	$ 13,033
Liabilities and shareholders' equity		
Liabilities		
Manufacturing group		
Current portion of long-term debt	$ 8	$ 535
Accounts payable	1,107	1,021
Accrued liabilities	1,888	1,956
Total current liabilities	3,003	3,512
Other liabilities	2,118	2,798
Long-term debt	1,923	1,766
Total Manufacturing group liabilities	7,044	8,076
Finance group		
Other liabilities	260	280
Debt	1,256	1,686
Total Finance group liabilities	1,516	1,966
Total liabilities	8,560	10,042
Shareholders' equity		
Common stock (282.1 million and 282.6 million shares issued, respectively, and 282.1 million and 271.3 million shares outstanding, respectively)	35	35
Capital surplus	1,331	1,177
Retained earnings	4,045	3,824
Accumulated other comprehensive loss	(1,027)	(1,770)
	4,384	3,266
Less cost of treasury shares	—	275
Total shareholders' equity	4,384	2,991
Total liabilities and shareholders' equity	$ 12,944	$ 13,033

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

(In millions, except per share data)	**Common Stock**	**Capital Surplus**	**Retained Earnings**	**Treasury Stock**	**Accumulated Other Comprehensive Loss**	**Total Shareholders' Equity**
Balance at January 1, 2011	$ 35	$ 1,301	$ 3,037	$ (85)	$ (1,316)	$ 2,972
Net income			242			242
Other comprehensive loss					(309)	(309)
Dividends declared ($0.08 per share)			(22)			(22)
Purchases/conversions of convertible notes		(179)		(3)		(182)
Amendment of call option/warrant transactions and purchase of capped call		(30)				(30)
Share-based compensation activity		(11)		85		74
Balance at December 31, 2011	35	1,081	3,257	(3)	(1,625)	2,745
Net income			589			589
Other comprehensive loss					(145)	(145)
Dividends declared ($0.08 per share)			(22)			(22)
Share-based compensation activity		96				96
Purchases of common stock				(272)		(272)
Balance at December 29, 2012	35	1,177	3,824	(275)	(1,770)	2,991
Net income			498			498
Other comprehensive income					743	743
Dividends declared ($0.08 per share)			(22)			(22)
Share-based compensation activity		99				99
Purchases/conversions of convertible notes	2	39		(41)		—
Settlement of capped call		75				75
Retirement of treasury stock	(2)	(59)	(255)	316		—
Balance at December 28, 2013	$ 35	$ 1,331	$ 4,045	$ —	$ (1,027)	$ 4,384

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For each of the years in the three-year period ended December 28, 2013

	Consolidated		
(In millions)	**2013**	**2012**	**2011**
Cash flows from operating activities			
Net income	$ 498	$ 589	$ 242
Less: Income from discontinued operations	—	8	—
Income from continuing operations	498	581	242
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Non-cash items:			
Depreciation and amortization	389	383	403
Deferred income taxes	86	171	81
Portfolio losses on finance receivables	29	68	102
Valuation allowance on finance receivables held for sale	(31)	(76)	202
Goodwill and other asset impairment charges	—	—	59
Other, net	63	94	178
Changes in assets and liabilities:			
Accounts receivable, net	(118)	32	36
Inventories	(118)	(316)	(127)
Other assets	(42)	7	98
Accounts payable	65	179	211
Accrued and other liabilities	(182)	(96)	(175)
Income taxes, net	(84)	52	48
Pension, net	17	(240)	(474)
Captive finance receivables, net	237	96	236
Other operating activities, net	4	—	(52)
Net cash provided by operating activities of continuing operations	813	935	1,068
Net cash used in operating activities of discontinued operations	(3)	(8)	(5)
Net cash provided by operating activities	810	927	1,063
Cash flows from investing activities			
Capital expenditures	(444)	(480)	(423)
Net cash used in acquisitions	(196)	(11)	(14)
Finance receivables repaid	190	599	824
Proceeds from sales of receivables and other finance assets	178	249	530
Finance receivables originated or purchased	(10)	(22)	(187)
Proceeds from collection on notes receivable from a prior disposition	—	—	58
Other investing activities, net	18	43	55
Net cash provided by (used in) investing activities	(264)	378	843
Cash flows from financing activities			
Principal payments on long-term debt and nonrecourse debt	(1,056)	(615)	(785)
Proceeds from long-term debt	448	106	926
Settlement of convertible notes	(215)	(2)	(580)
Proceeds from settlement of capped call	75	—	—
Amendment of call option/warrant transactions and purchase of capped call	—	—	(30)
Payments on long-term lines of credit	—	—	(1,440)
Purchases of Textron common stock	—	(272)	—
Proceeds from exercise of stock options	31	19	3
Dividends paid	(22)	(17)	(22)
Other financing activities	(3)	—	(23)
Net cash used in financing activities	(742)	(781)	(1,951)
Effect of exchange rate changes on cash and equivalents	(6)	4	(1)
Net increase (decrease) in cash and equivalents	(202)	528	(46)
Cash and equivalents at beginning of year	1,413	885	931
Cash and equivalents at end of year	$ 1,211	$ 1,413	$ 885

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows continued

For each of the years in the three-year period ended December 28, 2013

	Manufacturing Group			Finance Group		
(In millions)	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**
Cash flows from operating activities						
Net income (loss)	$ 470	$ 542	$ 464	$ 28	$ 47	$ (222)
Less: Income from discontinued operations	—	8	—	—	—	—
Income (loss) from continuing operations	470	534	464	28	47	(222)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities:						
Dividends received from Finance group	175	345	179	—	—	—
Capital contributions paid to Finance group	(1)	(240)	(182)	—	—	—
Non-cash items:						
Depreciation and amortization	371	358	371	18	25	32
Deferred income taxes	51	102	197	35	69	(116)
Portfolio losses on finance receivables	—	—	—	29	68	102
Valuation allowance on finance receivables held for sale	—	—	—	(31)	(76)	202
Goodwill and other asset impairment charges	—	—	57	—	—	—
Other, net	86	97	166	(23)	(3)	12
Changes in assets and liabilities:						
Accounts receivable, net	(118)	32	36	—	—	—
Inventories	(135)	(300)	(132)	—	—	—
Other assets	(41)	21	92	—	(11)	10
Accounts payable	65	179	211	—	—	—
Accrued and other liabilities	(171)	(77)	(149)	(21)	(19)	(26)
Income taxes, net	(119)	148	(22)	35	(96)	70
Pension, net	21	(241)	(475)	(4)	1	1
Other operating activities, net	4	—	(52)	—	—	—
Net cash provided by operating activities of continuing operations	658	958	761	66	5	65
Net cash used in operating activities of discontinued operations	(3)	(8)	(5)	—	—	—
Net cash provided by operating activities	655	950	756	66	5	65
Cash flows from investing activities						
Capital expenditures	(444)	(480)	(423)	—	—	—
Net cash used in acquisitions	(196)	(11)	(14)	—	—	—
Finance receivables repaid	—	—	—	675	1,004	1,289
Proceeds from sales of receivables and other finance assets	—	—	—	178	249	585
Finance receivables originated or purchased	—	—	—	(271)	(331)	(471)
Proceeds from collection on notes receivable from a prior disposition	—	—	58	—	—	—
Other investing activities, net	16	15	(44)	42	12	50
Net cash provided by (used in) investing activities	(624)	(476)	(423)	624	934	1,453
Cash flows from financing activities						
Principal payments on long-term and nonrecourse debt	(313)	(189)	(29)	(743)	(426)	(756)
Proceeds from long-term debt	150	—	496	298	106	430
Settlement of convertible notes	(215)	(2)	(580)	—	—	—
Proceeds from settlement of capped call	75	—	—	—	—	—
Amendment of call option/warrant transactions and purchase of capped call	—	—	(30)	—	—	—
Payments on long-term lines of credit	—	—	—	—	—	(1,440)
Purchases of Textron common stock	—	(272)	—	—	—	—
Proceeds from exercise of stock options	31	19	3	—	—	—
Dividends paid	(22)	(17)	(22)	(175)	(345)	(179)
Intergroup financing	57	490	(175)	(57)	(493)	167
Capital contributions paid to Finance group	—	—	—	1	240	182
Capital contributions paid to Cessna Export Finance Corp.	—	—	—	—	—	60
Other financing activities	(3)	—	(23)	(1)	—	—
Net cash provided by (used in) financing activities	(240)	29	(360)	(677)	(918)	(1,536)
Effect of exchange rate changes on cash and equivalents	(6)	4	—	—	—	(1)
Net increase (decrease) in cash and equivalents	(215)	507	(27)	13	21	(19)
Cash and equivalents at beginning of year	1,378	871	898	35	14	33
Cash and equivalents at end of year	$ 1,163	$ 1,378	$ 871	$ 48	$ 35	$ 14

See Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Principles of Consolidation and Financial Statement Presentation

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

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

Collaborative Arrangements

Our Bell segment has a strategic alliance agreement with The Boeing Company (Boeing) to provide engineering, development and test services related to the V-22 aircraft, as well as to produce the V-22 aircraft, under a number of separate contracts with the U.S. Government (V-22 Contracts). The alliance created by this agreement is not a legal entity and has no employees, no assets and no true operations. This agreement creates contractual rights and does not represent an entity in which we have an equity interest. We account for this alliance as a collaborative arrangement with Bell and Boeing reporting costs incurred and revenues generated from transactions with the U.S. Government in each company's respective income statement. Neither Bell nor Boeing is considered to be the principal participant for the transactions recorded under this agreement. Profits on cost-plus contracts are allocated between Bell and Boeing on a 50%-50% basis. Negotiated profits on fixed-price contracts are also allocated 50%-50%; however, Bell and Boeing are each responsible for their own cost overruns and are entitled to retain any cost underruns. Based on the contractual arrangement established under the alliance, Bell accounts for its rights and obligations under the specific requirements of the V-22 Contracts allocated to Bell under the work breakdown structure. We account for all of our rights and obligations, including warranty, product and any contingent liabilities, under the specific requirements of the V-22 Contracts allocated to us under the agreement. Revenues and cost of sales reflect our performance under the V-22 Contracts with revenues recognized using the units-of-delivery method. We include all assets used in performance of the V-22 Contracts that we own, including inventory and unpaid receivables and all liabilities arising from our obligations under the V-22 Contracts in our Consolidated Balance Sheets.

Use of Estimates

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

During 2013, 2012 and 2011, we changed our estimates of revenues and costs on certain long-term contracts that are accounted for under the percentage-of-completion method of accounting. These changes in estimates increased income from continuing operations before income taxes in 2013, 2012 and 2011 by $29 million, $15 million and $54 million, respectively, ($18 million, $9 million and $34 million after tax, or $0.06, $0.03 and $0.11 per diluted share, respectively). For 2013, 2012 and 2011, the gross favorable program profit adjustments totaled $51 million, $88 million and $83 million, respectively. For 2013, 2012 and 2011, the gross unfavorable program profit adjustments totaled $22 million, $73 million and $29 million, respectively.

Revenue Recognition

We generally recognize revenue for the sale of products, which are not under long-term contracts, upon delivery. For commercial aircraft, delivery is upon completion of manufacturing, customer acceptance, and the transfer of the risk and rewards of ownership. Taxes collected from customers and remitted to government authorities are recorded on a net basis.

When a sale arrangement involves multiple deliverables, such as sales of products that include customization and other services, we evaluate the arrangement to determine whether there are separate items that are required to be delivered under the arrangement that qualify as separate units of accounting. These arrangements typically involve the customization services we offer to customers who purchase Bell helicopters, and the services generally are provided within the first six months after the customer accepts the aircraft and assumes risk of loss. We consider the aircraft and the customization services to be separate units of accounting and allocate contract price between the two on a relative selling price basis using the best evidence of selling price for each of the arrangement deliverables, typically by reference to the price charged when the same or similar items are sold separately by us, taking into consideration any performance, cancellation, termination or refund-type provisions. We recognize revenue when the recognition criteria for each unit of accounting are met.

Long-Term Contracts — Revenues under long-term contracts are accounted for under the percentage-of-completion method of accounting. Under this method, we estimate profit as the difference between the total estimated revenues and cost of a contract. We then recognize that estimated profit over the contract term based on either the units-of-delivery method or the cost-to-cost method (which typically is used for development effort as costs are incurred), as appropriate under the circumstances. Revenues under fixed-price contracts generally are recorded using the units-of-delivery method. Revenues under cost-reimbursement contracts are recorded using the cost-to-cost method.

Long-term contract profits are based on estimates of total contract cost and revenues utilizing current contract specifications, expected engineering requirements, the achievement of contract milestones and product deliveries. Certain contracts are awarded with fixed-price incentive fees that also are considered when estimating revenues and profit rates. Contract costs typically are incurred over a period of several years, and the estimation of these costs requires substantial judgment. Our cost estimation process is based on the professional knowledge and experience of engineers and program managers along with finance professionals. We update our projections of costs at least semiannually or when circumstances significantly change. When adjustments are required, any changes from prior estimates are recognized using the cumulative catch-up method with the impact of the change from inception-to-date recorded in the current period. Anticipated losses on contracts are recognized in full in the period in which the losses become probable and estimable.

Finance Revenues — Finance revenues include interest on finance receivables, direct loan origination costs and fees received, and capital and leveraged lease earnings, as well as portfolio gains/losses. Portfolio gains/losses include impairment charges related to repossessed assets and properties and gains/losses on the sale or early termination of finance assets. Revenues on direct loan origination costs and fees received are deferred and amortized to finance revenues over the contractual lives of the respective receivables and credit lines using the interest method. When receivables are sold or prepaid, unamortized amounts are recognized in finance revenues.

We recognize interest using the interest method, which provides a constant rate of return over the terms of the receivables. Accrual of interest income is suspended if credit quality indicators suggest full collection of principal and interest is doubtful. In addition, we automatically suspend the accrual of interest income for accounts that are contractually delinquent by more than three months unless collection is not doubtful. Cash payments on nonaccrual accounts, including finance charges, generally are applied to reduce the net investment balance. We resume the accrual of interest when the loan becomes contractually current through payment according to the original terms of the loan or, if a loan has been modified, following a period of performance under the terms of the modification, provided we conclude that collection of all principal and interest is no longer doubtful. Previously suspended interest income is recognized at that time.

Cash and Equivalents

Cash and equivalents consist of cash and short-term, highly liquid investments with original maturities of three months or less.

Inventories
Inventories are stated at the lower of cost or estimated net realizable value. We value our inventories generally using the first-in, first-out (FIFO) method or the last-in, first-out (LIFO) method for certain qualifying inventories where LIFO provides a better matching of costs and revenues. We determine costs for our commercial helicopters on an average cost basis by model considering the expended and estimated costs for the current production release. Inventoried costs related to long-term contracts are stated at actual production costs, including allocable operating overhead, advances to suppliers, and, in the case of contracts with the U.S. Government, allocable research and development and general and administrative expenses. Since our inventoried costs include amounts related to contracts with long production cycles, a portion of these costs is not expected to be realized within one year. Pursuant to contract provisions, agencies of the U.S. Government have title to, or security interest in, inventories related to such contracts as a result of advances, performance-based payments and progress payments. Such advances and payments are reflected as an offset against the related inventory balances. Customer deposits are recorded against inventory when the right of offset exists. All other customer deposits are recorded in accrued liabilities.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost and are depreciated primarily using the straight-line method. We capitalize expenditures for improvements that increase asset values and extend useful lives.

Goodwill
We evaluate the recoverability of goodwill annually in the fourth quarter or more frequently if events or changes in circumstances, such as declines in sales, earnings or cash flows, or material adverse changes in the business climate, indicate that the carrying value of a reporting unit might be impaired. The reporting unit represents the operating segment unless discrete financial information is prepared and reviewed by segment management for businesses one level below that operating segment, in which case such component is the reporting unit. In certain instances, we have aggregated components of an operating segment into a single reporting unit based on similar economic characteristics.

We calculate the fair value of each reporting unit, primarily using discounted cash flows. The discounted cash flows incorporate assumptions for short- and long-term revenue growth rates, operating margins and discount rates, which represent our best estimates of current and forecasted market conditions, cost structure, anticipated net cost reductions, and the implied rate of return that we believe a market participant would require for an investment in a business having similar risks and business characteristics to the reporting unit being assessed. If the reporting unit's estimated fair value exceeds its carrying value, the reporting unit is not impaired, and no further analysis is performed. Otherwise, the amount of the impairment must be determined by comparing the carrying amount of the reporting unit's goodwill to the implied fair value of that goodwill. The implied fair value of goodwill is determined by assigning a fair value to all of the reporting unit's assets and liabilities, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination. If the carrying amount of the goodwill exceeds the implied fair value, an impairment loss would be recognized in an amount equal to that excess.

Intangible and Other Long-Lived Assets
At acquisition, we estimate and record the fair value of purchased intangible assets primarily using a discounted cash flow analysis of anticipated cash flows reflecting incremental revenues and/or cost savings resulting from the acquired intangible asset using market participant assumptions. Amortization of intangible assets with finite lives is recognized over their estimated useful lives using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise realized. Approximately 64% of our gross intangible assets are amortized based on the cash flow streams used to value the assets, with the remaining assets amortized using the straight-line method. Long-lived assets, including intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying value of the asset held for use exceeds the sum of the undiscounted expected future cash flows, the carrying value of the asset generally is written down to fair value. Long-lived assets held for sale are stated at the lower of cost or fair value less cost to sell. Fair value is determined using pertinent market information, including estimated future discounted cash flows.

Finance Receivables
Finance receivables primarily include finance receivables classified as held for investment, and also include finance receivables classified as held for sale. Finance receivables are classified as held for investment when we have the intent and the ability to hold the receivable for the foreseeable future or until maturity or payoff. Finance receivables held for investment are generally recorded at the amount of outstanding principal less allowance for losses.

We maintain an allowance for losses on finance receivables at a level considered adequate to cover inherent losses in the portfolio based on management's evaluation. For larger balance accounts specifically identified as impaired, including large accounts in homogeneous portfolios, a reserve is established based on comparing the expected future cash flows, discounted at the finance receivable's effective interest rate, or the fair value of the underlying collateral if the finance receivable is collateral dependent, to its carrying amount. The expected future cash flows consider collateral value; financial performance and liquidity of our borrower; existence and financial strength of guarantors; estimated recovery costs, including legal expenses; and costs associated with the repossession and eventual disposal of collateral. When there is a range of potential outcomes, we perform multiple discounted cash flow analyses and weight the potential outcomes based on their relative likelihood of occurrence. The evaluation of our portfolio is inherently subjective, as it requires estimates, including the amount and timing of future cash flows expected to be received on impaired finance receivables and the estimated fair value of the underlying collateral, which may differ from actual results. While our analysis is specific to each individual account, critical factors included in this analysis include industry valuation guides, age and physical condition of the collateral, payment history and existence and financial strength of guarantors. We also establish an allowance for losses to cover probable but specifically unknown losses existing in the portfolio. This allowance is established as a percentage of non-recourse finance receivables, which have not been identified as requiring specific reserves. The percentage is based on a combination of factors, including historical loss experience, current delinquency and default trends, collateral values and both general economic and specific industry trends. Finance receivables are charged off at the earlier of the date the collateral is repossessed or when no payment has been received for six months, unless management deems the receivable collectible. Repossessed assets are recorded at their fair value, less estimated cost to sell.

Finance receivables are classified as held for sale based on the determination that we no longer intend to hold the receivables for the foreseeable future, until maturity or payoff, or we no longer have the ability to hold to maturity. Our decision to classify certain finance receivables as held for sale is based on a number of factors, including, but not limited to, contractual duration, type of collateral, credit strength of the borrowers, interest rates and perceived marketability of the receivables. These receivables are carried at the lower of cost or fair value. At the time of transfer to the held for sale classification, we establish a valuation allowance for any shortfall between the carrying value and fair value. In addition, any allowance for loan losses previously allocated to these finance receivables is transferred to the valuation allowance account and adjusted quarterly. Fair value changes can occur based on market interest rates, market liquidity, and changes in the credit quality of the borrower and value of underlying loan collateral.

Pension and Postretirement Benefit Obligations

We maintain various pension and postretirement plans for our employees globally. These plans include significant pension and postretirement benefit obligations, which are calculated based on actuarial valuations. Key assumptions used in determining these obligations and related expenses include expected long-term rates of return on plan assets, discount rates and healthcare cost projections. We evaluate and update these assumptions annually in consultation with third-party actuaries and investment advisors. We also make assumptions regarding employee demographic factors such as retirement patterns, mortality, turnover and rate of compensation increases. We recognize the overfunded or underfunded status of our pension and postretirement plans in the Consolidated Balance Sheets and recognize changes in the funded status of our defined benefit plans in comprehensive income in the year in which they occur. Actuarial gains and losses that are not immediately recognized as net periodic pension cost are recognized as a component of other comprehensive income (loss) (OCI) and are amortized into net periodic pension cost in future periods.

Derivative Financial Instruments

We are exposed to market risk primarily from changes in currency exchange rates and interest rates. We do not hold or issue derivative financial instruments for trading or speculative purposes. To manage the volatility relating to our exposures, we net these exposures on a consolidated basis to take advantage of natural offsets. For the residual portion, we enter into various derivative transactions pursuant to our policies in areas such as counterparty exposure and hedging practices. All derivative instruments are reported at fair value in the Consolidated Balance Sheets. Designation to support hedge accounting is performed on a specific exposure basis. For financial instruments qualifying as fair value hedges, we record changes in fair value in earnings, offset, in part or in whole, by corresponding changes in the fair value of the underlying exposures being hedged. For cash flow hedges, we record changes in the fair value of derivatives (to the extent they are effective as hedges) in OCI, net of deferred taxes. Changes in fair value of derivatives not qualifying as hedges are recorded in earnings.

Foreign currency denominated assets and liabilities are translated into U.S. dollars. Adjustments from currency rate changes are recorded in the cumulative translation adjustment account in shareholders' equity until the related foreign entity is sold or substantially liquidated. We use foreign currency financing transactions 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 cumulative translation adjustment account.

Product Liabilities

We accrue for product liability claims and related defense costs when a loss is probable and reasonably estimable. Our estimates are generally based on the specifics of each claim or incident and our best estimate of the probable loss using historical experience.

Environmental Liabilities and Asset Retirement Obligations

Liabilities for environmental matters are recorded on a site-by-site basis when it is probable that an obligation has been incurred and the cost can be reasonably estimated. We estimate our accrued environmental liabilities using currently available facts, existing technology, and presently enacted laws and regulations, all of which are subject to a number of factors and uncertainties. Our environmental liabilities are not discounted and do not take into consideration possible future insurance proceeds or significant amounts from claims against other third parties.

We have incurred asset retirement obligations primarily related to costs to remove and dispose of underground storage tanks and asbestos materials used in insulation, adhesive fillers and floor tiles. There is no legal requirement to remove these items, and there currently is no plan to remodel the related facilities or otherwise cause the impacted items to require disposal. Since these asset retirement obligations are not estimable, there is no related liability recorded in the Consolidated Balance Sheets.

Warranty and Product Maintenance Contracts

We provide limited warranty and product maintenance programs, including parts and labor, for certain products for periods ranging from one to five years. We estimate the costs that may be incurred under warranty programs and record a liability in the amount of such costs at the time product revenues are recognized. Factors that affect this liability include the number of products sold, historical costs per claim, contractual recoveries from vendors and historical and anticipated rates of warranty claims, including production and warranty patterns for new models. We assess the adequacy of our recorded warranty and product maintenance liabilities periodically and adjust the amounts as necessary. Additionally, we may establish warranty liabilities related to the issuance of aircraft service bulletins for aircraft no longer covered under the limited warranty programs.

Research and Development Costs

Our customer-funded research and development costs are charged directly to the related contracts, which primarily consist of U.S. Government contracts. In accordance with government regulations, we recover a portion of company-funded research and development costs through overhead rate charges on our U.S. Government contracts. Research and development costs that are not reimbursable under a contract with the U.S. Government or another customer are charged to expense as incurred. Company-funded research and development costs were $651 million, $584 million, and $525 million in 2013, 2012 and 2011, respectively, and are included in cost of sales.

Income Taxes

Deferred income tax balances reflect the effects of temporary differences between the financial reporting carrying amounts of assets and liabilities and their tax bases, as well as from net operating losses and tax credit carryforwards, and are stated at enacted tax rates in effect for the year taxes are expected to be paid or recovered. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. We evaluate the recoverability of these future tax deductions and credits by assessing the adequacy of future expected taxable income from all sources, including the future reversal of existing taxable temporary differences, taxable income in carryback years, available tax planning strategies and estimated future taxable income. We recognize net tax-related interest and penalties for continuing operations in income tax expense.

Note 2. Business Acquisitions, Goodwill and Intangible Assets

Pending Business Acquisition

On December 26, 2013, we entered into an agreement and plan of merger pursuant to which we will acquire all outstanding equity interests in Beech Holdings, LLC (“Beech”), the parent of Beechcraft Corporation, for approximately $1.4 billion in cash. Beech designs, builds and supports aircraft, including the King Air turboprops, piston-engine Baron and Bonanza, and the T-6 trainer and AT-6 light attack military aircraft. Beech also has a global network of both factory-owned and authorized service centers. We plan to finance the purchase of the equity in Beech and the repayment of Beech’s outstanding debt, which is required at closing, through a combination of available cash at Beech and Textron and up to $1.1 billion in new debt. The transaction is expected to close during the first half of 2014, subject to customary closing conditions, including regulatory approvals.

2013 Business Acquisitions

In 2013, we acquired the following businesses for an aggregate cash payment of $196 million:

Textron Systems

- Mechtronix, Inc. and OPINICUS Corporation, both acquired on December 6, 2013, design, develop, install and provide maintenance of advanced full flight simulators for both rotary- and fixed-wing aircraft.

Industrial

- Sherman & Reilly, Inc., a manufacturer of underground and aerial transmission and distribution products was acquired by our Greenlee business on May 1, 2013.
- HD Electric Company, a designer and manufacturer of power utility products that test, measure and control electric power was also acquired by our Greenlee business on December 18, 2013.

Cessna

- Two service centers located in Zurich, Switzerland and Düsseldorf, Germany were acquired on December 31, 2012.

The consideration paid for each of these businesses was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. We assigned $75 million to identifiable intangible assets, which primarily include platform technology and trade names. For the three acquisitions that were closed in December 2013, we made preliminary estimates of the fair value of certain assets and we expect to complete the valuation of the assets in the first quarter of 2014. The acquired intangible assets will be amortized over their estimate lives, which range from 7 to 11 years, primarily using accelerated amortization methods based on the cash flow streams used to value those assets. The excess of the purchase price over the estimated fair value of the net assets acquired totaled $82 million, which was recorded as goodwill, and reflects the expected revenue, assembled workforce and going concern nature of the businesses. Approximately $52 million of the goodwill is deductible for tax purposes.

The operating results for these acquisitions have been included in the Consolidated Statement of Operations since their respective closing dates. Pro forma information has not been included for these business acquisitions as the results would not be materially different from our consolidated results.

The changes in the carrying amount of goodwill by segment are as follows:

(In millions)	Cessna	Bell	Textron Systems	Industrial	Total
Balance at January 1, 2011	$ 322	$ 31	$ 974	$ 305	$ 1,632
Acquisitions	—	—	—	5	5
Foreign currency translation	—	—	—	(2)	(2)
Balance at December 31, 2011	322	31	974	308	1,635
Acquisitions	4	—	—	6	10
Foreign currency translation	—	—	—	4	4
Balance at December 29, 2012	326	31	974	318	1,649
Acquisitions	—	—	52	30	82
Foreign currency translation	—	—	—	4	4
Balance at December 28, 2013	$ 326	$ 31	$ 1,026	$ 352	$ 1,735

Our intangible assets are summarized below:

		December 28, 2013			December 29, 2012		
(Dollars in millions)	Weighted-Average Amortization Period (in years)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Customer agreements and contractual relationships	15	$ 331	$ (165)	$ 166	$ 330	$ (139)	$ 191
Patents and technology	10	142	(63)	79	84	(55)	29
Trademarks	15	49	(24)	25	36	(22)	14
Other	9	23	(17)	6	20	(16)	4
Total		$ 545	$ (269)	$ 276	$ 470	$ (232)	$ 238

Amortization expense totaled $37 million, $40 million and $51 million in 2013, 2012 and 2011, respectively. Amortization expense is estimated to be approximately $43 million, $42 million, $36 million, $32 million and $25 million in 2014, 2015, 2016, 2017 and 2018, respectively.

Note 3. Accounts Receivable and Finance Receivables

Accounts Receivable

Accounts receivable is composed of the following:

(In millions)	December 28, 2013	December 29, 2012
Commercial	$ 654	$ 534
U.S. Government contracts	347	314
	1,001	848
Allowance for doubtful accounts	(22)	(19)
Total	$ 979	$ 829

We have unbillable receivables primarily on U.S. Government contracts that arise when the revenues we have appropriately recognized based on performance cannot be billed yet under terms of the contract. Unbillable receivables within accounts receivable totaled $163 million at December 28, 2013 and $149 million at December 29, 2012.

Finance Receivables

Finance receivables by classification are presented in the following table.

(In millions)	December 28, 2013	December 29, 2012
Finance receivables held for investment	$ 1,483	$ 1,934
Allowance for losses	(55)	(84)
Total finance receivables held for investment, net	1,428	1,850
Finance receivables held for sale	65	140
Total finance receivables, net	$ 1,493	$ 1,990

Finance receivables held for investment primarily includes loans and finance leases provided to purchasers of new and used Cessna aircraft and Bell helicopters and also includes loans and finance leases secured by used aircraft produced by other manufacturers. These agreements typically have initial terms ranging from five to ten years and amortization terms ranging from eight to fifteen years. The average balance of loans and finance leases was $1 million at December 28, 2013. Loans generally require the customer to pay a significant down payment, along with periodic scheduled principal payments that reduce the outstanding balance through the term of the loan. Finance leases with no significant residual value at the end of the contractual term are classified as loans, as their legal and economic substance is more equivalent to a secured borrowing than a finance lease with a significant residual value. Finance receivables held for investment also includes leveraged leases secured by the ownership of the leased equipment and real property.

Finance receivables held for sale includes the non-captive loan portfolio at December 28, 2013. These finance receivables are carried at the lower of cost or fair value and are not included in the credit performance tables below. During 2013, we determined that we no longer had the intent to hold the remaining non-captive loan portfolio for the foreseeable future and, accordingly, transferred $34 million of the remaining non-captive loans, net of a $1 million allowance for losses, from the held for investment classification to the held for sale classification. We received total proceeds of $64 million and $109 million in 2013 and 2012, respectively, from the sale of finance receivables held for sale and $76 million and $207 million, respectively, from payoffs and collections.

Our finance receivables are diversified across geographic region and borrower industry. At December 28, 2013, 41% of our finance receivables were distributed throughout the U.S. compared with 45% at the end of 2012. At December 28, 2013 and December 29, 2012, finance receivables included $200 million and $341 million, respectively, of receivables that have been legally sold to a special purpose entity (SPE), which is a consolidated subsidiary of TFC. The assets of the SPE are pledged as collateral for its debt, which is reflected as securitized on-balance sheet debt in Note 7. Third-party investors have no legal recourse to TFC beyond the credit enhancement provided by the assets of the SPE.

Credit Quality Indicators and Nonaccrual Finance Receivables

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

We classify finance receivables as nonaccrual if credit quality indicators suggest full collection of principal and interest is doubtful. In addition, we automatically classify accounts as nonaccrual once they are contractually delinquent by more than three months unless collection of principal and interest is not doubtful. Recognition of interest income is suspended for these accounts and all cash collections are used to reduce the net investment balance. We resume the accrual of interest when the loan becomes contractually current through payment according to the original terms of the loan or, if a loan has been modified, following a period of performance under the terms of the modification, provided we conclude that collection of all principal and interest is no longer doubtful. Previously suspended interest income is recognized at that time. Accounts are classified as watchlist when credit quality indicators have deteriorated as compared with typical underwriting criteria, and we believe collection of full principal and interest is probable but not certain. All other finance receivables that do not meet the watchlist or nonaccrual categories are classified as performing.

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

(In millions)	December 28, 2013	December 29, 2012
Performing	$ 1,285	$ 1,661
Watchlist	93	130
Nonaccrual	105	143
Total	$ 1,483	$ 1,934
Nonaccrual as a percentage of total finance receivables	7.08%	7.39%

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

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

(In millions)	December 28, 2013	December 29, 2012
Less than 31 days past due	$ 1,295	$ 1,757
31-60 days past due	108	87
61-90 days past due	37	56
Over 90 days past due	43	34
Total	$ 1,483	$ 1,934

Accrual status loans that were greater than 90 days past due totaled $5 million at December 28, 2013. There were no accrual status loans that were greater than 90 days past due at December 29, 2012. At December 28, 2013 and December 29, 2012, 60+ days contractual delinquency as a percentage of finance receivables was 5.39% and 4.65%, respectively.

Loan Modifications

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

Impaired Loans

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

A summary of impaired finance receivables, excluding leveraged leases, at year end and the average recorded investment for the year is provided below:

(In millions)	December 28, 2013	December 29, 2012
Recorded investment:		
Impaired loans with no related allowance for credit losses	$ 78	$ 72
Impaired loans with related allowance for credit losses	59	99
Total	$ 137	$ 171
Unpaid principal balance	$ 141	$ 187
Allowance for losses on impaired loans	14	27
Average recorded investment	155	270

Allowance for Losses

A rollforward of the allowance for losses on finance receivables and a summary of its composition, based on how the underlying finance receivables are evaluated for impairment, is provided below. The finance receivables reported in this table specifically exclude $120 million and $122 million of leveraged leases at December 28, 2013 and December 29, 2012, respectively, in accordance with authoritative accounting standards.

(In millions)	December 28, 2013	December 29, 2012
Balance at beginning of period	$ 84	$ 156
Provision for losses	(23)	(3)
Charge-offs	(17)	(84)
Recoveries	12	15
Transfers	(1)	—
Balance at end of period	$ 55	$ 84
Allowance based on collective evaluation	$ 41	$ 57
Allowance based on individual evaluation	14	27
Finance receivables evaluated collectively	$ 1,226	$ 1,641
Finance receivables evaluated individually	137	171

Our Finance group provides financing for retail purchases and leases for new and used aircraft and equipment manufactured by our Manufacturing group. The finance receivables for these inventory sales that are included in the Finance group's balance sheets are summarized below:

(In millions)	December 28, 2013	December 29, 2012
Loans	$ 1,121	$ 1,389
Finance leases	80	107
Total	$ 1,201	$ 1,496

In 2013, 2012 and 2011, our Finance group paid our Manufacturing group $248 million, $309 million and $284 million, respectively, related to the sale of Textron-manufactured products to third parties that were financed by the Finance group. Operating agreements specify that our Finance group has recourse to our Manufacturing group for certain uncollected amounts related to these transactions. At December 28, 2013 and December 29, 2012, finance receivables and operating leases subject to recourse to the Manufacturing group totaled $75 million and $83 million, respectively. Our Manufacturing group has established reserves for losses on its balance sheet within accrued and other liabilities for the amounts it guarantees.

Note 4. Inventories

Inventories are composed of the following:

(In millions)	December 28, 2013	December 29, 2012
Finished goods	$ 1,276	$ 1,329
Work in process	2,477	2,247
Raw materials and components	407	437
	4,160	4,013
Progress/milestone payments	(1,197)	(1,301)
Total	$ 2,963	$ 2,712

Inventories valued by the LIFO method totaled $1.3 billion and $1.1 billion at the end of 2013 and 2012, respectively, and the carrying values of these inventories would have been higher by approximately $461 million and $435 million, respectively, had our LIFO inventories been valued at current costs. Inventories related to long-term contracts, net of progress/milestone payments, were $359 million and $382 million at the end of 2013 and 2012, respectively.

Note 5. Property, Plant and Equipment, Net

Our Manufacturing group's property, plant and equipment, net are composed of the following:

(Dollars in millions)	Useful Lives (in years)	December 28, 2013	December 29, 2012
Land and buildings	3 - 40	$ 1,636	$ 1,604
Machinery and equipment	1 - 20	4,042	3,822
		5,678	5,426
Accumulated depreciation and amortization		(3,463)	(3,277)
Total		$ 2,215	$ 2,149

At the end of 2013 and 2012, assets under capital leases totaled $247 million and $251 million and had accumulated amortization of $56 million and $51 million, respectively. The Manufacturing group's depreciation expense, which included amortization expense on capital leases, totaled $335 million, $315 million and $317 million in 2013, 2012 and 2011, respectively.

Note 6. Accrued Liabilities

The accrued liabilities of our Manufacturing group are summarized below:

(In millions)	December 28, 2013	December 29, 2012
Customer deposits	$ 888	$ 725
Salaries, wages and employer taxes	246	282
Current portion of warranty and product maintenance contracts	142	180
Retirement plans	74	80
Other	538	689
Total	$ 1,888	$ 1,956

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

(In millions)	2013	2012	2011
Accrual at beginning of year	$ 222	$ 224	$ 242
Provision	299	255	223
Settlements	(293)	(250)	(223)
Adjustments to prior accrual estimates*	(5)	(7)	(18)
Accrual at end of year	$ 223	$ 222	$ 224

** Adjustments include changes to prior year estimates, new issues on prior year sales and currency translation adjustments.*

Note 7. Debt and Credit Facilities

Our debt is summarized in the table below:

(In millions)	December 28, 2013	December 29, 2012
Manufacturing group		
Long-term senior debt:		
3.875% due 2013	$ —	$ 318
4.50% convertible senior notes due 2013	—	210
6.20% due 2015	350	350
4.625% due 2016	250	250
Variable-rate note due 2016 (average rate of 1.54%)	150	—
5.60% due 2017	350	350
7.25% due 2019	250	250
6.625% due 2020	246	242
5.95% due 2021	250	250
Other (weighted-average rate of 1.57% and 1.52%, respectively)	85	81
	1,931	2,301
Less: Current portion of long-term debt	(8)	(535)
Total Long-term debt	1,923	1,766
Total Manufacturing group debt	$ 1,931	$ 2,301
Finance group		
Fixed-rate notes due 2013 (weighted-average rate of 5.28%)	$ —	$ 400
Variable-rate note due 2013 (weighted-average rate of 1.21%)	—	48
Fixed-rate note due 2014 (5.13%)	100	100
Fixed-rate notes due 2013-2017* (weighted-average rate of 4.59% and 4.88%, respectively)	42	102
Variable-rate notes due 2016 (weighted-average rate of 1.78%)	200	—
Fixed-rate notes due 2017-2023* (weighted-average rate of 2.67% and 2.70%, respectively)	378	382
Variable-rate notes due 2015-2020* (weighted-average rate of 1.19% and 1.09%, respectively)	63	64
Securitized debt (weighted-average rate of 1.50% and 1.55%, respectively)	172	282
6% Fixed-to-Floating Rate Junior Subordinated Notes	299	300
Fair value adjustments and unamortized discount	2	8
Total Finance group debt	$ 1,256	$ 1,686

** Notes amortize on a quarterly or semi-annual basis.*

The following table shows required payments during the next five years on debt outstanding at December 28, 2013:

(In millions)	2014	2015	2016	2017	2018
Manufacturing group	$ 8	$ 357	$ 408	$ 358	$ 7
Finance group	223	148	302	92	67
Total	$ 230	$ 505	$ 710	$ 450	$ 74

During the fourth quarter of 2013, Textron entered into a senior unsecured revolving credit facility for an aggregate principal amount of $1.0 billion, of which up to $100 million is available for the issuance of letters of credit. This facility expires in October 2018. At December 28, 2013, there were no amounts borrowed against the facility, and there were $35 million of letters of credit issued against it.

On January 30, 2014, we issued $250 million in 3.65% notes due 2021 and $350 million in 4.30% notes due 2024 under our shelf registration statement. We plan to use the net proceeds of the issuance of these notes to finance a portion of the acquisition of all outstanding equity interests in Beech Holdings, LLC, the parent of Beechcraft Corporation, which we have agreed to purchase for approximately $1.4 billion in cash. The transaction is expected to close during the first half of 2014, subject to customary closing conditions, including regulatory approvals. If the transaction is not completed, or the related merger agreement is terminated, on or before December 31, 2014, we will be required to redeem all outstanding 2021 notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest.

On January 24, 2014, in order to finance the Beechcraft acquisition, we also entered into a five-year term loan with a syndicate of banks in the principal amount of $500 million which we intend to draw down upon the closing of the transaction.

4.50% Convertible Senior Notes and Related Transactions
On May 5, 2009, we issued $600 million of convertible senior notes with a maturity date of May 1, 2013 and interest payable semiannually. The convertible notes were accounted for in accordance with generally accepted accounting principles, which required us to separately account for the liability (debt) and the equity (conversion option) components of the convertible notes in a manner that reflected our non-convertible debt borrowing rate at time of issuance. Accordingly, we recorded a debt discount and corresponding increase to additional paid-in capital of $134 million at the issuance date. We amortized the debt discount utilizing the effective interest method over the life of the notes, which increased the effective interest rate of the convertible notes from its coupon rate of 4.50% to 11.72%. We incurred cash and non-cash interest expenses of $9 million in 2013, $25 million in 2012 and $58 million in 2011 for these notes.

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

Concurrently with the pricing of the convertible notes in May 2009, we entered into transactions with two counterparties, pursuant to which we purchased from the counterparties call options to acquire our common stock and sold to the counterparties warrants to purchase our common stock. The call options settled on May 1, 2013, while the warrants settled daily over a 45-day period beginning on February 27, 2013. We acquired 8.9 million shares of our common stock upon the settlement of the call options and issued an aggregate of 7.4 million shares of our common stock in connection with the settlement of the warrants during the first half of 2013. The settlement of the call options and warrants resulted in a $41 million net increase in treasury stock during 2013.

On October 25, 2011, we entered into capped call transactions with the counterparties that covered an aggregate of 28.7 million shares of our common stock as of the end of 2012. The capped calls had a strike price of $13.125 per share and a cap price of $15.75 per share, which entitled us to receive the per share value of our stock price in excess of $13.125 up to a maximum stock price of $15.75 at the expiration date. Upon expiration of the capped calls, the market price of our common stock exceeded the maximum stock price, and we received $75 million in cash from the counterparties in the second quarter of 2013.

6% Fixed-to-Floating Rate Junior Subordinated Notes
The Finance group’s $299 million of 6% Fixed-to-Floating Rate Junior Subordinated Notes are unsecured and rank junior to all of its existing and future senior debt. The notes mature on February 15, 2067; however, we have the right to redeem the notes at par on or after February 15, 2017 and are obligated to redeem the notes beginning on February 15, 2042. The Finance group has agreed in a replacement capital covenant that it will not redeem the notes on or before February 15, 2047 unless it receives a capital contribution from the Manufacturing group and/or net proceeds from the sale of certain replacement capital securities at specified amounts. During 2013, the Manufacturing group made a capital contribution to TFC for the repurchase of $1 million of these notes. Interest on the notes is fixed at 6% until February 15, 2017 and floats at the three-month London Interbank Offered Rate + 1.735% thereafter.

Support Agreement
Under a Support Agreement, Textron Inc. is required to ensure that TFC maintains fixed charge coverage of no less than 125% and consolidated shareholder’s equity of no less than $200 million. Cash payments of $240 million and $182 million were made to TFC in 2012 and 2011, respectively, to maintain compliance with the fixed charge coverage ratio.

Note 8. Derivative Instruments and Fair Value Measurements

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

Assets and Liabilities Recorded at Fair Value on a Recurring Basis
We manufacture and sell our products in a number of countries throughout the world, and, therefore, we are exposed to movements in foreign currency exchange rates. We utilize foreign currency exchange contracts to manage this volatility. Our foreign currency exchange contracts are measured at fair value using the market method valuation technique. The inputs to this technique utilize current foreign currency exchange forward market rates published by third-party leading financial news and data providers. These are observable data that represent the rates that the financial institution uses for contracts entered into at that date; however, they are not based on actual transactions so they are classified as Level 2. At December 28, 2013 and December 29, 2012, we had foreign currency exchange contracts with notional amounts upon which the contracts were based of $636 million and $664 million, respectively. At December 28, 2013, the fair value amounts of our foreign currency exchange contracts were a $2 million asset and a $15 million liability. At December 29, 2012, the fair value amounts of our foreign currency exchange contracts were a $9 million asset and a $5 million liability.

We primarily utilize forward exchange contracts which have maturities of no more than three years. These contracts qualify as cash flow hedges and are intended to offset the effect of exchange rate fluctuations on forecasted sales, inventory purchases and overhead expenses. At December 28, 2013, we had a net deferred loss of $10 million in Accumulated other comprehensive loss related to these cash flow hedges. Net gains and losses recognized in earnings and Accumulated other comprehensive loss on these cash flow hedges, including gains and losses related to hedge ineffectiveness, amounted to a $16 million net loss in 2013 and were not significant in 2012. We expect to reclassify a $10 million net loss from Accumulated other comprehensive loss to earnings in the next twelve months.

We hedge our net investment position in major currencies and generate foreign currency interest payments that offset other transactional exposures in these currencies. To accomplish this, we borrow directly in foreign currency and designate a portion of foreign currency debt as a hedge of a net investment. We record changes in the fair value of these contracts in other comprehensive income to the extent they are effective as cash flow hedges. Currency effects on the effective portion of these hedges, which are reflected in the foreign currency translation adjustments within Accumulated other comprehensive loss, produced a $2 million after-tax gain in 2013, resulting in an accumulated net gain balance of $6 million at December 28, 2013. There was no ineffectiveness recorded related to these hedges during 2013.

Our Finance group has entered into interest rate exchange contracts to mitigate exposure to changes in the fair value of its fixed-rate receivables and debt due to fluctuations in interest rates. These interest rate exchange contracts are not exchange traded and are measured at fair value utilizing widely accepted, third-party developed valuation models. The actual terms of each individual contract are entered into a valuation model, along with interest rate data, which is based on readily observable market data published by third-party leading financial news and data providers. At December 28, 2013 and December 29, 2012, we had interest rate exchange contracts with notional amounts upon which the contracts were based of $229 million and $671 million, respectively. The fair value amounts of our interest rate exchange contracts recorded at December 28, 2013, were a $2 million asset and a $5 million liability. At December 29, 2012, the fair value amounts of our interest rate exchange contracts were an $8 million asset and an $8 million liability.

Our exposure to loss from nonperformance by the counterparties to our derivative agreements at the end of 2013 was minimal. We do not anticipate nonperformance by counterparties in the periodic settlements of amounts due. We historically have minimized 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. The credit risk generally is limited to the amount by which the counterparties' contractual obligations exceed our obligations to the counterparty. We continuously monitor our exposures to ensure that we limit our risks.

Assets Recorded at Fair Value on a Nonrecurring Basis
During 2013 and 2012, certain assets in the Finance Group were measured at fair value on a nonrecurring basis using significant unobservable inputs (Level 3). The table below sets forth the balance of those assets at the end of the year in which a fair value adjustment was taken.

(In millions)	**December 28, 2013**	**December 29, 2012**
Finance receivables held for sale	$ 65	$ 140
Impaired finance receivables	45	72
Other assets	35	76

The following table represents the fair value adjustments recorded for each asset class measured at fair value on a non-recurring basis during 2013 and 2012.

	Gain (Loss)	
(In millions)	2013	2012
Finance receivables held for sale	$ 31	$ 76
Impaired finance receivables	(7)	(11)
Other assets	(14)	(51)

Finance receivables held for sale are recorded at fair value on a nonrecurring basis during periods in which the fair value is lower than the cost value. There are no active, quoted market prices for these finance receivables. At December 28, 2013, our finance receivables held for sale included the non-captive loan portfolio. Fair values of each loan in this portfolio were determined based on a combination of discounted cash flow models and recent third-party offers to estimate the price we expect to receive in the principal market for each loan, in an orderly transaction. The gains on finance receivables held for sale during 2013 and 2012 were primarily the result of the payoff of loans in amounts, and sale of loans at prices, in excess of the values established in previous periods.

Impaired nonaccrual finance receivables represent assets recorded at fair value on a nonrecurring basis since the measurement of required reserves on our impaired finance receivables is significantly dependent on the fair value of the underlying collateral. For impaired nonaccrual finance receivables secured by aviation assets, the fair values of collateral are determined primarily based on the use of industry pricing guides. Fair value measurements recorded on impaired finance receivables resulted in charges to provision for loan losses and primarily related to initial fair value adjustments.

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

Assets and Liabilities Not Recorded at Fair Value

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

	December 28, 2013		December 29, 2012	
(In millions)	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Manufacturing group				
Long-term debt, excluding leases	$ (1,854)	$ (2,027)	$ (2,225)	$ (2,636)
Finance group				
Finance receivables held for investment, excluding leases	1,231	1,290	1,625	1,653
Debt	(1,256)	(1,244)	(1,686)	(1,678)

Fair value for the Manufacturing group debt is determined using market observable data for similar transactions or Level 2 inputs. At December 28, 2013 and December 29, 2012, approximately 30% and 46%, respectively, of the fair value of term debt for the Finance group was determined based on observable market transactions (Level 1). The remaining Finance group debt was determined based on discounted cash flow analyses using observable market inputs from debt with similar duration, subordination and credit default expectations (Level 2). Fair value estimates for finance receivables held for investment were determined based on internally developed discounted cash flow models primarily utilizing significant unobservable inputs (Level 3), which include estimates of the rate of return, financing cost, capital structure and/or discount rate expectations of current market participants combined with estimated loan cash flows based on credit losses, payment rates and expectations of borrowers' ability to make payments on a timely basis.

Note 9. Shareholders' Equity

Capital Stock

We have authorization for 15 million shares of preferred stock with a par value of $0.01 and 500 million shares of common stock with a par value of $0.125. Outstanding common stock activity for the three years ended December 28, 2013 is presented below:

(In thousands)	2013	2012	2011
Beginning balance	271,263	278,873	275,739
Exercise of stock options	1,333	1,159	177
Issued to Textron Savings Plan	1,921	2,159	2,686
Exercise of warrants	7,435	—	—
Stock repurchases	—	(11,103)	—
Other	107	175	271
Ending balance	282,059	271,263	278,873

Earnings per Share

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

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

(In thousands)	2013	2012	2011
Basic weighted-average shares outstanding	279,299	280,182	277,684
Dilutive effect of:			
Convertible notes and warrants	4,801	14,053	28,869
Stock options and restricted stock units	328	428	702
Diluted weighted-average shares outstanding	284,428	294,663	307,255

The dilutive effect of the convertible notes and warrants decreased significantly in 2013 from prior years due to the maturity of our convertible notes as described in Note 7. We intended to settle the face value of the notes in cash and the excess of the conversion value over the face value in cash and/or shares of our common stock; accordingly, only the shares of our common stock potentially issuable with respect to the excess of the notes' conversion value over the face amount were considered in calculating diluted EPS. The call options purchased in connection with the issuance of the convertible notes and the capped call transaction were excluded from the calculation of diluted EPS as their impact was always anti-dilutive.

In 2013, 2012 and 2011, stock options to purchase 5 million, 7 million and 5 million shares, respectively, of common stock outstanding are excluded from our calculation of diluted weighted-average shares outstanding as their effect would have been anti-dilutive.

Accumulated Other Comprehensive Loss

The components of Accumulated Other Comprehensive Loss are presented below:

(In millions)	Foreign Currency Translation Adjustments	Pension and Postretirement Benefits Adjustments	Deferred Gains/Losses on Hedge Contracts	Accumulated Other Comprehensive Loss
Balance at December 31, 2011	$ 79	$ (1,711)	$ 7	$ (1,625)
Other comprehensive loss before reclassifications	2	(230)	11	(217)
Amounts reclassified from Accumulated Other Comprehensive Loss	—	84	(12)	72
Other comprehensive loss	2	(146)	(1)	(145)
Balance at December 29, 2012	81	(1,857)	6	(1,770)
Other comprehensive income before reclassifications	12	626	(15)	623
Amounts reclassified from Accumulated Other Comprehensive Loss	—	121	(1)	120
Other comprehensive income	12	747	(16)	743
Balance at December 28, 2013	$ 93	$ (1,110)	$ (10)	$ (1,027)

Other Comprehensive Income (Loss)

The before and after-tax components of other comprehensive income (loss) are presented below:

(In millions)	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
2013			
Pension and postretirement benefits adjustments:			
Unrealized gains	$ 1,019	$ (410)	$ 609
Amortization of net actuarial loss*	189	(67)	122
Amortization of prior service cost*	(2)	1	(1)
Recognition of prior service cost	29	(12)	17
Pension and postretirement benefits adjustments, net	1,235	(488)	747
Deferred gains/losses on hedge contracts:			
Current deferrals	(20)	5	(15)
Reclassification adjustments	(1)	—	(1)
Deferred gains/losses on hedge contracts, net	(21)	5	(16)
Foreign currency translation adjustments	13	(1)	12
Total	$ 1,227	$ (484)	$ 743
2012			
Pension and postretirement benefits adjustments:			
Unrealized losses	$ (417)	$ 186	$ (231)
Amortization of net actuarial loss*	124	(43)	81
Amortization of prior service cost*	5	(2)	3
Recognition of prior service cost	2	(1)	1
Pension and postretirement benefits adjustments, net	(286)	140	(146)
Deferred gains/losses on hedge contracts:			
Current deferrals	14	(3)	11
Reclassification adjustments	(15)	3	(12)
Deferred gains/losses on hedge contracts, net	(1)	—	(1)
Foreign currency translation adjustments	(6)	8	2
Total	$ (293)	$ 148	$ (145)
2011			
Pension and postretirement benefits adjustments:			
Unrealized losses	$ (542)	$ 182	$ (360)
Amortization of net actuarial loss *	89	(30)	59
Amortization of prior service cost*	8	(3)	5
Recognition of prior service cost	15	(5)	10
Pension and postretirement benefits adjustments, net	(430)	144	(286)
Deferred gains on hedge contracts			
Current deferrals	(7)	2	(5)
Reclassification adjustments	(22)	7	(15)
Deferred gains/losses on hedge contracts, net	(29)	9	(20)
Foreign currency translation adjustments	(1)	(2)	(3)
Total	$ (460)	$ 151	$ (309)

**These components of other comprehensive income are included in the computation of net periodic pension cost. See Note 11 for additional information.*

Note 10. Share-Based Compensation

Our 2007 Long-Term Incentive Plan (Plan) authorizes awards to our key employees in the form of options to purchase our shares, restricted stock, restricted stock units, stock appreciation rights, performance stock awards and other awards. A maximum of 12 million shares is authorized for issuance for all purposes under the Plan plus any shares that become available upon cancellation, forfeiture or expiration of awards granted under the 1999 Long-Term Incentive Plan. No more than 12 million shares may be awarded pursuant to incentive stock options, and no more than 3 million shares may be awarded pursuant to restricted stock units or other awards intended to be paid in shares. The Plan also authorizes performance share units to be paid in cash based upon the value of our common stock.

Through our Deferred Income Plan for Textron Executives (DIP), we provide certain executives the opportunity to voluntarily defer up to 25% of their base salary and up to 80% of annual, long-term incentive and other compensation. Elective deferrals may be put into either a stock unit account or an interest-bearing account. Executives who are eligible to participate in the DIP and have not achieved and/or maintained the required minimum stock ownership level are required to defer part of each subsequent long-term incentive compensation cash payout into the DIP stock unit account until the ownership requirements are satisfied. Participants cannot move amounts between the two accounts while actively employed by us and cannot receive distributions until termination of employment. The intrinsic value of amounts paid under the DIP totaled $1 million in each of the three years ended December 28, 2013.

Share-based compensation costs are reflected primarily in selling and administrative expenses. The compensation expense that has been recorded in net income for our share-based compensation plans is as follows:

(In millions)	2013	2012	2011
Compensation expense	$ 86	$ 71	$ 50
Income tax benefit	(32)	(26)	(18)
Total net compensation cost included in net income	$ 54	$ 45	$ 32

Compensation expense included approximately $26 million, $23 million and $17 million in 2013, 2012 and 2011, respectively, for a portion of the fair value of options issued and the portion of previously granted options for which the requisite service has been rendered.

Compensation cost for awards subject only to service conditions that vest ratably are recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award. As of December 28, 2013, we had not recognized $61 million of total compensation costs associated with unvested awards subject only to service conditions. We expect to recognize compensation expense for these awards over a weighted-average period of approximately two years.

Stock Options

Options to purchase our shares have a maximum term of ten years and generally vest ratably over a three-year period. The stock option compensation cost calculated under the fair value approach is recognized over the vesting period of the stock options. We estimate the fair value of options granted on the date of grant using the Black-Scholes option-pricing model. Expected volatilities are based on implied volatilities from traded options on our common stock, historical volatilities and other factors. The expected term is based on historical option exercise data, which is adjusted to reflect any anticipated changes in expected behavior.

The weighted-average fair value of options granted during the past three years and the assumptions used in our option-pricing model for such grants are as follows:

	2013	2012	2011
Fair value of options at grant date	$ 9.69	$ 10.19	$ 9.84
Dividend yield	0.3%	0.3%	0.3%
Expected volatility	37.0%	40.0%	38.0%
Risk-free interest rate	0.9%	0.9%	2.4%
Expected term (in years)	5.5	5.5	5.5

The stock option activity under the Plan in 2013 is provided below:

(Options in thousands)	Number of Options	Weighted-Average Exercise Price
Outstanding at beginning of year	9,484	$ 27.98
Granted	2,169	28.47
Exercised	(1,408)	(23.38)
Canceled, expired or forfeited	(1,227)	(37.13)
Outstanding at end of year	9,018	$ 27.57
Exercisable at end of year	4,362	$ 27.23

At December 28, 2013, our outstanding options had an aggregate intrinsic value of $88 million and a weighted-average remaining contractual life of six years. Our exercisable options had an aggregate intrinsic value of $47 million and a weighted-average remaining contractual life of five years at December 28, 2013. The total intrinsic value of options exercised during 2013, 2012 and 2011 amounted to $10 million, $11 million and $2 million, respectively.

Restricted Stock Units

In 2013 and 2012, we issued restricted stock units settled in both cash and stock (vesting one-third each in the third, fourth and fifth year following the year of the grant), which included the right to receive dividend equivalents. The fair value of these units is based solely on the trading price of our common stock on the grant date and is recognized ratably over the vesting period. During 2009 through 2011, we issued restricted stock units settled in cash that vested in equal installments over five years. In 2008, restricted stock unit awards generally were payable in shares of common stock (vesting one-third each in the third, fourth and fifth year following the year of the grant). The 2013 activity for restricted stock units is provided below:

	Units Payable in Stock		Units Payable in Cash	
(Shares/Units in thousands)	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Units	Weighted-Average Grant Date Fair Value
Outstanding at beginning of year, nonvested	710	$ 29.94	2,540	$ 20.79
Granted	257	28.47	596	28.43
Vested	(146)	(40.36)	(720)	(17.19)
Forfeited	(41)	(27.87)	(391)	(23.85)
Outstanding at end of year, nonvested	780	$ 27.56	2,025	$ 23.73

The fair value of the restricted stock awards that vested and/or amounts paid under these awards during the respective periods is as follows:

(In millions)	2013	2012	2011
Fair value of awards vested	$ 26	$ 35	$ 41
Cash paid	23	25	23

Performance Share Units

The fair value of share-based compensation awards accounted for as liabilities includes performance share units, which are paid in cash in the first quarter of the year following vesting. Payouts under performance share units vary based on certain performance criteria generally set for each year of a three-year performance period. The performance share units vest at the end of three years. The fair value of these awards is based on the trading price of our common stock and is remeasured at each reporting period date.

The 2013 activity for our performance share units is as follows:

(Units in thousands)	Number of Units	Weighted-Average Grant Date Fair Value
Outstanding at beginning of year, nonvested	875	$ 27.14
Granted	421	28.47
Vested	(344)	(26.25)
Forfeited	(57)	(27.44)
Outstanding at end of year, nonvested	895	$ 28.08

The fair value of the performance share units that vested and/or amounts paid under these awards during the respective periods is as follows:

(In millions)	2013	2012	2011
Fair value of awards vested	$ 13	$ 10	$ 33
Cash paid	11	52	1

Note 11. Retirement Plans

Our defined benefit and defined contribution plans cover substantially all of our employees. A significant number of our U.S.-based employees participate in the Textron Retirement Plan, which is designed to be a "floor-offset" arrangement with both a defined benefit component and a defined contribution component. The defined benefit component of the arrangement includes the Textron Master Retirement Plan (TMRP) and the Bell Helicopter Textron Master Retirement Plan (BHTMRP), and the defined contribution component is the Retirement Account Plan (RAP). The defined benefit component provides a minimum guaranteed benefit (or "floor" benefit). Under the RAP, participants are eligible to receive contributions from Textron of 2% of their eligible compensation but may not make contributions to the plan. Upon retirement, participants receive the greater of the floor benefit or the value of the RAP. Both the TMRP and the BHTMRP are subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Effective on January 1, 2010, the Textron Retirement Plan was closed to new participants, and employees hired after that date receive an additional 4% annual cash contribution to their Textron Savings Plan account based on their eligible compensation.

We also have domestic and foreign funded and unfunded defined benefit pension plans that cover certain of our U.S. and foreign employees. In addition, several defined contribution plans are sponsored by our various businesses, of which the largest plan is the Textron Savings Plan, which is a qualified 401(k) plan subject to ERISA. Our defined contribution plans cost approximately $93 million, $88 million and $85 million in 2013, 2012 and 2011, respectively; these amounts include $19 million, $21 million and $23 million, respectively, in contributions to the RAP. We also provide postretirement benefits other than pensions for certain retired employees in the U.S., which include healthcare, dental care, Medicare Part B reimbursement and life insurance benefits.

Periodic Benefit Cost

The components of our net periodic benefit cost and other amounts recognized in OCI are as follows:

	Pension Benefits			Postretirement Benefits Other than Pensions		
(In millions)	2013	2012	2011	2013	2012	2011
Net periodic benefit cost						
Service cost	$ 133	$ 119	$ 129	$ 6	$ 6	$ 8
Interest cost	290	305	327	19	25	33
Expected return on plan assets	(418)	(407)	(393)	—	—	—
Amortization of prior service cost (credit)	15	16	16	(17)	(11)	(8)
Amortization of net actuarial loss	183	118	75	6	7	11
Curtailment and special termination charges	—	—	(1)	—	—	—
Net periodic benefit cost	$ 203	$ 151	$ 153	$ 14	$ 27	$ 44
Other changes in plan assets and benefit obligations recognized in OCI						
Current year actuarial loss (gain)	$ (964)	$ 402	$ 556	$ (55)	$ 15	$ (17)
Current year prior service cost (credit)	16	—	7	(45)	(2)	(23)
Amortization of net actuarial loss	(183)	(118)	(75)	(6)	(7)	(11)
Amortization of prior service credit (cost)	(15)	(16)	(16)	17	11	8
Curtailments and settlements	—	—	1	—	—	—
Total recognized in OCI, before taxes	$ (1,146)	$ 268	$ 473	$ (89)	$ 17	$ (43)
Total recognized in net periodic benefit cost and OCI	$ (943)	$ 419	$ 626	$ (75)	$ 44	$ 1

The estimated amount that will be amortized from Accumulated other comprehensive loss into net periodic pension costs in 2014 is as follows:

(In millions)	Pension Benefits	Postretirement Benefits Other than Pensions
Net actuarial loss	$ 112	$ 2
Prior service cost (credit)	15	(22)
	$ 127	$ (20)

Obligations and Funded Status

All of our plans are measured as of our fiscal year-end. The changes in the projected benefit obligation and in the fair value of plan assets, along with our funded status, are as follows:

	Pension Benefits		Postretirement Benefits Other than Pensions	
(In millions)	2013	2012	2013	2012
Change in benefit obligation				
Benefit obligation at beginning of year	$ 7,053	$ 6,325	$ 564	$ 561
Service cost	133	119	6	6
Interest cost	290	305	19	25
Amendments	16	—	(45)	(2)
Plan participants' contributions	—	—	4	5
Actuarial losses (gains)	(566)	644	(55)	15
Benefits paid	(373)	(360)	(48)	(52)
Foreign exchange rate changes	(13)	29	—	—
Other	4	(9)	—	6
Benefit obligation at end of year	$ 6,544	$ 7,053	$ 445	$ 564
Change in fair value of plan assets				
Fair value of plan assets at beginning of year	$ 5,715	$ 5,013		
Actual return on plan assets	819	649		
Employer contributions	185	389		
Benefits paid	(373)	(360)		
Foreign exchange rate changes	(1)	24		
Fair value of plan assets at end of year	$ 6,345	$ 5,715		
Funded status at end of year	$ (199)	$ (1,338)	$ (445)	$ (564)

Amounts recognized in our balance sheets are as follows:

	Pension Benefits		Postretirement Benefits Other than Pensions	
(In millions)	2013	2012	2013	2012
Non-current assets	$ 413	$ 61	$ —	$ —
Current liabilities	(26)	(26)	(48)	(52)
Non-current liabilities	(586)	(1,373)	(397)	(512)
Recognized in Accumulated other comprehensive loss, pre-tax:				
Net loss	1,596	2,750	38	99
Prior service cost (credit)	114	113	(69)	(41)

The accumulated benefit obligation for all defined benefit pension plans was $6.1 billion and $6.6 billion at December 28, 2013 and December 29, 2012, respectively, which included $359 million and $388 million, respectively, in accumulated benefit obligations for unfunded plans where funding is not permitted or in foreign environments where funding is not feasible.

Pension plans with accumulated benefit obligations exceeding the fair value of plan assets are as follows:

(In millions)	2013	2012
Projected benefit obligation	$ 2,828	$ 6,869
Accumulated benefit obligation	2,629	6,404
Fair value of plan assets	2,215	5,470

Assumptions
The weighted-average assumptions we use for our pension and postretirement plans are as follows:

	Pension Benefits			Postretirement Benefits Other than Pensions		
	2013	2012	2011	2013	2012	2011
Net periodic benefit cost						
Discount rate	4.23%	4.94%	5.71%	3.75%	4.75%	5.50%
Expected long-term rate of return on assets	7.56%	7.58%	7.84%			
Rate of compensation increase	3.31%	3.49%	3.99%			
Benefit obligations at year-end						
Discount rate	4.94%	4.23%	4.95%	4.50%	3.75%	4.75%
Rate of compensation increases	3.34%	3.48%	3.49%			

Assumed healthcare cost trend rates are as follows:

	2013	2012
Medical cost trend rate	7.2%	8.4%
Prescription drug cost trend rate	7.2%	8.4%
Rate to which medical and prescription drug cost trend rates will gradually decline	5.0%	5.0%
Year that the rates reach the rate where we assume they will remain	2021	2021

These assumed healthcare cost trend rates have a significant effect on the amounts reported for the postretirement benefits other than pensions. A one-percentage-point change in these assumed healthcare cost trend rates would have the following effects:

(In millions)	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost components	$ 2	$ (2)
Effect on postretirement benefit obligations other than pensions	23	(21)

Pension Assets
The expected long-term rate of return on plan assets is determined based on a variety of considerations, including the established asset allocation targets and expectations for those asset classes, historical returns of the plans' assets and other market considerations. We invest our pension assets with the objective of achieving a total rate of return, over the long term, sufficient to fund future pension obligations and to minimize future pension contributions. We are willing to tolerate a commensurate level of risk to achieve this objective based on the funded status of the plans and the long-term nature of our pension liability. Risk is controlled by maintaining a portfolio of assets that is diversified across a variety of asset classes, investment styles and investment managers. All of the assets are managed by external investment managers, and the majority of the assets are actively managed. Where possible, investment managers are prohibited from owning our stock in the portfolios that they manage on our behalf.

For U.S. plan assets, which represent the majority of our plan assets, asset allocation target ranges are established consistent with our investment objectives, and the assets are rebalanced periodically. For foreign plan assets, allocations are based on expected cash flow needs and assessments of the local practices and markets. Our target allocation ranges are as follows:

U.S. Plan Assets	
Domestic equity securities	26% to 40%
International equity securities	11% to 22%
Debt securities	25% to 35%
Private equity partnerships	5% to 11%
Real estate	7% to 13%
Hedge funds	0% to 5%
Foreign Plan Assets	
Equity securities	38% to 65%
Debt securities	29% to 38%
Real estate	3% to 14%

The fair value of total pension plan assets by major category and level in the fair value hierarchy as defined in Note 8 is as follows:

	December 28, 2013			December 29, 2012		
(In millions)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash and equivalents	$ 17	$ 144	$ —	$ 16	$ 157	$ —
Equity securities:						
Domestic	1,179	866	—	1,149	560	—
International	1,140	258	—	981	268	—
Debt securities:						
National, state and local governments	506	411	—	594	318	—
Corporate debt	—	638	—	13	647	—
Asset-backed securities	—	153	—	1	91	—
Private equity partnerships	—	—	305	—	—	308
Real estate	—	—	553	—	—	508
Hedge funds	—	—	175	—	—	104
Total	$ 2,842	$ 2,470	$ 1,033	$ 2,754	$ 2,041	$ 920

Cash equivalents and equity and debt securities include comingled funds, which represent investments in funds offered to institutional investors that are similar to mutual funds in that they provide diversification by holding various equity and debt securities. Since these comingled funds are not quoted on any active market, they are priced based on the relative value of the underlying equity and debt investments and their individual prices at any given time; accordingly, they are classified as Level 2. Debt securities are valued based on same day actual trading prices, if available. If such prices are not available, we use a matrix pricing model with historical prices, trends and other factors.

Private equity partnerships represent investments in funds, which, in turn, invest in stocks and debt securities of companies that, in most cases, are not publicly traded. These partnerships are valued using income and market methods that include cash flow projections and market multiples for various comparable companies. Real estate includes owned properties and investments in partnerships. Owned properties are valued using certified appraisals at least every three years, which then are updated at least annually by the real estate investment manager based on current market trends and other available information. These appraisals generally use the standard methods for valuing real estate, including forecasting income and identifying current transactions for comparable real estate to arrive at a fair value. Real estate partnerships are valued similar to private equity partnerships, with the general partner using standard real estate valuation methods to value the real estate properties and securities held within their fund portfolios. We believe these assumptions are consistent with assumptions that market participants would use in valuing these investments.

Hedge funds represent an investment in a diversified fund of hedge funds of which we are the sole investor. The fund invests in portfolio funds that are not publicly traded and are managed by various portfolio managers. Investments in portfolio funds are typically valued on the basis of the most recent price or valuation provided by the relevant fund’s administrator. The administrator for the fund aggregates these valuations with the other assets and liabilities to calculate the net asset value of the fund.

The table below presents a reconciliation of the beginning and ending balances for fair value measurements that use significant unobservable inputs (Level 3) by major category:

(In millions)	Hedge Funds	Private Equity Partnerships	Real Estate
Balance at beginning of year	$ 104	$ 308	$ 508
Actual return on plan assets:			
Related to assets still held at reporting date	16	(5)	26
Related to assets sold during the period	—	44	23
Purchases, sales and settlements, net	55	(42)	(4)
Balance at end of year	$ 175	$ 305	$ 553

Estimated Future Cash Flow Impact

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. Our funding policy is consistent with applicable laws and regulations. In 2014, we expect to contribute approximately $58 million to fund non-qualified plans and foreign plans, and $19 million to the RAP. We do not expect to contribute to our qualified pension plans or our other postretirement benefit plans. Benefit payments provided below reflect expected future employee service, as appropriate, and are expected to be paid, net of estimated participant contributions. These payments are based on the same assumptions used to measure our benefit obligation at the end of fiscal 2013. While pension benefit payments primarily will be paid out of qualified pension trusts, we will pay postretirement benefits other than pensions out of our general corporate assets. Benefit payments that we expect to pay are as follows:

(In millions)	2014	2015	2016	2017	2018	2019-2023
Pension benefits	$ 367	$ 369	$ 373	$ 378	$ 384	$ 2,047
Post-retirement benefits other than pensions	49	48	46	44	42	171

Note 12. Income Taxes

We conduct business globally and, as a result, file numerous consolidated and separate income tax returns within and outside the U.S. For all of our U.S. subsidiaries, we file a consolidated federal income tax return. Income from continuing operations before income taxes is as follows:

(In millions)	2013	2012	2011
U.S.	$ 454	$ 644	$ 137
Non-U.S.	220	197	200
Total income from continuing operations before income taxes	$ 674	$ 841	$ 337

Income tax expense for continuing operations is summarized as follows:

(In millions)	2013	2012	2011
Current:			
Federal	$ 23	$ 40	$ (23)
State	10	9	15
Non-U.S.	56	29	29
	89	78	21
Deferred:			
Federal	91	169	67
State	13	23	1
Non-U.S.	(17)	(10)	6
	87	182	74
Income tax expense	$ 176	$ 260	$ 95

The current federal and state provisions for 2012 and 2011 included $25 million and $37 million, respectively, of tax related to the sale of certain leveraged leases in the Finance segment for which we had previously recorded significant deferred tax liabilities.

The following table reconciles the federal statutory income tax rate to our effective income tax rate for continuing operations:

	2013	2012	2011
Federal statutory income tax rate	35.0%	35.0%	35.0%
Increase (decrease) in taxes resulting from:			
State income taxes	2.4	2.2	3.1
Non-U.S. tax rate differential and foreign tax credits	(7.2)	(5.4)	(9.4)
Research credit	(3.8)	—	(2.5)
Other, net	(0.3)	(0.9)	1.9
Effective rate	26.1%	30.9%	28.1%

The amount of income taxes we pay is subject to ongoing audits by U.S. federal, state and non-U.S. tax authorities, which may result in proposed assessments. Our estimate for the potential outcome for any uncertain tax issue is highly judgmental. We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting date. For those tax positions for which it is more likely than not that a tax benefit will be sustained, we record the largest amount of tax benefit with a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. Interest and penalties are accrued, where applicable. If we do not believe that it is not more likely than not that a tax benefit will be sustained, no tax benefit is recognized.

Our future results may include favorable or unfavorable adjustments to our estimated tax liabilities due to settlement of income tax examinations, new regulatory or judicial pronouncements, expiration of statutes of limitations or other relevant events. As a result, our effective tax rate may fluctuate significantly on a quarterly and annual basis.

Our unrecognized tax benefits represent tax positions for which reserves have been established. Unrecognized state tax benefits and interest related to unrecognized tax benefits are reflected net of applicable tax benefits. A reconciliation of our unrecognized tax benefits, excluding accrued interest, is as follows:

(In millions)	December 28, 2013	December 29, 2012
Balance at beginning of year	$ 290	$ 294
Additions for tax positions related to current year	15	5
Additions for tax positions of prior years	1	2
Reductions for tax positions of prior years	(17)	(3)
Reductions for expiration of statute of limitations and settlements	(5)	(8)
Balance at end of year	$ 284	$ 290

At both December 28, 2013 and December 29, 2012, approximately $204 million of these unrecognized tax benefits, if recognized, would favorably affect our effective tax rate in a future period. The remaining $80 million in unrecognized tax benefits were related to discontinued operations.

It is reasonably possible that within the next 12 months our unrecognized tax benefits, exclusive of interest, may decrease in the range of $0 to $213 million, as a result of the conclusion of audits and any related appeals or review processes, the expiration of statutes of limitations and additional worldwide uncertain tax positions. This potential decrease primarily relates to uncertainties with respect to prior dispositions and research tax credits. However, based on the process of finalizing audits and any required review process by relevant authorities, it is difficult to estimate the timing and amount of potential changes to our unrecognized tax benefits. Although the outcome of these matters cannot be determined, we believe adequate provision has been made for any potential unfavorable financial statement impact.

In the normal course of business, we are subject to examination by taxing authorities throughout the world, including major jurisdictions such as Canada, China, Germany, Japan, Mexico and the U.S. With few exceptions, we no longer are subject to U.S. federal, state and local income tax examinations for years before 1997. We are no longer subject to non-U.S. income tax examinations in our major jurisdictions for years before 2005.

During 2013, 2012 and 2011, we recognized net tax-related interest expense totaling approximately $6 million, $9 million and $10 million, respectively, in the Consolidated Statements of Operations. At December 28, 2013 and December 29, 2012, we had a total of $126 million and $134 million, respectively, of net accrued interest expense included in our Consolidated Balance Sheets.

The tax effects of temporary differences that give rise to significant portions of our net deferred tax assets and liabilities are as follows:

(In millions)	December 28, 2013	December 29, 2012
Deferred tax assets		
Obligation for pension and postretirement benefits	$ 358	$ 643
Accrued expenses*	182	205
Deferred compensation	161	180
Loss carryforwards	84	81
Allowance for credit losses	29	39
Inventory	18	30
Deferred income	14	29
Valuation allowance on finance receivables held for sale	7	40
Other, net	123	168
Total deferred tax assets	976	1,415
Valuation allowance for deferred tax assets	(166)	(165)
	$ 810	$ 1,250
Deferred tax liabilities		
Leasing transactions	$ (184)	$ (217)
Property, plant and equipment, principally depreciation	(174)	(138)
Prepaid pension and postretirement benefits	(143)	—
Amortization of goodwill and other intangibles	(109)	(110)
Total deferred tax liabilities	(610)	(465)
Net deferred tax asset	$ 200	$ 785

* *Accrued expenses includes warranty and product maintenance reserves, self-insured liabilities and interest.*

We believe that our earnings during the periods when the temporary differences become deductible will be sufficient to realize the related future income tax benefits. For those jurisdictions where the expiration date of tax carryforwards or the projected operating results indicate that realization is not more than likely, a valuation allowance is provided.

The following table presents the breakdown between current and long-term net deferred tax assets:

(In millions)	December 28, 2013	December 29, 2012
Manufacturing group:		
Other current assets	$ 206	$ 256
Other assets	270	591
Other liabilities	(147)	—
Finance group - Other liabilities	(129)	(62)
Net deferred tax asset	$ 200	$ 785

Our net operating loss and credit carryforwards at December 28, 2013 are as follows:

(In millions)	
Non-U.S. net operating loss with no expiration	$ 95
Non-U.S. net operating loss expiring through 2033	53
State net operating loss and tax credits, net of tax benefits, expiring through 2033	55

The undistributed earnings of our non-U.S. subsidiaries approximated $778 million at December 28, 2013. We consider the undistributed earnings to be indefinitely reinvested; therefore, we have not provided a deferred tax liability for any residual U.S. tax that may be due upon repatriation of these earnings. Because of the effect of U.S. foreign tax credits, it is not practicable to estimate the amount of tax that might be payable on these earnings in the event they no longer are indefinitely reinvested.

Note 13. Contingencies and Commitments

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

In the ordinary course of business, we enter into standby letter of credit agreements and surety bonds with financial institutions to meet various performance and other obligations. These outstanding letter of credit arrangements and surety bonds aggregated to approximately $298 million and $323 million at December 28, 2013 and December 29, 2012, respectively.

Environmental Remediation

As with other industrial enterprises engaged in similar businesses, we are involved in a number of remedial actions under various federal and state laws and regulations relating to the environment that impose liability on companies to clean up, or contribute to the cost of cleaning up, sites on which hazardous wastes or materials were disposed or released. Our accrued environmental liabilities relate to installation of remediation systems, disposal costs, U.S. Environmental Protection Agency oversight costs, legal fees, and operating and maintenance costs for both currently and formerly owned or operated facilities. Circumstances that can affect the reliability and precision of the accruals include the 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. We believe that any changes to the accruals that may result from these factors and uncertainties will not have a material effect on our financial position or results of operations.

Based upon information currently available, we estimate that our potential environmental liabilities are within the range of $40 million to $170 million. At December 28, 2013, environmental reserves of approximately $74 million have been established to address these specific estimated liabilities. We estimate that we will likely pay our accrued environmental remediation liabilities over the next five to ten years and have classified $21 million as current liabilities. Expenditures to evaluate and remediate contaminated sites approximated $12 million, $15 million and $9 million in 2013, 2012 and 2011, respectively.

Leases

Rental expense approximated $95 million, $97 million and $93 million in 2013, 2012 and 2011, respectively. Future minimum rental commitments for noncancelable operating leases in effect at December 28, 2013 approximated $64 million for 2014, $46 million for 2015, $36 million for 2016, $28 million for 2017, $21 million for 2018 and a total of $148 million thereafter.

Note 14. Supplemental Cash Flow Information

We have made the following cash payments:

(In millions)	**2013**	**2012**	**2011**
Interest paid:			
Manufacturing group	$ 124	$ 135	$ 135
Finance group	46	64	89
Net taxes paid /(received):			
Manufacturing group	223	(7)	30
Finance group	(49)	43	(65)

Cash paid for interest by the Finance group included amounts paid to the Manufacturing group of $11 million and $26 million in 2012 and 2011, respectively. Cash paid for interest by the Finance group to the Manufacturing group was not significant in 2013.

In 2012, net taxes paid by the Finance group included a payment of $111 million primarily from a settlement related to the IRS’s challenge of tax deductions claimed in prior years for certain leveraged lease transactions.

Note 15. Segment and Geographic Data

We operate in, and report financial information for, the following five business segments: Cessna, Bell, Textron Systems, Industrial and Finance. The accounting policies of the segments are the same as those described in Note 1.

Cessna products include Citation jets, Caravan single-engine utility turboprops, single-engine utility and high-performance piston aircraft, and aftermarket services sold to a diverse base of corporate and individual buyers.

Bell products include military and commercial helicopters, tiltrotor aircraft and related spare parts and services. Bell supplies military helicopters and, in association with The Boeing Company, military tiltrotor aircraft, and aftermarket services to the U.S. and non-U.S. governments. Bell also supplies commercial helicopters and aftermarket services to corporate, offshore petroleum exploration and development, utility, charter, police, fire, rescue, emergency medical helicopter operators and foreign governments.

Textron Systems products include unmanned aircraft systems, marine and land systems, weapons and sensors and a variety of defense and aviation mission support products and services primarily for U.S. and non-U.S. governments. In December 2013, we acquired two flight simulation and aircraft training product businesses.

Industrial products and markets include the following:

- Kautex products include blow-molded plastic fuel systems, windshield and headlamp washer systems, selective catalytic reduction systems and engine camshafts that are marketed primarily to automobile original equipment manufacturers, as well as plastic bottles and containers for various uses;
- Greenlee products include powered equipment, electrical test and measurement instruments, mechanical and hydraulic tools, cable connectors, and fiber optic assemblies, principally used in the construction, maintenance, telecommunications, data communications, utility and plumbing industries. During 2013, we acquired two businesses, a manufacturer of underground and aerial transmission and distribution products, and a designer and manufacturer of power utility products; and
- E-Z-GO and Jacobsen products include golf cars; off-road, utility and light transportation vehicles; professional turf-maintenance equipment and specialized turf-care vehicles that are marketed primarily to golf courses, resort communities, municipalities, sporting venues, consumers, and commercial and industrial users.

The Finance segment provides commercial loans and leases primarily for new Cessna aircraft and Bell helicopters as well as pre-owned Cessna aircraft and Bell helicopters on a limited basis.

Segment profit is an important measure used for evaluating performance and for decision-making purposes. Segment profit for the manufacturing segments excludes interest expense and certain corporate expenses. The measurement for the Finance segment includes interest income and expense along with intercompany interest expense. Provisions for losses on finance receivables involving the sale or lease of our products are recorded by the selling manufacturing segment when our Finance group has recourse to the Manufacturing group.

Our revenues by segment, along with a reconciliation of segment profit (loss) to income from continuing operations before income taxes, are as follows:

	Revenues			Segment Profit (Loss)		
(In millions)	2013	2012	2011	2013	2012	2011
Cessna	$ 2,784	$ 3,111	$ 2,990	$ (48)	$ 82	$ 60
Bell	4,511	4,274	3,525	573	639	521
Textron Systems	1,665	1,737	1,872	147	132	141
Industrial	3,012	2,900	2,785	242	215	202
Finance	132	215	103	49	64	(333)
Total	$ 12,104	$ 12,237	$ 11,275	$ 963	$ 1,132	$ 591
Corporate expenses and other, net				(166)	(148)	(114)
Interest expense, net for Manufacturing group				(123)	(143)	(140)
Income from continuing operations before income taxes				$ 674	$ 841	$ 337

Revenues by major product type are summarized below:

	Revenues		
(In millions)	2013	2012	2011
Rotor aircraft	$ 4,511	$ 4,274	$ 3,525
Fixed-wing aircraft	2,784	3,111	2,990
Unmanned aircraft systems, armored vehicles, precision weapons and other	1,665	1,737	1,872
Fuel systems and functional components	1,853	1,842	1,823
Powered equipment, testing and measurement instruments	446	398	402
Golf, turf-care, and light transportation vehicles	713	660	560
Finance	132	215	103
Total	$ 12,104	$ 12,237	$ 11,275

Our revenues included sales to the U.S. Government of approximately $3.7 billion, $3.6 billion and $3.5 billion in 2013, 2012 and 2011, respectively, primarily in the Bell and Textron Systems segments.

Other information by segment is provided below:

	Assets		Capital Expenditures			Depreciation and Amortization		
(In millions)	December 28, 2013	December 29, 2012	2013	2012	2011	2013	2012	2011
Cessna	$ 2,260	$ 2,224	$ 72	$ 93	$ 101	$ 87	$ 102	$ 109
Bell	2,899	2,399	197	172	184	116	102	95
Textron Systems	2,106	1,987	66	108	37	89	75	85
Industrial	1,956	1,755	89	97	94	72	70	72
Finance	1,725	2,322	—	—	—	18	25	32
Corporate	1,998	2,346	20	10	7	7	9	10
Total	$ 12,944	$ 13,033	$ 444	$ 480	$ 423	$ 389	$ 383	$ 403

Geographic Data

Presented below is selected financial information of our continuing operations by geographic area:

	Revenues*			Property, Plant and Equipment, net**	
(In millions)	2013	2012	2011	December 28, 2013	December 29, 2012
United States	$ 7,512	$ 7,586	$ 7,138	$ 1,701	$ 1,644
Europe	1,535	1,655	1,577	288	275
Canada	375	447	289	101	106
Latin America and Mexico	878	893	820	45	43
Asia and Australia	1,111	1,264	1,032	80	82
Middle East and Africa	693	392	419	—	—
Total	$ 12,104	$ 12,237	$ 11,275	$ 2,215	$ 2,150

** Revenues are attributed to countries based on the location of the customer.*

*** Property, plant and equipment, net are based on the location of the asset.*

Quarterly Data

(Unaudited)	2013				2012			
(Dollars in millions, except per share amounts)	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Revenues								
Cessna	$ 708	$ 560	$ 593	$ 923	$ 669	$ 763	$ 778	$ 901
Bell	949	1,025	1,162	1,375	994	1,056	1,075	1,149
Textron Systems	429	422	405	409	377	389	400	571
Industrial	727	801	711	773	755	756	683	706
Finance	42	31	33	26	61	55	64	35
Total revenues	$ 2,855	$ 2,839	$ 2,904	$ 3,506	$ 2,856	$ 3,019	$ 3,000	$ 3,362
Segment profit								
Cessna (a)	$ (8)	$ (50)	$ (23)	$ 33	$ (6)	$ 35	$ 30	$ 23
Bell	129	135	131	178	145	152	165	177
Textron Systems	38	34	35	40	35	40	21	36
Industrial	57	79	52	54	73	61	38	43
Finance	19	15	13	2	12	22	28	2
Total segment profit	235	213	208	307	259	310	282	281
Corporate expenses and other, net	(55)	(20)	(34)	(57)	(47)	(20)	(38)	(43)
Interest expense, net for Manufacturing group	(37)	(30)	(29)	(27)	(35)	(35)	(35)	(38)
Income tax expense	(28)	(49)	(47)	(52)	(57)	(82)	(67)	(54)
Income from continuing operations	115	114	98	171	120	173	142	146
Income (loss) from discontinued operations, net of income taxes	4	(1)	1	(4)	(2)	(1)	9	2
Net income	$ 119	$ 113	$ 99	$ 167	$ 118	$ 172	$ 151	$ 148
Basic earnings per share								
Continuing operations	$ 0.42	$ 0.41	$ 0.35	$ 0.60	$ 0.43	$ 0.61	$ 0.51	$ 0.52
Discontinued operations	0.02	(0.01)	—	(0.01)	(0.01)	—	0.03	0.01
Basic earnings per share	$ 0.44	$ 0.40	$ 0.35	$ 0.59	$ 0.42	$ 0.61	$ 0.54	$ 0.53
Basic average shares outstanding *(In thousands)*	273,200	280,163	281,525	282,308	280,022	281,114	281,813	277,780
Diluted earnings per share								
Continuing operations	$ 0.40	$ 0.40	$ 0.35	$ 0.60	$ 0.41	$ 0.58	$ 0.48	$ 0.50
Discontinued operations	0.01	—	—	(0.01)	(0.01)	—	0.03	0.01
Diluted earnings per share	$ 0.41	$ 0.40	$ 0.35	$ 0.59	$ 0.40	$ 0.58	$ 0.51	$ 0.51
Diluted average shares outstanding *(In thousands)*	288,978	283,824	281,710	282,707	294,632	295,547	296,920	291,562
Segment profit margins								
Cessna	(1.1)%	(8.9)%	(3.9)%	3.6%	(0.9)%	4.6%	3.9%	2.6%
Bell	13.6	13.2	11.3	12.9	14.6	14.4	15.3	15.4
Textron Systems	8.9	8.1	8.6	9.8	9.3	10.3	5.3	6.3
Industrial	7.8	9.9	7.3	7.0	9.7	8.1	5.6	6.1
Finance	45.2	48.4	39.4	7.7	19.7	40.0	43.8	5.7
Segment profit margin	8.2%	7.5%	7.2%	8.8%	9.1%	10.3%	9.4%	8.4%
Common stock information								
Price range: High	$ 31.30	$ 30.22	$ 29.81	$ 37.43	$ 28.29	$ 29.18	$ 28.80	$ 26.75
Low	$ 23.94	$ 24.87	$ 25.36	$ 26.17	$ 18.37	$ 21.97	$ 22.15	$ 22.84
Dividends declared per share	$ 0.02	$ 0.02	$ 0.02	$ 0.02	$ 0.02	$ 0.02	$ 0.02	$ 0.02

(a) The second quarter of 2013 included $28 million in severance costs. The fourth quarter of 2012 included a $27 million charge related to an award against Cessna in an arbitration proceeding.

Schedule II — Valuation and Qualifying Accounts

(In millions)	2013	2012	2011
Allowance for doubtful accounts			
Balance at beginning of year	$ 19	$ 18	$ 20
Charged to costs and expenses	7	4	7
Deductions from reserves*	(4)	(3)	(9)
Balance at end of year	$ 22	$ 19	$ 18
Inventory FIFO reserves			
Balance at beginning of year	$ 136	$ 134	$ 133
Charged to costs and expenses	54	42	35
Deductions from reserves*	(40)	(40)	(34)
Balance at end of year	$ 150	$ 136	$ 134

* *Deductions primarily include amounts written off on uncollectable accounts (less recoveries), inventory disposals and currency translation adjustments.*

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

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

Report of Management — See page 40.

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting — See page 41.

Changes in Internal Controls — There have been no changes in our internal control over financial reporting during the fourth quarter of the fiscal year covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information appearing under "ELECTION OF DIRECTORS— Nominees for Director," "—The Board of Directors— *Corporate Governance* ," "—The Board of Directors— *Code of Ethics* ," "–Board Committees— *Audit Committee* ," and "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE" in the Proxy Statement for our Annual Meeting of Shareholders to be held on April 23, 2014 is incorporated by reference into this Annual Report on Form 10-K.

Information regarding our executive officers is contained in Part I of this Annual Report on Form 10-K.

Item 11. Executive Compensation

The information appearing under "ELECTION OF DIRECTORS — The Board of Directors-- *Compensation of Directors* ," "ELECTION OF DIRECTORS — Board Committees-- *Compensation Committee Interlocks and Insider Participation* ," "COMPENSATION COMMITTEE REPORT," "COMPENSATION DISCUSSION AND ANALYSIS" and "EXECUTIVE COMPENSATION" in the Proxy Statement for our Annual Meeting of Shareholders to be held on April 23, 2014 is incorporated by reference into this Annual Report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information appearing under "SECURITY OWNERSHIP" and "EXECUTIVE COMPENSATION – Equity Compensation Plan Information" in the Proxy Statement for our Annual Meeting of Shareholders to be held on April 23, 2014 is incorporated by reference into this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information appearing under "ELECTION OF DIRECTORS — The Board of Directors-- *Director Independence* " and "EXECUTIVE COMPENSATION — Transactions with Related Persons" in the Proxy Statement for our Annual Meeting of Shareholders to be held on April 23, 2014 is incorporated by reference into this Annual Report on Form 10-K.

Item 14. Principal Accountant Fees and Services

The information appearing under "RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM — Fees to Independent Auditors" in the Proxy Statement for our Annual Meeting of Shareholders to be held on April 23, 2014 is incorporated by reference into this Annual Report on Form 10-K.

PART IV

Item 15. Exhibits and Financial Statement Schedules

Financial Statements and Schedules — See Index on Page 39.

Exhibits

3.1A	Restated Certificate of Incorporation of Textron as filed with the Secretary of State of Delaware on April 29, 2010. Incorporated by reference to Exhibit 3.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended April 3, 2010.
3.1B	Certificate of Amendment of Restated Certificate of Incorporation of Textron Inc., filed with the Secretary of State of Delaware on April 27, 2011. Incorporated by reference to Exhibit 3.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended April 2, 2011.
3.2	Amended and Restated By-Laws of Textron Inc., effective April 28, 2010 and further amended April 27, 2011 and July 23, 2013. Incorporated by reference to Exhibit 3.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended June 29, 2013.
4.1	Support Agreement dated as of May 25, 1994, between Textron Inc. and Textron Financial Corporation. Incorporated by reference to Exhibit 4.1 to Textron's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.
NOTE:	Instruments defining the rights of holders of certain issues of long-term debt of Textron have not been filed as exhibits because the authorized principal amount of any one of such issues does not exceed 10% of the total assets of Textron and its subsidiaries on a consolidated basis. Textron agrees to furnish a copy of each such instrument to the Commission upon request.
NOTE:	Exhibits 10.1 through 10.16 below are management contracts or compensatory plans, contracts or agreements.
10.1A	Textron Inc. 2007 Long-Term Incentive Plan (Amended and Restated as of April 28, 2010). Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2012.
10.1B	Form of Non-Qualified Stock Option Agreement. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007.
10.1C	Form of Incentive Stock Option Agreement. Incorporated by reference to Exhibit 10.3 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007.
10.1D	Form of Restricted Stock Unit Grant Agreement. Incorporated by reference to Exhibit 10.4 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007.
10.1E	Form of Restricted Stock Unit Grant Agreement with Dividend Equivalents. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2008.
10.1F	Form of Cash-Settled Restricted Stock Unit Grant Agreement with Dividend Equivalents. Incorporated by reference to Exhibit 10.1G to Textron's Annual Report on Form 10-K for the fiscal year ended January 3, 2009.

10.1G	Form of Performance Share Unit Grant Agreement. Incorporated by reference to Exhibit 10.1H to Textron's Annual Report on Form 10-K for the fiscal year ended January 3, 2009.
10.1H	Form of Performance Cash Unit Grant Agreement. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 4, 2009.
10.2	Textron Inc. Short-Term Incentive Plan (As amended and restated effective January 3, 2010). Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended April 3, 2010.
10.3A	Textron Inc. 1999 Long-Term Incentive Plan for Textron Employees (Amended and Restated Effective April 28, 2010). Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 2010.
10.3B	Form of Non-Qualified Stock Option Agreement. Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 2004. (SEC File No. 001-05480)
10.3C	Form of Incentive Stock Option Agreement. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 2004. (SEC File No. 001-05480)
10.4A	Textron Spillover Savings Plan, effective January 3, 2010, including Appendix A, Defined Contribution Provisions of the Supplemental Benefits Plan for Textron Key Executives (As in effect before January 1, 2008). Incorporated by reference to Exhibit 10.3 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended April 3, 2010.
10.4B	Second Amendment to the Textron Spillover Savings Plan, dated December 21, 2012. Incorporated by reference to Exhibit 10.4B to Textron's Annual Report on Form 10-K for the fiscal year ended December 29, 2012.
10.4C	Third Amendment to the Textron Spillover Savings Plan, dated October 7, 2013.
10.5A	Textron Spillover Pension Plan, As Amended and Restated Effective January 3, 2010, including Appendix A (as amended and restated effective January 3, 2010), Defined Benefit Provisions of the Supplemental Benefits Plan for Textron Key Executives (As in effect before January 1, 2007). Incorporated by reference to Exhibit 10.4 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended April 3, 2010.
10.5B	Amendments to the Textron Spillover Pension Plan, dated October 12, 2011. Incorporated by reference to Exhibit 10.5B to Textron's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.
10.5C	Second Amendment to the Textron Spillover Pension Plan, dated October 7, 2013.
10.6A	Deferred Income Plan for Textron Executives, Effective January 3, 2010, including Appendix A, Provisions of the Deferred Income Plan for Textron Key Executives (As in effect before January 1, 2008). Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended April 3, 2010.
10.6B	First Amendment to the Deferred Income Plan for Textron Executives, dated November 7, 2013.
10.7A	Deferred Income Plan for Non-Employee Directors, As Amended and Restated Effective January 1, 2009, including Appendix A, Prior Plan Provisions (As in effect before January 1, 2008). Incorporated by reference to Exhibit 10.9 to Textron's Annual Report on Form 10-K for the fiscal year ended January 3, 2009.

10.7B	Amendment No. 1 to Deferred Income Plan for Non-Employee Directors, as Amended and Restated Effective January 1, 2009, dated as of November 6, 2012. Incorporated by reference to Exhibit 10.8B to Textron's Annual Report on Form 10-K for the fiscal year ended December 29, 2012.
10.8A	Severance Plan for Textron Key Executives, As Amended and Restated Effective January 1, 2010. Incorporated by reference to Exhibit 10.10 to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 2010.
10.8B	First Amendment to the Severance Plan for Textron Key Executives, dated October 26, 2010. Incorporated by reference to Exhibit 10.10B to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2011.
10.9	Form of Indemnity Agreement between Textron and its executive officers. Incorporated by reference to Exhibit A to Textron's Proxy Statement for its Annual Meeting of Shareholders on April 29, 1987. (SEC File No. 001-05480)
10.10	Form of Indemnity Agreement between Textron and its non-employee directors (approved by the Nominating and Corporate Governance Committee of the Board of Directors on July 21, 2009 and entered into with all non-employee directors, effective as of August 1, 2009). Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 2009.
10.11A	Letter Agreement between Textron and Scott C. Donnelly, dated June 26, 2008. Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended June 28, 2008.
10.11B	Amendment to Letter Agreement between Textron and Scott C. Donnelly, dated December 16, 2008, together with Addendum No.1 thereto, dated December 23, 2008. Incorporated by reference to Exhibit 10.15B to Textron's Annual Report on Form 10-K for the fiscal year ended January 3, 2009.
10.11C	Agreement between Textron and Scott C. Donnelly, dated May 1, 2009, related to Mr. Donnelly's personal use of a portion of hangar space at T.F. Green Airport which is leased by Textron. Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 4, 2009.
10.11D	Hangar License and Services Agreement made and entered into on April 25, 2011 to be effective as of December 5, 2010, between Textron Inc. and Mr. Donnelly's limited liability company. Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended April 2, 2011.
10.12A	Letter Agreement between Textron and Frank Connor, dated July 27, 2009. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 2009.
10.12B	Hangar License and Services Agreement made and entered into on April 25, 2011 to be effective as of December 5, 2010, between Textron Inc. and Mr. Connor's limited liability company. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended April 2, 2011.
10.13	Letter Agreement between Textron and Cheryl H. Johnson, dated June 12, 2012. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2012.
10.14A	Letter Agreement between Textron and E. Robert Lupone, dated December 22, 2011. Incorporated by reference to Exhibit 10.17 to Textron's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.
10.14B	Amendment to letter agreement between Textron and E. Robert Lupone, dated July 27, 2012. Incorporated by reference to Exhibit 10.5 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended September 29, 2012.

10.15	Director Compensation. Incorporated by reference to Exhibit 10.21 to Textron's Annual Report on Form 10-K for the fiscal year ended December 29, 2007. (SEC File No. 001-05480)
10.16	Form of Aircraft Time Sharing Agreement between Textron and its executive officers. Incorporated by reference to Exhibit 10.3 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended September 27, 2008.
10.17	Credit Agreement, dated as of October 4, 2013, among Textron, the Lenders listed therein, JPMorgan Chase Bank, N.A., as Administrative Agent, Citibank, N.A. and Bank of America, N.A., as Syndication Agents, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Documentation Agent. Incorporated by reference to Exhibit 10.1 to Textron's Current Report on Form 8-K filed on October 4, 2013.
10.18A	Master Services Agreement between Textron Inc. and Computer Sciences Corporation dated October 27, 2004. Incorporated by reference to Exhibit 10.26 to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2005. * (SEC File No. 001-05480)
10.18B	Amendment No. 4 to Master Services Agreement between Textron Inc. and Computer Sciences Corporation, dated July 1, 2007. Incorporated by reference to Exhibit 10.1 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended September 29, 2007.
10.18C	Amendment No. 5 to Master Services Agreement between Textron Inc. and Computer Sciences Corporation, dated as of March 13, 2008. * Incorporated by reference to Exhibit 10.22C to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2011.
10.18D	Amendment No. 6 to Master Services Agreement between Textron Inc. and Computer Sciences Corporation, dated as of June 17, 2009. Incorporated by reference to Exhibit 10.22D to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2011.
10.18E	Amendment No. 7 to Master Services Agreement between Textron Inc. and Computer Sciences Corporation, dated as of September 30, 2010. * Incorporated by reference to Exhibit 10.22E to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 2011.
10.19	Agreement and Plan of Merger among Beech Holdings, LLC, Sky Intermediate Merger Sub, LLC, Textron Inc. and Textron Acquisition LLC, dated as of December 26, 2013.
10.20	Term Credit Agreement, dated as of January 24, 2014 Among Textron, JPMorgan Chase Bank, N.A., as administrative agent, Citibank, N.A. and Bank of America, N.A., as syndication agents, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as documentation agent, and other lenders named therein.
12.1	Computation of ratio of income to fixed charges of Textron Inc.'s Manufacturing group.
12.2	Computation of ratio of income to fixed charges of Textron Inc., including all majority-owned subsidiaries.
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 Registered Public Accounting Firm.
24	Power of attorney.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101	The following materials from Textron Inc.’s Annual Report on Form 10-K for the year ended December 28, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income (Loss), (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Shareholders’ Equity, (v) the Consolidated Statements of Cash Flows, (vi) the Notes to the Consolidated Financial Statements, and (vii) Schedule II – Valuation and Qualifying Accounts.

* Confidential Treatment has been requested for portions of this document.

Signatures

Pursuant to the requirement of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on this 14th day of February 2014.

TEXTRON INC.
Registrant

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below on this 14th day of February 2014 by the following persons on behalf of the registrant and in the capacities indicated:

Name	Title
/s/ Scott C. Donnelly Scott C. Donnelly	Chairman, President and Chief Executive Officer (principal executive officer)
* Kathleen M. Bader	Director
* R. Kerry Clark	Director
* James T. Conway	Director
* Ivor J. Evans	Director
* Lawrence K. Fish	Director
* Paul E. Gagné	Director
* Dain M. Hancock	Director
* Lord Powell of Bayswater KCMG	Director
* Lloyd G. Trotter	Director
* James L. Ziemer	Director
/s/ Frank T. Connor Frank T. Connor	Executive Vice President and Chief Financial Officer (principal financial officer)
/s/ Richard L. Yates Richard L. Yates	Senior Vice President and Corporate Controller (principal accounting officer)

*By: /s/ Jayne M. Donegan
Jayne M. Donegan, Attorney-in-fact

Exhibit 10.4C

THIRD AMENDMENT TO THE
TEXTRON SPILLOVER SAVINGS PLAN

(Restatement effective January 3, 2010)

To improve administration of the Textron Spillover Savings Plan (the "Plan") and to facilitate the transition to third-party administration with Fidelity Investments, the Plan is hereby amended as follows, effective October 1, 2013, except as otherwise provided:

1. Subsections (b), (c), and (d) of Section 3.01 of the Plan are amended to read in their entirety as follows:

(b) Stock Unit Account . The Stock Unit Account shall consist of Supplemental Shares. Textron shall credit the supplemental matching contribution to a Participant's Stock Unit Account after the end of the calendar year for which the supplemental matching contribution is made, but not later than March 15 of the following year. The credit shall be made as a number of Supplemental Shares determined as follows:

(i) For credits added before October 1, 2013, by dividing the amount of the supplemental matching contribution for the calendar year by the average of the composite closing prices of Textron common stock, as reported in *The Wall Street Journal* , for each trading day in the calendar year for which the credit is made; and

(ii) For credits added after September 30, 2013, by dividing the amount of the supplemental matching contribution for the calendar year by the closing price of Textron common stock on the date the credit is posted to the Participant's Stock Unit Account, as reflected in the Plan's recordkeeping system.

(c) Crediting Dividend Equivalents and Other Adjustments . Textron shall credit additional Supplemental Shares to a Participant's Stock Unit Account in each calendar quarter to reflect the dividend equivalents attributable to the Supplemental Shares that were credited to the Participant's Account on the record date. The number of additional Supplemental Shares shall be determined as follows:

(i) For dividend equivalents added before October 1, 2013, by dividing the dividend amount by the average of the composite closing prices of Textron common stock, as reported in *The Wall Street Journal* , for the month in which the record date occurs; and

(ii) For dividend equivalents added after September 30, 2013, by dividing the dividend amount by the closing price of Textron common stock on the date the credit is posted to the Participant's Stock Unit Account, as reflected in the Plan's recordkeeping system.

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

(d) Converting Supplemental Shares to Cash . All distributions from the Plan shall be made in cash. The cash value distributed will be determined by multiplying the value of Textron common stock as of the distribution date by the number of whole and fractional Supplemental Shares in the Participant's Stock Unit Account as of the distribution date. The value of a share of Textron common stock as of the distribution date shall be as follows:

(i) For distributions before October 1, 2013, the average of the composite closing prices, as reported in *The Wall Street Journal* , for the first ten trading days of the calendar month following the Participant's Separation From Service, death, or Total Disability; and

(ii) For distributions after September 30, 2013, the closing price on the first trading day of the calendar month in which the distribution occurs;

provided, however, that in the case of a distribution upon a Change in Control (under Section 5.04), the value of a share of Textron common stock as of the distribution date shall be the closing price immediately before the Change in Control occurs.

2. Section 3.03 of Appendix A of the Plan is amended to read in its entirety as follows:

3.03 In each calendar quarter, Textron shall 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 following price:

(i) For credits before October 1, 2013, 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; and

(ii) For credits after September 30, 2013, the closing price of Textron common stock on the date the credit is posted to the Participant’s supplemental savings account, as reflected in the Plan’s recordkeeping system.

3. Section 3.05 of Appendix A of the Plan is amended to read in its entirety as follows:

3.05 A Participant who has terminated her Textron employment may transfer amounts in her supplemental savings account to her fixed income account in accordance with the following rules:

(i) Before October 1, 2013, a Participant may, once each calendar month, request to transfer, in 5% increments (with a minimum transfer of 10% of the supplemental savings account), effective the first calendar day of the month following the minimum notice of three business days, any amount in her supplemental savings account to her fixed income account. The cash value transferred will be determined by multiplying (A) the value of Textron common stock as of the transfer date, times (B) the number of whole and fractional Supplemental Shares in her supplemental savings account as of the end of the month in which the election is made, times (C) the percentage being transferred. The value of a share of Textron common stock at the transfer date shall be the average of the composite closing prices, as reported in *The Wall Street Journal* , for the first ten trading days of the effective month.

(ii) After September 30, 2013, a Participant may, once each trading day, request to transfer in 1% increments any amount in her supplemental savings account to her fixed income account. Such transfer shall take effect as soon as practicable after the request is received and processed. For purposes of the transfer, the value of a share of Textron common stock shall be the closing price for first trading day that ends after the request is received and processed, as reflected in the Plan's recordkeeping system.

If any portion of a Participant's accounts under the Savings Plan shall be forfeited, a proportionate part of the Participant's Supplemental Shares also shall be forfeited.

4. Section 1.03 of the Market Square Profit Sharing Plan Schedule of Appendix A of the Plan is amended to read in its entirety as follows:

1.03 Textron shall, in each calendar quarter, credit Supplemental Shares to a Participant's stock unit account equal in number to the number of shares of Textron common stock that would have been allocated on account of dividends to the Participant's stock unit account as of that date, based on the following price:

(i) For credits before October 1, 2013, 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; and

(ii) For credits after September 30, 2013, the closing price of Textron common stock on the date the credit is posted to the Participant's stock unit account, as reflected in the Plan's recordkeeping system.

5. Section 1.05 of the Market Square Profit Sharing Plan Schedule of Appendix A of the Plan is amended to read in its entirety as follows:

1.05 A Participant who has terminated her Textron employment may transfer amounts in her stock unit account to her general fund account in accordance with the following rules:

(i) Before October 1, 2013, a Participant may, once each calendar month, request to transfer, in 5% increments (with a minimum transfer of 10% of the stock unit account), effective the first calendar day of the month following the minimum notice of three business days, any amount in her stock unit account to her general fund account. The cash value transferred will be determined by multiplying (A) the value of Textron common stock as of the transfer date, times (B) the number of whole and fractional Supplemental Shares in her stock unit account as of the end of the month in which the election is made, times (C) the percentage being transferred. The value of a share of Textron common stock as of the transfer date shall be the average of the composite closing prices, as reported in *The Wall Street Journal* , for the first ten trading days of the effective month.

(ii) After September 30, 2013, a Participant may, once each trading day, request to transfer in 1% increments any amount in her stock unit account to her fixed income account. Such transfer shall take effect as soon as practicable after the request is received and processed. For purposes of the transfer, the value of a share of Textron common stock shall be determined based on the closing price for the first trading day that ends after the request is received and processed, as reflected in the Plan's recordkeeping system.

6. Section 1.03 of the Market Square Profit Sharing Plan Schedule of Appendix B of the Plan is amended to read in its entirety as follows:

1.03 Textron shall, in each calendar quarter, credit Supplemental Shares to a Participant's stock unit account equal in number to the number of shares of Textron common stock that would have been allocated on account of dividends to the Participant's stock unit account as of that date, based on the following price:

(i) For credits before October 1, 2013, 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; and

(ii) For credits after September 30, 2013, the closing price of Textron common stock on the date the credit is posted to the Participant's stock unit account, as reflected in the Plan's recordkeeping system.

7. Section 1.05 of the Market Square Profit Sharing Plan Schedule of Appendix B of the Plan is amended to read in its entirety as follows:

1.05 A Participant who has terminated her Textron employment may transfer amounts in her stock unit account to her general fund account in accordance with the following rules:

(i) Before October 1, 2013, a Participant may, once each calendar month, request to transfer, in 5% increments (with a minimum transfer of 10% of the stock unit account), effective the first calendar day of the month following the minimum notice of three business days, any amount in her stock unit account to her general fund account. The cash value transferred will be determined by multiplying (A) the value of Textron common stock, times (B) the number of whole and fractional Supplemental Shares in her stock unit account as of the end of the month in which the election is made, times (C) the percentage being transferred. The value of a share of Textron common stock at the transfer date shall be the average of the composite closing prices, as reported in *The Wall Street Journal* , for the first ten trading days of the effective month.

(ii) After September 30, 2013, a Participant may, once each trading day, request to transfer in 1% increments any amount in her stock unit account to her fixed income account. Such transfer shall take effect as soon as practicable after the request is received and processed. For purposes of the transfer, the value of a share of Textron common stock shall be determined based on the closing price for the first trading day that ends after the request is received and processed, as reflected in the Plan's recordkeeping system.

* * * * *

IN WITNESS WHEREOF, Textron Inc. has caused this amendment to be executed by its duly authorized officer.

TEXTRON INC.

Dated: October 7, 2013

By /s/ Cheryl H. Johnson
Cheryl H. Johnson
Executive Vice President, Human Resources

Exhibit 10.5C

SECOND AMENDMENT TO THE
TEXTRON SPILLOVER PENSION PLAN

(Restatement effective January 3, 2010)

To improve the administration of the Textron Spillover Pension Plan (the “Plan”) and to facilitate the transition to third-party administration with Fidelity Investments, the Plan is hereby amended and clarified as follows:

1. Effective immediately, Section 5.03(c) of the Plan is clarified to read in its entirety as follows:

   (c) An actuarially equivalent joint and 50% survivor annuity, joint and 75% survivor annuity, joint and 100% survivor annuity, or single life annuity, or any other actuarially equivalent single-life annuity or joint and survivor annuity that is available under Addendum A of the Textron Master Retirement Plan (disregarding the supplements to Addendum A), calculated using the actuarial factors prescribed by Addendum A, and commencing on the later of (i) the first day of the seventh month following the Participant’s Separation From Service or (ii) the Participant’s attainment of Retirement Age.

2. Subsections (a) and (b) of Section 5.04 of the Plan are clarified to read in their entirety as follows:

   (a) If the Participant is not a Grandfathered Participant, the Plan Administrator shall determine the ratio, as of the Participant’s Separation From Service, of (i) the value of the Participant’s account under the Retirement Account Plan to (ii) the present value of the benefit the Participant earned under the Pension Plan after 2006 (determined without taking into account (I) the effect of any minimum accrued benefit under the Pension Plan that was earned and frozen before 2007 or (II) any offset for the value of the Participant’s account under the Retirement Account Plan).

   (b) If the Participant is a Grandfathered Participant, the Plan Administrator shall determine the ratio in subsection (a), above, as if the Participant had satisfied the requirements to be grandfathered under the Textron Retirement Program, and had earned an accrued benefit under the Pension Plan after 2006 equal to the greater of the Participant’s actual post-2006 accrued benefit under the Pension Plan and the benefit determined as if the Grandfathered Formula had remained in effect after 2006 (determined, in both cases, without taking into account (i) the effect of any minimum accrued benefit under the Pension Plan that was earned and frozen before 2007 or (ii) any offset for the value of the Participant's account under the Retirement Account Plan). This subsection (b) shall apply solely for purposes of determining a Grandfathered Participant's lump-sum ratio, and not for purposes of determining the amount of the Grandfathered Participant's benefit under the Plan (except to the extent that the lump-sum ratio results in an enhancement of the Participant's benefit under subsection (c), below).

3. Effective October 1, 2013, Section 5.11(b) of the Plan is amended by replacing the last sentence thereof ("If a Participant's payments (before the new election) commence . . . .") with the following:

For election modifications made before October 1, 2013, if a Participant's payments were scheduled (before the new election) to commence at the later of Retirement Age or six months after Separation From Service, the Participant was permitted to choose to apply the election of a new time of payment to only one of the two alternative payment events. Effective for election modifications made after September 30, 2013, any election modification must apply with respect to both alternative payment events.

IN WITNESS WHEREOF, Textron Inc. has caused these amendments to be executed by its duly authorized officer.

TEXTRON INC.

Dated: October 7, 2013

By /s/ Cheryl H. Johnson
Cheryl H. Johnson
Executive Vice President, Human Resources

Exhibit 10.6B

FIRST AMENDMENT TO THE
DEFERRED INCOME PLAN FOR TEXTRON EXECUTIVES

(Restatement effective January 3, 2010)

The Deferred Income Plan for Textron Executives (the "Plan") is hereby amended as set forth below, effective October 1, 2013, except as otherwise provided:

1. Article I of the Plan is amended as follows:

   a. Section 1.01 of the Plan (definition of "Account") is amended to read in its entirety as follows:

      1.01 "Account" means the bookkeeping entry used to record deferred income and earnings credited to a Participant under the Plan. All amounts credited to the Account shall be unfunded obligations of Textron: no assets shall be set aside or contributed to the Plan for the Participant's benefit. A Participant's Account does not include deferred income that was earned and vested (within the meaning of IRC Section 409A) before January 1, 2005, and any subsequent increase that is permitted to be included in such amount under IRC Section 409A. Such amounts are calculated and paid solely as provided in Appendix A and Appendix B, as applicable. A Participant's Account may consist of a Pre-2013 Sub-account and/or a Post-2013 Sub-account, as follows:

      (a) If the Participant entered the Plan before 2014, the portion of the Account that is allocable to a Pre-2013 Election (adjusted for investment earnings and losses, net of expenses) shall be allocated to a Pre-2013 Sub-account.

      (b) If a Participant deferred amounts under the Plan after 2013, amounts allocable to a Post-2013 Election (adjusted for investment earnings and losses, net of expenses) shall be allocated to a Post-2013 Sub-account. Within the Post-2013 Sub-account, amounts allocable to separate Post-2013 Elections shall be accounted for separately.

      Both the Pre-2013 Sub-account and the Post-2013 Sub-account may be further subdivided into sub-accounts as determined by Textron.

b. Section 1.05 of the Plan (definition of “Deferred Income”) is amended by striking the phrase “(in the case of a Schedule A Participant)” in subsection C thereof and by revising subsection D thereof to read in its entirety as follows:

D. Textron Company Contribution : A matching credit allocated to a Schedule A Participant’s Stock Unit Account, as described in Section 2.04(b) or a predecessor provision for Textron Company Contributions.

c. Section 1.11 of the Plan (definition of “Participant”) is amended to read in its entirety as follows:

1.11 “Participant” means an Eligible Individual who is participating in the Plan pursuant to Article II, or a former Eligible Individual whose Account has not been forfeited or fully distributed.

d. Section 1.13 of the Plan (definition of “Schedule A Participant”) is amended to read in its entirety as follows:

1.13 “Schedule A Participant” means a Participant designated as a Schedule A Participant at the time of the applicable deferral election.

e. Section 1.14 of the Plan (definition of “Schedule B Participant”) is amended to read in its entirety as follows:

1.14 “Schedule B Participant” means a Participant who either (a) was designated as a Schedule B Participant at the time of the applicable deferral election or (b) made a deferral election under the Key Executive Plan or the Executive Plan in 2006.

f. The following new definitions are added to Article I:

1.___ “Post-2013 Election” means a deferral election that is filed and becomes irrevocable with respect to compensation for service, or a performance period that begins, after December 31, 2013. The first Post-2013 Elections are the elections made during the Plan’s enrollment/deferral election period in the Fall of 2013.

1.___ “Post-2013 Sub-account” means a sub-account for amounts allocable to a Post-2013 Election, as described in Section 1.01 (definition of “Account”).

1.___ “Pre-2013 Election” means a deferral election that was filed and became irrevocable under Section 2.03 (“Deferral Election Requirements”) with respect to compensation for service, or a performance period that began, before January 1, 2014. Pre-2013 Elections include all elections made before the Plan’s Fall 2013 enrollment/deferral election period, including elections made with respect to compensation for performance periods that began before 2014 but end after January 1, 2014.

1.___ “Pre-2013 Sub-account” means a sub-account for the portion (if any) of a Participant’s Account that is allocable to a Pre-2013 Election, as described in Section 1.01 (definition of “Account”).

Each such definition shall be inserted in alphabetical order, and all sections of Article I and cross-references shall be renumbered accordingly.

2. Section 2.01 of the Plan (“Initial Enrollment”) is amended by revising the first paragraph thereof to read in its entirety as follows:

2.01 Initial Enrollment . An Eligible Individual shall complete the enrollment process established by Textron in order to become a Participant in the Plan. Initial enrollments before October 1, 2013, are subject to the provisions of the Plan then in effect.

3. Section 2.02 of the Plan is amended to read in its entirety as follows:

2.02 Deferral Election . Subject to the requirements set forth in Section 2.03, a Participant may elect to defer the following amounts under the Plan:

(a) Post-2013 Elections . For each Post-2013 Election, a Participant may elect to defer up to 80% of (i) his base salary; (ii) any cash distribution (other than a dividend, dividend equivalent, or distribution upon exercise of an option or stock appreciation right) under a shareholder-approved long-term incentive plan of Textron; and/or (iii) any other cash bonus or annual incentive compensation under an annual incentive compensation plan or short-term bonus plan sponsored by Textron. Textron shall have discretion to modify the maximum percentage of any type of compensation that may be deferred in any year (including to reduce the limit to zero).

(b) Pre-2013 Elections. For Pre-2013 Elections, the compensation that could be deferred was determined in accordance with the terms of the Plan then in effect. Pre-2013 Elections shall be implemented in accordance with their terms and Section 2.03, below.

(c) No Deferral of Gain Under Stock Rights. In no event may a Participant defer cash or stock payable upon exercise of a stock option or stock appreciation right.

4. Subsections (a), (c), (d) and (e) of Section 2.03 of the Plan ("Deferral Election Requirements") are amended to read in their entirety as follows:

(a) Applicability. Except in the case of a timely election to defer "performance-based compensation" pursuant to paragraph (b)(2), below, a Participant's deferral election shall apply only to compensation paid for services to be performed after the election is made. Except as provided in subsection (b), if Textron allows deferral of a bonus or other compensation earned over a performance period that commenced before the date of the election, the total compensation shall be multiplied by the ratio of the number of days remaining in the performance period after the election to the total number of days in the performance period, and only the resulting portion of the compensation shall be eligible for deferral.

* * *

(c) Minimum Deferrals. For Pre-2013 Elections, a Participant was not permitted to elect to defer an amount less than $5,000 for any year. Such minimum shall not apply for Post-2013 Elections.

(d) Change in Participation Level. For Pre-2013 Elections, the deferral rules for Schedule A Participants and Schedule B Participants were different. A Participant's status as a Schedule A Participant or a Schedule B Participant was determined at the deferral election deadline. Any change in status did not, and shall not, affect prior deferral elections.

(e) Renewal of Elections. A Post-2013 Election with respect to base salary shall be effective only with respect to base salary earned in the calendar year (or portion of a year, in the case of a mid-year election by a new Participant) immediately following the election deadline, and a Post-2013 Election with respect to other compensation shall be effective only with respect to the particular bonus, award, or other compensation for which such election is made. A Participant's Pre-2013 Election(s) shall continue to apply with respect to the compensation covered by such election (s). The Participant must make a new deferral election before the applicable deadline in order to defer compensation earned in a subsequent period or for a subsequent bonus, award, or other compensation. A Participant who fails to make a valid deferral election on or before the applicable deadline shall be deemed to have elected not to defer any compensation to which the deadline applies.

5. Section 2.04 of the Plan is amended to read in its entirety as follows:

2.04 Non-Elective Deferred Compensation . In addition to any Elective Deferred Income, a Participant's Account may be credited with the following types of non-elective Deferred Income:

(a) Discretionary Deferred Income . Effective October 1, 2013, a Participant's Account may be credited with additional amounts at the discretion of the Organization and Compensation Committee of the Board for Participants who are executive officers of Textron, and at the discretion of Textron, for all other Participants. The document authorizing the Discretionary Deferred Income shall specify the vesting schedule, if any, that applies to such Discretionary Deferred Income. Any Discretionary Deferred Income shall be allocated to a Participant's Moody's Account or Stock Unit Account, as determined by Textron.

(b) Textron Company Contribution . A Schedule A Participant shall receive a matching contribution credit in his Stock Unit Account equal to 10% of any Elective Deferred Income that the Participant allocates initially to his Stock Unit Account, excluding any deferral of base salary or other compensation that Textron has not irrevocably designated in writing as eligible.

(c) Automatic Deferred Income . Before October 1, 2013, the Plan provided for automatic deferral of a

Schedule A Participant's performance share unit payout to the extent necessary to meet required stock ownership levels established under the Executive Share Ownership Policy. Such automatic deferrals shall apply only with respect to performance share units for which the election deadline under IRC Section 409A occurred before October 1, 2013.

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

3.01 Investment Accounts . For recordkeeping purposes, Textron shall maintain a Moody's Account and a Stock Unit Account, as necessary, to credit hypothetical investment gains and losses to a Participant's Account. To the extent permitted by Textron, a Participant may allocate his Elective Deferred Income initially to the Moody's Account or the Stock Unit Account.

7. Subsections (a) and (b) of Section 3.03 of the Plan are amended to read in their entirely as follows:

(a) The Stock Unit Account shall consist of phantom shares of Textron common stock. The number of stock units credited to a Participant's Stock Unit Account shall be determined as follows:

(1) For credits added before October 1, 2013, (A) with respect to credits resulting from Automatic Deferred Income or the deferral of annual incentive compensation or performance share units, using the methodology approved by the Organization and Compensation Committee of the Board for payment of performance share units, and (B) for other amounts, by dividing the amount of Deferred Income credited on the last day of the calendar month by the average of the composite closing prices of Textron common stock, as reported in *The Wall Street Journal* , for the calendar month in which the credit is made; and

(2) For credits added after September 30, 2013, by dividing the amount of Deferred Income credited to the Participant's Account by the closing price of Textron common stock on the date the credit is posted to the Participant's Stock Unit Account, as reflected in the Plan's recordkeeping system.

(b) Textron shall credit additional stock units to a Participant’s Stock Unit Account to reflect dividend equivalents attributable to the stock units that were credited to the Participant’s Stock Unit Account on the record date. The number of additional stock units shall be determined as follows:

(1) For dividend equivalents added before October 1, 2013, by dividing the dividend amount by the average of the composite closing prices of Textron common stock, as reported in *The Wall Street Journal* , for the month in which the record date occurs; and

(2) For dividend equivalents added after September 30, 2013, by dividing the dividend amount by the closing price of Textron common stock on the date the credit is posted to the Participant’s Stock Unit Account, as reflected in the Plan’s recordkeeping system.

8. Section 3.04 of the Plan is amended to read in its entirety as follows:

3.04 Monthly Adjustments . A Participant’s Moody’s Account and Stock Unit Account shall be adjusted on the last day of each calendar month (or more frequently in the discretion of the Plan’s recordkeeper) to reflect additional Deferred Income credited to the Account, distributions from the Account, and investment gains or losses allocated to the Account.

9. Section 3.05 of the Plan is amended to read in its entirety as follows:

3.05 Transfers and Distributions From Stock Unit Account .

(a) Effective October 1, 2013, a Participant who has Separated From Service may, once each trading day, request to transfer in 1% increments any amount in his Stock Unit Account to his Moody’s Account. Such transfer shall take effect as soon as practicable after the election is received and processed. For purposes of the transfer, the value of a share of Textron common stock shall be the closing price on the first trading day that ends after the request is received and processed, as reflected in the Plan’s recordkeeping system.

(b) Before October 1, 2013, transfers were subject to the terms of the Plan then in effect including (1) a minimum transfer of 10% of the Stock Unit Account (available only in 5% increments), and (2) valuation rules set forth therein.

(c) For any distribution from the Participant’s Stock Unit Account before October 1, 2013, the value of Textron common stock shall be determined using the same methodology as applies for transfers described in subsection (b), above. For any distribution from the Participant’s Stock Unit Account after September 30, 2013, the value of Textron common stock shall be the closing price on the first trading day of the calendar month in which the distribution occurs, as reflected in the Plan’s recordkeeping system.

10. Section 5.03 of the Plan (“Form of Payment”) is amended to read in its entirety as follows:

5.03 Form of Payment . Subject to Section 5.05 (automatic lump sum payments), below, the distribution of a Participant’s Account upon Separation From Service or Total Disability shall be made in one of the following forms:

(a) For a Post-2013 Sub-account, either (1) a lump sum, or (2) annual installments over a period not exceeding 10 years.

(b) For a Pre-2013 Sub-account, one or a combination of (1) a lump sum, and/or (2) annual installments over a period not exceeding 15 years (or, if less, the number of whole years in the Participant’s remaining life expectancy, determined as of the payment commencement date under the Single Life Table in Treas. Reg. § 1.401(a)(9)-9, Q&A-l).

If payment is made in annual installments, the installment payment for each year shall be calculated by dividing the unpaid balance to which the installment election applies as of January 1 of that year by the remaining number of unpaid installments.

Effective for installment payments made after September 30, 2013, each installment shall be taken first from the Moody’s Account (until the balance of the Moody’s Account is zero) and then from the Participant’s

Stock Unit Account. Effective for installments paid before October 1, 2013, installment payments were made ratably from the Participant's Moody's Account and Stock Unit Account.

11. Section 5.04 ("Distribution Elections") is amended to read in its entirety as follows:

5.04 Distribution Election s.

(a) Participants were allowed to make special elections during 2007 to receive their Accounts in one or a combination of the distribution options in Section 5.03(b). Elections were not permitted if they would accelerate payment of the Participant's benefit into the year of the new election, or if the new election would postpone a distribution that otherwise would be made in 2007. Each such election shall apply with respect to the Participant's entire Pre-2013 Sub-account. The payment form(s) for any Post-2013 Sub-account shall be determined in accordance with paragraph (b)(2), below.

(b) For each Participant whose Account was first credited with Deferred Income after 2007, the following distribution election rules apply:

(1) The Participant's Pre-2013 Sub-account (if any) shall be paid in accordance with the Participant's initial deferral election and any change under subsection (c), below.

(2) The Participant's Post-2013 Sub-account (if any) shall be paid in the form(s) elected by the Participant by the deadline established by Textron. Any such election (including an election for Discretionary Deferred Income) shall be made no later than the deadline prescribed by Section 2.03 (b) ("Election Deadlines"). To the extent permitted by Textron, a Participant may elect a different form of payment with respect to each amount deferred.

(3) Any amount with respect to which the Participant has not made an election by the deadline established by Textron shall be

paid in a lump sum (subject to any change made pursuant to subsection (c), below).

(c) After 2007, a Participant may change the form of payment he previously elected for his Pre-2013 Sub-account and/or all or part of his Post-2013 Sub-account once (but only once). The Participant's new payment election must satisfy the following requirements and any additional conditions specified by Textron or the Plan's recordkeeper:

(1) the new election must be made at least twelve months before the date when payment of the applicable amount would otherwise commence (and the new election shall be ineffective if a subsequent event causes the original payment date to fall within the 12-month period);

(2) the new election must defer the date on which payment of the applicable amount will commence by at least five years from the commencement date applicable to the Participant's previous election; and

(3) the new election may not require annual installments to be paid over a period exceeding 10 years. For changes made before October 1, 2013, the installment period could not exceed the number of whole years in the Participant's remaining life expectancy, determined as of the payment commencement date under the Single Life Table in Treas. Reg. §1.401(a)(9)-9,Q&A-l.

12. Section 5.05(b) of the Plan (automatic lump sum payments for participants who terminate before retirement eligibility) is amended to read in its entirety as follows:

(b) Participants Who Terminate Before Retirement Eligibility .

(1) If a Participant who first participated in the Plan after 2007 has a Separation From Service or Total Disability before the earliest of (A) the date the Participant reaches at least age 55 and completes at least 10 years of service, (B) the date the Participant reaches at least age 35 and completes at least 20

years of service, and (C) the date the Participant reaches age 60, such Participant's Pre-2013 Sub-account shall be paid in a lump sum (even if the Participant elected to receive installments).

(2) If a Participant began participating in the Plan before 2008 (and before 2014), the automatic lump-sum payment described in paragraph (1), above, shall apply only to that portion, if any, of his Pre-2013 Sub-account that was credited to the Participant's Account while the Participant was a Schedule B Participant, and any associated investment earnings or losses, but shall not apply to any portion of his Pre-2013 Sub-account that was credited while he was a Schedule A Participant, or to associated investment gains or losses.

(3) The automatic lump-sum payment described in paragraphs (1) and (2), above, shall not apply for any Post-2013 Sub-account.

13. Section 3.09 of Appendix A of the Plan is amended to read in its entirety as follows:

3.09 From time to time, Textron shall credit Stock Units to a Participant's Stock Unit Account equal 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 following price:

(a) For credits before October 1, 2013, 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; and

(b) For credits after September 30, 2013, the closing price of Textron common stock on the date the credit is posted to the Participant's Stock Unit Account, as reflected in the Plan's recordkeeping system.

14. Section 3.11 of Appendix A of the Plan is amended to read in its entirety as follows:

3.11 The Interest Account shall be established when the benefits relating to a Participant's Stock Unit Account become due to the Participant under Article IV. A Participant who has terminated her Textron employment may request to transfer all or part of her Stock Unit Account in cash to her Interest Account in accordance with the following rules.

from amounts in the Interest Account attributable to pre-2002 deferrals, next from pre-2002 Moody's Account amounts described in Section 3.03, next from Section 3.04(b) (deferrals from 1988 through 2001), next from Section 3.04(a) (deferrals before 1988), and lastly from the Stock Unit Account.

16. Section 5.05 of Appendix A of the Plan is amended to read in its entirety as follows:

5.05 Before October 1, 2013, distributions under this Article V were taken from each account in which there was an amount on a pro-rata basis, and amounts were taken from the Moody's account in the order prescribed by Section 5.03(b) of Appendix A as then in effect.

* * * * *

IN WITNESS WHEREOF, Textron Inc. has caused this amendment to be executed by its duly authorized officer.

TEXTRON INC.

Dated: November 7, 2013

By /s/ Cheryl H. Johnson
Cheryl H. Johnson
Executive Vice President, Human Resources

Exhibit 10.19

EXECUTION VERSION

AGREEMENT AND PLAN OF MERGER

among

BEECH HOLDINGS, LLC,

SKY INTERMEDIATE MERGER SUB, LLC,

TEXTRON INC. and

TEXTRON ACQUISITION LLC

Dated as of December 26, 2013

TABLE OF CONTENTS

Exhibits

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this " Agreement "), dated as of December 26, 2013, is by and among Beech Holdings, LLC, a Delaware limited liability company (the " Company "), Sky Intermediate Merger Sub, LLC, a newly formed Delaware limited liability company and a direct wholly-owned subsidiary of the Company (" Intermediate Merger Sub "), Textron Inc., a Delaware corporation (" Parent "), and Textron Acquisition LLC, a newly formed Delaware limited liability company and a wholly-owned subsidiary of Parent (" Merger Sub "). The Company, Intermediate Merger Sub, Parent and Merger Sub are collectively referred to from time to time herein as the " Parties ", and each, individually, as a " Party ". Certain capitalized terms used herein have the respective meanings set forth in Exhibit A attached hereto.

RECITALS:

WHEREAS, upon the terms and subject to the conditions set forth in this Agreement, the Parties intend that (i) Intermediate Merger Sub will be merged with and into the Company, with the Company surviving (such surviving company, the " Intermediate Company ") such merger (the " Intermediate Merger ") and (ii) immediately following the consummation of the Intermediate Merger, Merger Sub will be merged with and into the Intermediate Company, with the Intermediate Company surviving the Merger as a wholly-owned Subsidiary of Parent (the " Merger ");

WHEREAS, the Company Board has by the unanimous vote of the board members present (i) determined that this Agreement and the transactions contemplated by this Agreement are advisable to and in the best interests of the Company and the owners of Units (each owner, a " Member "), (ii) approved the execution, delivery and performance of this Agreement by the Company and the consummation of the Intermediate Merger, the Merger and the other transactions contemplated hereby, and (iii) directed that, following its execution, this Agreement, the Intermediate Merger and the Merger be submitted to the Members necessary to obtain the Company Requisite Approval for approval in accordance with the Delaware Limited Liability Company Act (the " LLCA ") and the operating agreement of the Company, dated February 15, 2013, as amended (the " Operating Agreement ");

WHEREAS, concurrently with the execution and delivery of this Agreement, and as a condition and inducement to Parent's and Merger Sub's willingness to enter into this Agreement, certain Members have delivered to Parent and Merger Sub Member Proxies and, when the written consents of the Members attached to the Member Proxies are executed and delivered pursuant to such Member Proxies, such written consents will fully satisfy the requirement to obtain the Company Requisite Approval;

WHEREAS, the board of directors of Parent and the sole member of Merger Sub have each (i) determined that this Agreement and the transactions contemplated by this Agreement are advisable and in the best interests of Parent and Merger Sub, respectively and (ii) approved the execution, delivery and performance of this Agreement by Parent and Merger Sub, respectively, and the consummation of the Merger and the other transactions contemplated hereby;

WHEREAS, Parent, as the sole unit holder of Merger Sub, has approved this Agreement and the transactions contemplated hereby; and

WHEREAS, the Company, Parent and Merger Sub desire to make certain representations, warranties, covenants and agreements in connection with this Agreement.

NOW, THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements contained herein, intending to be legally bound, the Parties hereby agree as follows:

ARTICLE I

THE MERGER; CLOSING; EFFECTIVE TIME

Section 1.1 The Mergers.

(a) Upon the terms and subject to the conditions set forth in this Agreement and in accordance with the applicable provisions of the LLCA, at the Intermediate Effective Time, Intermediate Merger Sub shall be merged with and into the Company and the separate existence of Intermediate Merger Sub shall thereupon cease. The Intermediate Merger shall have the effects specified in this Agreement and the LLCA. Without limiting the generality of the foregoing, and subject thereto, at the Intermediate Effective Time, all of the property, rights, privileges and powers of the Company and Intermediate Merger Sub shall vest in the Intermediate Company, and all debts, liabilities and duties of the Company and Intermediate Merger Sub shall become the debts, liabilities and duties of the Intermediate Company, all as provided under the LLCA.

(b) Upon the terms and subject to the conditions set forth in this Agreement and in accordance with the applicable provisions of the LLCA, at the Effective Time, Merger Sub shall be merged with and into the Intermediate Company and the separate existence of Merger Sub shall thereupon cease. The Intermediate Company shall be the surviving company in the Merger (such surviving company, the " Surviving Company ") and shall continue its existence under the LLCA as a direct wholly-owned subsidiary of Parent. The Merger shall have the effects specified in this Agreement and the LLCA. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all of the property, rights, privileges and powers of the Intermediate Company and Merger Sub shall vest in the Surviving Company, and all debts, liabilities and duties of the Intermediate Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Company, all as provided under the LLCA.

Section 1.2 Closing. Unless otherwise mutually agreed in writing between the Company and Parent, the closing of each of the Intermediate Merger (the " Intermediate Closing ") and the Merger (the " Closing ") shall take place at the offices of Kirkland & Ellis LLP, 601 Lexington Avenue, New York, New York, at 9:00 a.m. (Eastern Time) on a date to be specified by the Parties which shall be no later than the second Business Day following the satisfaction or waiver of the conditions set forth in Article VI (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the fulfillment or waiver of those conditions at the Closing). The date on which the Intermediate Closing and the Closing actually occur is referred to as the " Closing Date ".

Section 1.3 Effective Time.

(a) Concurrently with the Intermediate Closing, the Company will cause a certificate of merger containing such information as is required by the relevant provisions of the

LLCA (the "Intermediate Delaware Certificate of Merger") to be executed and filed with the Secretary of State of the State of Delaware as provided in the LLCA to effectuate the Intermediate Merger. The Intermediate Merger shall become effective at the time when the Intermediate Delaware Certificate of Merger has been duly filed with the Secretary of State of the State of Delaware or at such later time as may be agreed by the Parties in writing and specified in the Intermediate Delaware Certificate of Merger in accordance with the relevant provisions of the LLCA (the "Intermediate Effective Time").

(b) Immediately after the Intermediate Effective Time, the Intermediate Company will cause a certificate of merger containing such information as is required by the relevant provisions of the LLCA (the "Delaware Certificate of Merger") to be executed and filed with the Secretary of State of the State of Delaware as provided in the LLCA to effectuate the Merger, which Delaware Certificate of Merger will specify that the Merger will become effective one (1) hour after the Intermediate Effective Time. The Merger shall become effective at such time as is specified in the Delaware Certificate of Merger on the Closing Date or at such later time as may be agreed by the Parties in writing and specified in the Delaware Certificate of Merger in accordance with the relevant provisions of the LLCA (the "Effective Time").

Section 1.4 Limited Liability Company Agreements.

(a) At the Intermediate Effective Time, the Operating Agreement as in effect immediately prior to the Intermediate Effective Time shall be amended pursuant to Section 18-209(f) of the LLCA by the First Amendment to the Operating Agreement in the form attached hereto as Exhibit B (the "Intermediate Company LLC Agreement Amendment") and the Operating Agreement, as amended by the Intermediate Company LLC Agreement Amendment (as so amended, the "Intermediate LLC Agreement"), shall be the limited liability company agreement of the Intermediate Company until thereafter amended as provided therein or by applicable Law.

(b) At the Effective Time, the Intermediate LLC Agreement as in effect immediately prior to the Effective Time shall be amended and restated in its entirety pursuant to Section 18-209(f) of the LLCA in the form of the Amended and Restated Operating Agreement attached hereto as Exhibit C (the "LLC Agreement") and the LLC Agreement shall be the limited liability company agreement of the Surviving Company until thereafter amended as provided therein or by applicable Law.

Section 1.5 Certificates of Formation.

(a) From and after the Intermediate Effective Time, the certificate of formation of the Company immediately prior to the Intermediate Effective Time shall be the certificate of formation of the Intermediate Company, until thereafter amended as provided in the Intermediate LLC Agreement or by applicable Law.

(b) From and after the Effective Time, the certificate of formation of the Intermediate Company (the "Certificate of Formation") shall be the certificate of formation of the Surviving Company until thereafter amended as provided in the LLC Agreement or by applicable Law (subject to Section 4.9).

Section 1.6 **Directors**.

(a) The directors of the Company in office immediately prior to the Intermediate Effective Time shall, from and after the Intermediate Effective Time, be the directors of the Intermediate Company until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Intermediate LLC Agreement.

(b) The members, managers or directors (as appropriate) of Merger Sub immediately prior to the Effective Time shall, from and after the Effective Time, be the managers or directors (as appropriate) of the Surviving Company until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the LLC Agreement.

Section 1.7 **Officers**.

(a) The officers of the Company in office immediately prior to the Intermediate Effective Time shall, from and after the Intermediate Effective Time, be the officers of the Intermediate Company until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Intermediate LLC Agreement.

(b) The officers of the Intermediate Company immediately prior to the Effective Time shall, from and after the Effective Time, be the officers of the Surviving Company until their successors shall have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the LLC Agreement.

Section 1.8 **FIRPTA Certificate**. Prior to the Closing, the Company shall deliver a certificate, in form and substance required under the Treasury Regulations issued pursuant to Section 1445(b) of the Code, stating that the Company (including, for the avoidance of doubt, the Intermediate Company following the Intermediate Merger) is not and has not been a U.S. real property holding corporation as defined in Section 897(c) of the Code for the period described in Section 897(c)(1)(A)(ii) of the Code.

ARTICLE II

EFFECT OF THE MERGERS ON UNITS; EXCHANGE OF CERTIFICATES AND BOOK ENTRY UNITS

Section 2.1 **Effect on Units**

(a) The Intermediate Merger.

(i) At the Intermediate Effective Time, as a result of the Intermediate Merger and without any action on the part of any Member or the Company as the sole member of Intermediate Merger Sub, each limited liability company interest of Intermediate Merger Sub issued and outstanding immediately prior to the Intermediate Effective Time shall be cancelled without any consideration payable thereon.

(ii) At the Intermediate Effective Time, the Units of the Company shall remain issued and outstanding as Units of the Intermediate Company.

(b) The Merger. At the Effective Time, as a result of the Merger and without any action on the part of any Member or the sole unit holder of Merger Sub:

(i) Merger Consideration. Each Unit issued and outstanding immediately prior to the Effective Time (other than Units owned by Parent, Merger Sub or any other direct or indirect wholly-owned Subsidiary of Parent and, other than L/C Secured Claim Units held by the Intermediate Company, Units owned by the Intermediate Company (collectively, the " Excluded Units ")) shall be cancelled pursuant to Section 2.1(b)(ii) and:

(A) with respect to a Unit that was issued and allocated in accordance with the Plan of Reorganization to a holder of an Allowed Senior Credit Facility Secured Claim or to a holder of an Allowed L/C Secured Claim (such Units, collectively, the " Secured Claim Units "), be converted automatically into the right to receive $8.135 per Secured Claim Unit in cash without any interest thereon (the " Per Unit Merger Consideration ");

(B) with respect to a Unit that was issued to and, immediately prior to the Effective Time, is held by the Intermediate Company for the benefit of holders of Allowed L/C Secured Claims (the " L/C Secured Claim Units "), be converted automatically into the right of the holder of the applicable Allowed L/C Secured Claim or the holder of the applicable Allowed Senior Credit Facility Secured Claim (the " L/C Secured Claim Rights Holder ") to receive the Per Unit Merger Consideration in accordance with, and at the time or times determined pursuant to, the LLC Agreement and the Plan of Reorganization; and

(C) with respect to an Unsecured Claim Unit that was issued and outstanding immediately prior to the Effective Time (other than Excluded Units) be converted automatically into the right to receive an amount in cash as set forth in the Trust Agreement at the time or times specified therein (the " Per Unsecured Claim Unit Consideration ").

(ii) Cancellation of Units. At the Effective Time, all of the Units (other than Excluded Units) shall cease to be outstanding, shall be canceled and shall cease to exist, and each certificate (a " Certificate ") or, with respect to uncertificated Units, the relevant entry on the Member Registry representing such Units (such uncertificated Units, " Book Entry Units ") formerly representing any of the Units (other than Excluded Units) shall thereafter represent only the right to receive (A) the Per Unit Merger Consideration for each Secured Claim Unit and L/C Secured Claim Unit or (B) the Per Unsecured Claim Unit Consideration for each Unsecured Claim Unit, solely with respect to this clause (B), in accordance with the Trust Agreement.

(iii) Cancellation of Excluded Units. Each Excluded Unit shall, by virtue of the Merger and without any action on the part of the holder of the Excluded Unit, cease to be outstanding, shall be canceled without payment of any consideration therefor and shall cease to exist.

(iv) Merger Sub. At the Effective Time, the limited liability company interests in Merger Sub held by Parent, which constitute 100% of the limited liability company interests in Merger Sub, shall be converted into 100% of the limited liability company interests in the Surviving Company, and Parent shall be admitted as the sole member of the Surviving Company.

Section 2.2 **Exchange of Certificates**.

(a) Paying Agent. As soon as practicable following the date hereof, the Company and Parent shall appoint a paying agent to act as paying agent for the payment of the amounts payable pursuant Section 2.1(b)(i)(A) and Section 2.1(b)(i)(B) (the "Paying Agent") pursuant to a paying agency agreement in a form mutually agreed upon by the Company, Parent, Merger Sub and the Paying Agent. At or prior to the Effective Time, Parent shall deposit or shall cause to be deposited, with the Paying Agent, (A) for the benefit of the Members that are holders of Secured Claim Units immediately prior to the Effective Time (other than holders of Excluded Units), cash in immediately available funds in the aggregate amount necessary for the Paying Agent to make the payments to holders of Secured Claim Units to which they are entitled pursuant to Section 2.1(b)(i)(A) (such cash amount being hereinafter referred to as the "Primary Exchange Fund") and (B) for the benefit of L/C Secured Claim Rights Holders, cash in immediately available funds in the aggregate amount necessary for the Paying Agent to make the payments to L/C Secured Claim Rights Holders in accordance with Section 2.1(b)(i)(B) (the "L/C Reserve Fund", and together with the Primary Exchange Fund, the "Exchange Funds"). The Paying Agent shall invest the Exchange Funds as directed by Parent; provided that such investments shall be in obligations of or guaranteed by the United States of America, with maturities not exceeding three months. Any interest and other income resulting from such investment shall become a part of the applicable Exchange Fund, and any amounts in excess of the aggregate amount payable pursuant to Section 2.1(b)(i)(A) or Section 2.1(b)(i)(B), as applicable, shall be contributed to the Surviving Company in accordance with Section 2.6. To the extent that there are any losses with respect to any such investments, or an Exchange Fund diminishes for any reason below the level required for the Paying Agent to make prompt cash payment of the amount of cash to which holders of Secured Claim Units or the L/C Secured Claim Rights Holders are entitled pursuant to Section 2.1(b)(i)(A) or Section 2.1(b)(i)(B), as applicable, Parent shall promptly replace or restore the cash in the applicable Exchange Fund so as to ensure that such Exchange Fund is at all times maintained at a level sufficient for the Paying Agent to make all such cash payments to holders of Secured Claim Units or the L/C Secured Claim Rights Holders pursuant to Section 2.1(b)(i)(A) or Section 2.1(b)(i)(B), as applicable.

(b) Exchange Procedures. As promptly as practicable, and in any event within two (2) Business Days, (A) after the Effective Time, the Paying Agent shall deliver (whether via postal mail, electronic mail or upload to the secure website maintained for the benefit of holders of Units) to each Person holding an outstanding Certificate or Book Entry Unit that, immediately prior to the Effective Time, represented a Secured Claim Unit that was converted into the right to receive the Per Unit Merger Consideration and (B) after the L/C Final Distribution Date (or such earlier date as determined in accordance with the Operating Agreement and the Plan of Reorganization), the Paying Agent shall deliver to each L/C Secured Claim Rights Holder that is entitled to receive the Per Unit Merger Consideration, in each case (x) a letter of transmittal (the "Exchange Fund Letter of Transmittal"), which, with respect to Certificates, shall specify that delivery shall be effected (and risk of loss and title to the applicable Units shall pass) only upon delivery of the Certificates (or affidavits of loss in lieu thereof as provided in Section 2.2(e)) to the Paying Agent, and, with respect to Book Entry Units or L/C Secured Claim Units, shall specify that delivery shall be effected upon delivery of the

Exchange Fund Letter of Transmittal to the Paying Agent, and (y) instructions for use in effecting the surrender of the Certificates (or affidavits of loss in lieu thereof as provided in Section 2.2(e)) or surrender of ownership of Book Entry Units or L/C Secured Claim Units in exchange for the amount to which such holder of Certificates, Book Entry Units or L/C Secured Claim Units is entitled as a result of the Merger pursuant to Section 2.1(b)(i)(A) or Section 2.1(b)(i)(B) , as applicable. Following the Effective Time, and upon delivery of a properly executed Exchange Fund Letter of Transmittal to the Paying Agent and, with respect to Certificates, surrender to the Paying Agent of a Certificate (or affidavits of loss in lieu thereof as provided in Section 2.2(e)) or surrender of ownership of Book Entry Units or L/C Secured Claim Units, (A) the Person holding such Certificate or Book Entry Unit or L/C Secured Claim Unit shall in exchange therefor be entitled to receive an amount, in immediately available funds and without any interest thereon, equal to the *product of* (x) the number of Units represented by such Certificate, Book Entry Unit or L/C Secured Claim Unit *multiplied by* (y) the Per Unit Merger Consideration, and such Certificate, Book Entry Unit or L/C Secured Claim Units, as applicable, shall be canceled. No interest will be paid or accrued on any amount payable upon the surrender of a Certificate (or affidavits of loss in lieu thereof as provided in Section 2.2(e)) or with respect to a Book Entry Unit or L/C Secured Claim Unit. Until delivered in accordance with the provisions of this Section 2.2 , each Certificate or Book Entry Unit representing any Secured Claim Unit (other than any Excluded Units) and each L/C Secured Claim Unit shall be deemed at any time following the Effective Time to represent for all purposes only the right to receive, as provided by this Agreement, the Per Unit Merger Consideration, and shall have no other rights.

(c) Unsecured Claim Units; Unsecured Trust . At or prior to the Effective Time, Parent shall deposit, or shall cause to be deposited, with the Trustee, pursuant to the Trust Agreement, for the benefit of the holders of Unsecured Claim Units and other holders of Unsecured Claims cash in immediately available funds in an amount equal to $250,819,948 (such cash amount being hereinafter referred to as the " Unsecured Trust "). The Trustee shall invest the Unsecured Trust and make payments from the Unsecured Trust in accordance with the terms and conditions of the Trust Agreement.

(d) Transfers . From and after the Effective Time, there shall be no transfers on the Member Registry of the Company of the Units that were outstanding immediately prior to the Effective Time. If, after the Effective Time, any Certificate or Book Entry Unit is presented to the Surviving Company or Parent for transfer, it shall be canceled and exchanged for the amount in cash in immediately available funds to which the holder of the Certificate or Book Entry Unit is entitled pursuant to this Article II .

(e) Lost, Stolen or Destroyed Certificates . In the event that any Certificate shall have been lost, stolen or destroyed, upon the making and delivery of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed (along with delivery of a duly completed Exchange Fund Letter of Transmittal, as appropriate) and, if required by Parent, the posting by such Person of a bond in customary amount and upon such customary terms as may be required by Parent as indemnity against any claim that may be made against it or the Surviving Company with respect to such Certificate, the Paying Agent will issue a check or pay by wire transfer immediately available funds in the amount (after giving effect to any required Tax withholdings as provided in Section 2.5) the holder thereof is entitled to pursuant to Section 2.1(b)(i)(A) or Section 2.1(b)(i)(B) , as applicable.

Section 2.3 **Treatment of Company Options, Restricted Units, Phantom Units and Residual Units** .

(a) Company Options . Parent shall not assume any Company Option in connection with the consummation of the transactions contemplated hereby. At the Effective Time, each Company Option that is outstanding and unexercised immediately prior to the Effective Time (whether or not then vested) shall be canceled and converted automatically into the right to receive the consideration set forth in this Section 2.3(a) . Each holder of any such outstanding and unexercised Company Option (whether or not then vested) shall, in exchange therefor, be entitled to receive, subject to Section 2.5 , a single lump sum cash payment (without any interest thereon), payable on or prior to the next regularly scheduled payroll date of the Surviving Company that occurs after the Closing, in an amount equal to the *product of* (x) the total number of Units subject to the Company Option immediately prior to the Effective Time *multiplied by* (y) the excess, if any, of the Per Unit Merger Consideration over the exercise price per Unit under such Company Option. Notwithstanding anything in this Agreement to the contrary, any Company Option with an exercise price per Unit that is equal to or greater than the Per Unit Merger Consideration shall be canceled at the Effective Time without any cash payment being made or other consideration being delivered in respect thereof.

(b) Restricted Units . Subject to Section 2.5 , each Restricted Unit that is outstanding shall vest and be canceled immediately prior to the Effective Time in accordance with the Management Equity Plan and the Award Agreement governing such Restricted Units. At the Effective Time, each such vested Restricted Unit (after giving effect to the foregoing accelerated vesting) shall be entitled to receive the Per Unit Merger Consideration in accordance with Section 2.1(b) . Each remaining unvested Restricted Unit shall be automatically canceled at the Effective Time without any cash payment being made or other consideration being delivered in respect thereof.

(c) Phantom Units . Subject to Section 2.5 , each Phantom Unit that is outstanding as of the Effective Time (whether vested or unvested) shall be canceled and converted automatically into the right to receive the Per Unit Merger Consideration, which shall be paid in accordance with the terms of the Award Agreement governing such Phantom Unit.

(d) Residual Units . Subject to Section 2.5 , immediately prior to the Effective Time, a number of fully vested Units having a Fair Market Value equal to the Residual Equity Value shall be granted to a group of employees in accordance with the determination of the Compensation Committee of the Company Board after consultation with the Chief Executive Officer of the Company (each such Unit, a " Residual Unit "). Each such Unit shall, at the Effective Time, be automatically entitled to receive the Per Unit Merger Consideration in exchange for the cancellation of such Residual Unit. Section 2.3(d) of the Company Disclosure Letter sets forth the number of Residual Units available, and the number of Residual Units that will be Restricted Units and the number that will be Company Options. The Company shall deliver an updated Section 2.3(d) of the Company Disclosure Letter at least two (2) Business Days prior to the Closing Date that sets forth the names of those employees and the number of Residual Units being granted to each such employee.

Section 2.4 **Certain Adjustments** . In the event that, prior to the Effective Time, the Company changes the number of Units or securities convertible or exchangeable into or exercisable for Units issued and outstanding, as a result of a reclassification, unit split (including a reverse unit split), unit dividend or distribution, recapitalization, merger, issuer tender or exchange offer or other similar transaction, the Per Unit Merger Consideration or the Per Unsecured Claim Unit Consideration, as applicable, shall be equitably adjusted to reflect such change and as so adjusted shall, from and after the date of such event, be the Per Unit Merger Consideration or the Per Unsecured Claim Unit Consideration, as applicable.

Section 2.5 **Withholding**. Each of Parent, Merger Sub, the Company and the Surviving Company shall be entitled to deduct and withhold (or cause to be deducted and withheld) from the consideration otherwise payable by it pursuant to this Article II, such amounts as it is required to deduct and withhold with respect to the making of such payment under the Code, or any other applicable state, local or foreign Tax Law. To the extent that amounts are so withheld (or caused to be withheld) by Merger Sub, the Company, the Surviving Company or Parent, as the case may be, such withheld amounts (i) shall be timely remitted by Merger Sub, the Company, the Surviving Company or Parent, as applicable, to the applicable Governmental Entity and (ii) upon remittance shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made by Merger Sub, the Company, the Surviving Company or Parent, as the case may be.

Section 2.6 **Termination of Exchange Fund**.

(a) Any portion of the Primary Exchange Fund (including the proceeds of any investments of the Primary Exchange Fund) that remains unclaimed by the holders of Secured Claim Units (other than a holder of Excluded Units) for one year after the Effective Time shall be contributed to the Surviving Company. Any holder of Secured Claim Units (other than a holder of Excluded Units) who has not theretofore complied with this Article II shall thereafter look only to the Surviving Company (subject to abandoned property, escheat and other similar Laws) only as a general creditor thereof with respect to any amount to which such holder of Secured Claim Units is entitled as a result of the Merger pursuant to Section 2.1 (after giving effect to any required Tax withholdings as provided in Section 2.5) upon due delivery of its Certificates (or affidavits of loss in lieu thereof as provided in Section 2.2(e)) or Book Entry Units, without any interest thereon.

(b) Any portion of the L/C Reserve Fund (including the proceeds of any investments of the L/C Reserve Fund) that remains unclaimed by the L/C Secured Claim Rights Holders for a period of six months after the final L/C Secured Claim has been allocated in accordance with the Operating Agreement and the Plan of Reorganization shall be contributed to the Surviving Company. Any L/C Secured Claim Rights Holder who has not theretofore complied with this Article II shall thereafter look only to the Surviving Company (subject to abandoned property, escheat and other similar Laws) only as a general creditor thereof with respect to any amount to which such L/C Secured Claim Rights Holder is entitled as a result of the Merger pursuant to Section 2.1 (after giving effect to any required Tax withholdings as provided in Section 2.5) upon due delivery of its Certificates (or affidavits of loss in lieu thereof as provided in Section 2.2(e)) or Book Entry Units or L/C Claim Rights, without any interest thereon.

(c) Notwithstanding anything to the contrary in this Section 2.6, none of the Surviving Company, Parent, the Paying Agent or any other Person shall be liable to any holders of Units for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar Laws.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.1 **Representations and Warranties of the Company**. Except as set forth in the corresponding sections or subsections of the Disclosure Letter delivered by the Company to Parent simultaneously with entering into this Agreement (the "Company Disclosure Letter") (it being agreed that disclosure of any item in any section or subsection of the Company Disclosure Letter shall be deemed disclosure with respect to any other section or subsection of the Company Disclosure Letter (and the corresponding section or subsection of this Article III) to which the relevance of such item is reasonably apparent on the face of such disclosure), the Company hereby represents and warrants to Parent and Merger Sub as of the date hereof and as of the Closing Date (except to the extent that any such representation and warranty expressly speaks as of another date, in which case such representation and warranty shall be true and correct only as of such other date) that:

(a) Organization, Good Standing and Qualification. Each of the Company and its Subsidiaries (i) is a legal entity duly organized, validly existing and in good standing (with respect to jurisdictions that recognize the concept of good standing) under the Laws of the jurisdiction of its organization, (ii) has all requisite corporate or similar power and authority to own, lease and operate its properties and assets and to carry on its business as presently conducted and (iii) is qualified to do business and is in good standing (with respect to jurisdictions that recognize the concept of good standing) as a foreign corporation or other legal entity in each jurisdiction where the ownership, leasing or operation of its properties or assets or the conduct of its business as presently conducted requires such qualification, except, in the case of clauses (ii) and (iii) of this sentence, where the failure to be so qualified or in good standing or to have such power or authority, would not reasonably be expected to, individually or in the aggregate, (A) materially and adversely affect the ability of the Company to carry out its obligations hereunder or consummate the transactions contemplated hereby, or (B) materially and adversely affect the ability of the Company and its Subsidiaries to carry on their business as it is now being conducted. The Company has made available to Parent complete and correct copies of the certificate of formation of the Company and the Operating Agreement and the certificate of formation, certificate of incorporation (or other equivalent formation document) and limited liability company, operating agreement, bylaws (or other equivalent governing document) for each of the Subsidiaries of the Company, each as amended to the date of this Agreement and each as so made available is in full force and effect on the date of this Agreement.

(b) Capital Structure. The limited liability company interests of the Company consist of one class of Units. As of the date of this Agreement, the sum of (i) the number of Units issued and outstanding, consisting of (A) Secured Claim Units, (B) Unsecured Claim Units and (C) Units held by the Company in respect of L/C Secured Claims, and (ii) the number of additional Units were reserved for distribution in respect of Unsecured Claims, equals 163,133,334. All of the outstanding Units (i) are duly authorized, validly issued, fully paid and nonassessable; (ii) are free of any preemptive rights other than as set forth in the Operating Agreement; (iii) are not subject to any restrictions on transfer, other than restrictions on transfer imposed by applicable securities Laws and those restrictions set forth in the Operating Agreement or the Plan of Reorganization; and (iv) have been issued in material compliance with all applicable Laws and all requirements set forth in the Operating Agreement. As of the date of this Agreement, other than up to 13,227,027 Units reserved for issuance pursuant to the Management Equity Plan, the Company has no other Units reserved for issuance. Not including the 881,788 Residual Units to be granted immediately prior to the Effective Time in accordance with the Management Equity Plan and as set forth on Section 2.3(d) of the Company Disclosure Letter, as of December 18, 2013, (A) there were 8,230,565 outstanding and unexercised Company Options providing for the issuance of 8,230,565 Units and having a weighted average exercise price of $6.00 and (B) an aggregate of 4,114,674 Restricted Units were issued and outstanding, in each case, under the Management Equity Plan. Upon the issuance of any Units in accordance with the terms of the Management Equity Plan, such Units will be duly authorized, validly issued, fully paid and nonassessable. As of December 18, 2013, there were 146,664 outstanding Phantom Units under the Director Equity Plan. Section 3.1(b) of the Company Disclosure Letter contains (1) a correct and complete list as of the date of this Agreement of the number of Secured Claim Units, the number of Unsecured Claim Units and the number of Units held by the Company in respect of L/C Secured Claims, in each case issued and outstanding, and (2) a correct and complete list as of the date of this Agreement of Company Options and Restricted Units outstanding under the Management Equity Plan, and of Phantom Units under the Director Equity Plan, including the holder, amount, and for each Company Option, the exercise price of such Company Option. No Units are owned by any Subsidiary of the Company. Except as set forth above or as provided for in the Operating Agreement or the Plan of Reorganization, there are no preemptive or other outstanding rights, options, warrants, conversion rights, unit appreciation rights, redemption rights, repurchase rights, agreements, arrangements, calls, commitments or rights of any kind that obligate the Company or any of its Subsidiaries to issue or sell any limited liability company interests or other securities of the Company or any of its Subsidiaries or any securities or obligations of the Company or any of its Subsidiaries convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any securities of the Company or any of its Subsidiaries, and no securities or obligations of the Company or any of its Subsidiaries evidencing such rights are authorized, issued or outstanding. There are no outstanding obligations of the Company or its Subsidiaries to repurchase, redeem or otherwise acquire any limited liability company interests or other securities of the Company or any of its Subsidiaries. The Member Registry complies in all material respects with Section 2.5(a) of the Operating Agreement.

(c) Organizational Authority and Approval.

(i) The Company has all requisite power and authority and has taken all action necessary in order to execute, deliver and perform its obligations under this Agreement and to consummate the Intermediate Merger and the Merger, subject only to obtaining the Company Requisite Approval. This Agreement has been duly executed and delivered by the Company and, assuming the valid authorization, execution and delivery of this Agreement by the other Parties, constitutes a legal, valid and binding agreement of the Company enforceable against the Company in accordance with its terms, subject to the Bankruptcy and Equity Exception. Except as contemplated by this Agreement, no other corporate or limited liability company actions on the part of the Company are necessary to authorize this Agreement or to consummate the Intermediate Merger and the Merger and the other transactions contemplated hereby.

(ii) The Company Requisite Approval is the only vote of the holders of any class or series of interests in the Company necessary to approve this Agreement and the transactions contemplated hereby. When the written consents of the Members attached to the Member Proxies delivered by the Members party thereto to Parent and Merger Sub on the date hereof are executed and delivered pursuant to such Member Proxies, such written consents will fully satisfy the requirement to obtain the Company Requisite Approval.

(iii) As of the date of this Agreement, the Company Board has by the unanimous vote of the board members present (A) determined that this Agreement, the Intermediate Merger and the Merger and the other transactions contemplated hereby are advisable to and in the best interests of the Company and its Members, (B) approved and declared advisable this Agreement, the Intermediate Merger and the Merger and the other transactions contemplated hereby and (C) resolved, subject to Section 4.2 , to recommend that the Members approve this Agreement (such recommendation, the " Company Recommendation") , and subject to Section 4.2 , directed that this Agreement be submitted to the Members necessary to obtain the Company Requisite Approval for their approval by written consent.

(iv) In accordance with Sections 2.7 and 2.9(i) of the Operating Agreement, the Company has set a record date that is fifteen (15) calendar days after the date of this Agreement (the " Record Date ") in connection with obtaining the written consents of the Members required to obtain the Company Requisite Approval.

(d) Subsidiaries . Section 3.1(d) of the Company Disclosure Letter sets forth a true and complete list of all Subsidiaries of the Company, listing for each such Subsidiary its name, type of entity, the jurisdiction and date of its incorporation, organization or formation and its authorized capital stock, partnership capital or equivalent. As of the date of this Agreement, the Company, alone or together with one or more of its Subsidiaries, is the record and beneficial owner of 100% of the issued and outstanding equity interests of each of its Subsidiaries, in each case free and clear of all Liens (other than the restrictions of applicable securities Laws and Liens incurred pursuant to the Credit Facilities and other Permitted Liens). Other than the Subsidiaries listed on Section 3.1(d) of the Company Disclosure Letter, there are no other entities in which the Company or any Subsidiary owns, of record or beneficially, any direct or indirect equity interest or any right to acquire the same. Other than the Subsidiaries listed on Section 3.1(d) of the Company Disclosure Letter, neither the Company nor any of its Subsidiaries is a member of (nor is the business of the Company conducted through) any partnership nor is the Company or any such Subsidiary a participant in any joint venture or similar arrangement.

(e) Governmental Filings; No Violations; Certain Contracts .

(i) Except for (A) compliance with, and filings under, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder (the " HSR Act "), (B) the filing of the Intermediate Delaware Certificate of Merger and the Delaware Certificate of Merger and other appropriate merger documents required by the LLCA with the Secretary of State of the State of Delaware, (C) a notification under Section 1-302(g) and Section 2-302.b of the National Industrial Security Program Operating Manual (the " NISPOM "), (D) compliance with and filings under the International Traffic in Arms Regulations (" ITAR "), and (E) such other items as disclosed in Section 3.1(e)(i) of the Company Disclosure Letter (the items set forth above in clauses (A) through (E) , the " Company Required Governmental Approvals "), no notices, reports or other filings are required to be made by the Company with, nor are any consents, registrations, approvals or authorizations required to be obtained by the

Company from, any domestic or foreign governmental or regulatory body, commission, agency, instrumentality, authority or other legislative, executive or judicial entity or court (each, a "Governmental Entity") in connection with the execution, delivery and performance of this Agreement by the Company or the consummation of the Intermediate Merger and the Merger and the other transactions contemplated hereby, except those that the failure to make or obtain, as the case may be, would not reasonably be expected to, individually or in the aggregate, (A) materially and adversely affect the ability of the Company to carry out its obligations hereunder or consummate the transactions contemplated hereby or (B) materially and adversely affect the ability of the Company and its Subsidiaries to carry on their business as it is now being conducted.

(ii) The execution, delivery and performance of this Agreement by the Company does not, and the consummation of the Intermediate Merger and the Merger and the other transactions contemplated hereby will not, constitute or result in (A) a breach or violation of the certificate of formation of the Company or the Operating Agreement, (B) any breach or violation of, or a default (or an event which with notice or lapse of time or both would become a default) under, or give rise to any right of termination, cancellation, amendment or acceleration of, any Company Material Contract or material Permit held by the Company, (C) the creation of any Lien (other than Permitted Liens) on the Company or any of its Subsidiaries or any of their properties, rights or assets, or (D) assuming compliance with the matters referred to in Section 3.1(e)(i), any violation of Law or Order to which the Company or any of its Subsidiaries or any of their respective properties or assets is subject, except, in the case of clauses (B), (C), or (D) of this sentence, where such breach, violation, default, termination, cancellation, amendment, acceleration or creation would not reasonably be expected to, individually or in the aggregate, (A) materially and adversely affect the ability of the Company to carry out its obligations hereunder or consummate the transactions contemplated hereby or (B) materially and adversely affect the ability of the Company and its Subsidiaries to carry on their business as it is now being conducted.

(f) Financial Statements; Indebtedness; Undisclosed Liabilities.

(i) The Company has provided to Parent true, accurate and complete copies of the following financial statements (the "Financial Statements"): (A) the audited consolidated balance sheet of the Company as of December 31, 2012 and the related audited consolidated statements of income and of cash flows for the year then-ended December 31, 2012, including the notes or other supplementary information thereto, (B) the unaudited consolidated balance sheet of the Company as of September 30, 2013 (the "Latest Balance Sheet") and the related unaudited consolidated statements of income and cash flows for (x) the seven-month period then ended for the Company and (y) the two month period from January 1, 2013 through February 28, 2013 for Hawker Beechcraft, Inc., as the predecessor in interest of the Company (the information described in this subclause (B) being the "Interim Financial Statements") and (C) the unaudited consolidated balance sheet of the Company as of February 28, 2013 (the "February Balance Sheet").

(ii) The Financial Statements (A) have been prepared in accordance with GAAP applied on a consistent basis throughout the periods covered thereby, except as may be indicated in the notes thereto and subject, in the case of the Interim Financial Statements, to the absence of footnotes and normal year-end adjustments, which adjustments shall not be material individually or in the aggregate, and fresh start accounting adjustments, (B) fairly present, in all material respects, the consolidated financial condition, cash flows and results of operations of the Company and its Subsidiaries as of the dates thereof and for the periods referred to therein subject, in the case of the Interim Financial Statements, to the absence of footnotes and normal year-end adjustments, which adjustments shall not be material individually or in the aggregate, and fresh start accounting adjustments and (C) were prepared in accordance with the books of account and other financial records of the Company and its Subsidiaries. The February Balance Sheet (A) has been prepared in accordance with GAAP and (B) fairly presents, in all material respects, the consolidated financial condition of the Company and its Subsidiaries as of the date thereof, except in each case of (A) and (B) for (w) the absence of footnotes, (x) normal year-end adjustments, (y) fresh start accounting adjustments and (z) the absence of tax adjustments, and (C) were prepared in accordance with the books of account and other financial records of the Company and its Subsidiaries.

(iii) The Company and each of its Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (A) transactions are executed, in all material respects, in accordance with management's general or specific authorizations and (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP.

(iv) Section 3.1(f)(iv) of the Company Disclosure Letter sets forth the total amount of outstanding Indebtedness (within the meaning of clauses (a), (c), (d), (e), (g) and (i) of the definition thereof) of the Company and its Subsidiaries as of the date hereof indicating the applicable lender, counterparty or other party or parties thereof and the amount of the obligation.

(v) Neither the Company nor any of its Subsidiaries has any liability or obligation, which would be required to be set forth on the liabilities side of a consolidated balance sheet of the Company and its Subsidiaries (including any notes) prepared as of the date hereof and prepared in accordance with GAAP and the practices and methodologies used in the preparation of the Latest Balance Sheet, other than liabilities and obligations (A) reflected on, reserved against or otherwise described in the Latest Balance Sheet, (B) that have arisen since the date of the Latest Balance Sheet in the ordinary course of business of the Company and its Subsidiaries or (C) that would not reasonably be expected to, individually or in the aggregate, materially and adversely effect the Company and its Subsidiaries taken as a whole.

(vi) The 2013 Audited Financial Statements, when delivered pursuant to Section 4.14(b), will (A) be prepared in accordance with GAAP, applied on a consistent basis through the period presented thereby, except as may be indicated in the notes thereto (B) based on the books of account and other financial records of the Company and its Subsidiaries and (C) fairly present, in all material respects, the consolidated financial condition, cash flows and results of operations of the Company and its Subsidiaries as of the date thereof and for the period referred to therein.

(vii) The Audited February Balance Sheet, when delivered pursuant to Section 4.14(b), shall not include any deferred federal Tax liabilities resulting from the implementation of the Plan of Reorganization required to be recorded in accordance with GAAP.

(g) Absence of Certain Changes. Since February 28, 2013 through the date of this Agreement, (i) except as contemplated by this Agreement and for actions taken that are contemplated by the Plan of Reorganization, the business of the Company and its Subsidiaries has been conducted in all material respects in the ordinary course of business of the Company and its Subsidiaries, (ii) there has not been any change, event, or effect that would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect and (iii) the Company and its Subsidiaries have not taken any action that, if taken between the date of this Agreement and the Closing Date, would constitute a breach of clauses (i) (other than with respect to name changes for Subsidiaries of the Company), (ii), (iii), (vi), (vii), (xi), (xiii), (xv)(B), (xvii), (xviii), (xix) or (xxi) of Section 4.1(a).

(h) Litigation.

(i) There are no actions, suits, litigations, hearings, arbitrations, mediations or other proceedings or, to the Knowledge of the Company, investigations (" Actions "), pending or, to the Knowledge of the Company threatened by or before any Governmental Entity against the Company or any of its Subsidiaries or any of their respective assets, rights or properties, except in each case for any such Actions that are not material to the Company and its Subsidiaries taken as a whole; and

(ii) Neither the Company nor any of its Subsidiaries is a party to, and none of them nor any of their respective assets, rights or properties is subject to, the provisions of any Order binding upon the Company or any of its Subsidiaries, except any such Order that (A) is not material to the Company and its Subsidiaries taken as a whole, and (B) would not reasonably be expected to, individually or in the aggregate, materially adversely affect the ability of the Company to carry out its obligations hereunder or consummate the transactions contemplated hereby.

(i) Employee Benefits.

(i) Section 3.1(i)(i) of the Company Disclosure Letter sets forth a true and complete list of each Company Plan, employment agreement and incentive compensation plan in effect as of the date of this Agreement. For purposes of this Agreement, " Company Plans " shall mean all "employee benefit plans" within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (" ERISA "), whether or not subject to ERISA, and any other material medical, dental, life insurance, stock purchase, equity, disability, salary continuation, severance, change-in-control, retention, retirement, pension, deferred compensation, vacation, fringe benefit, sick pay or paid time off plans or policies, and any other material employee benefit plans or programs, but excluding any plan or program sponsored by a Governmental Entity (such as social security or any similar arrangements), in each case (A) established, maintained, sponsored or contributed to by the Company, its Subsidiaries or any entity that would be deemed a "single employer" with the Company or its Subsidiaries under Section 414(b), (c), (m) or (o) of the Code or Section 4001 of ERISA on behalf of any employee, director, or other individual service provider of the Company or any of its Subsidiaries (whether current, former or retired) or their beneficiaries, or (B) with respect to which the Company or any of its Subsidiaries has any material obligation on behalf of any such employee, director or other individual service provider (together, " Employees ") or beneficiary. Section 3.1(i)(i) of the Company Disclosure Letter further identifies each such Company Plan that is governed by Laws of the United States (each such Company Plan, a "U.S. Plan") and each such Company Plan that is governed by the Laws other than of the United States (each such Company Plan, a "Foreign Plan").

(ii) The Company has made available to Parent: (A) copies of all material documents setting forth the terms of each Company Plan, (B) the most recent annual reports (Form Series 5500), if any, required under ERISA or the Code in connection with each Company Plan, (C) the most recent actuarial report (if applicable) for all Company Plans, (D) all material written contracts, instruments or agreements directly related to each Company Plan, including administrative service agreements and group insurance contracts, and (E) the most recent IRS determination or opinion letter issued with respect to each Company Plan intended to be qualified under Section 401(a) of the Code.

(iii) (A) Each U.S. Plan intended to qualify under Section 401(a) of the Code has received a determination letter from the IRS (or the prototype plan on which such Company Plan is based has received an opinion letter from the IRS) upon which it may rely regarding the qualified status under the Code of such Company Plan, and, to the Knowledge of the Company, nothing has occurred since the receipt of such determination or opinion letter that could reasonably be expected to result in the loss of such qualification, and (B) all payments required by each U.S. Plan with respect to all prior periods have been made or provided for in all material respects in accordance with GAAP by the Company or its Subsidiaries.

(iv) (A) No proceeding is pending or, to the Knowledge of the Company, has been threatened against any of the Company Plans that would reasonably be expected to result in material liability to the Company (other than routine claims for benefits and appeals of such claims), any trustee or fiduciary thereof, or any of the assets of any trust of any of the Company Plans, (B) each U.S. Plan materially complies in form and is being maintained and operated in all material respects in accordance with its terms and applicable Law, including ERISA and the Code, (including Section 409A of the Code) (C) none of the Company, any of its Subsidiaries or, to the Knowledge of the Company, any third party, has, since February 28, 2013, engaged in a non-exempt "prohibited transaction," within the meaning of Section 4975 of the Code and Section 406 of ERISA, with respect to the U.S. Plans that would reasonably be expected to result in material liability to the Company, and (D) to the Knowledge of the Company, no Company Plan is under an audit or investigation by the IRS, Department of Labor or any other Governmental Entity.

(v) Since February 28, 2013, neither the Company nor any of its Subsidiaries has incurred any liability under, arising out of or by operation of Title IV of ERISA (other than liability for premiums to the Pension Benefit Guaranty Corporation arising in the ordinary course) and no fact or event exists that could result in the incurrence by the Company or any of its Subsidiaries of such liability.

(vi) Neither the execution of this Agreement nor the consummation of the Merger, either alone or in conjunction with any other event, shall (A) give rise to any payment or compensation under any Company Plan or (B) accelerate the time of payment or vesting or increase the amount of compensation or benefits due to any Employee under any Company Plan. No amount that could be received (whether in cash or property or the vesting of property) as a result of the consummation of the Merger, either alone or in conjunction with any other event, by any Employee of the Company or any of its Subsidiaries under any Company Plan or otherwise would not be deductible by reason of Section 280G of the Code or would be subject to an excise tax under Section 4999 of the Code.

(vii) Each Company Plan that is or forms part of a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code has been timely amended to comply, in all material respects, and has been operated in compliance, in all material respects, with, and the Company and its Subsidiaries have complied in practice and operation with, all applicable requirements of Section 409A of the Code.

(viii) (A) Each Foreign Plan is maintained, funded and administered in all material respects in accordance with applicable Laws (including any requirements for tax qualification or the equivalent thereof) and the requirements of such Foreign Plan's governing documents, and (B) no Foreign Plan has any unfunded or underfunded liabilities that have not been provided for in accordance with GAAP.

(ix) This Section 3.1(i) includes the sole and exclusive representations and warranties of the Company and its Subsidiaries relating to any Company Plans.

(j) Compliance with Laws. Except for Laws relating to Company Plans, labor matters, environmental matters, Tax matters, Company Intellectual Property, anti-bribery compliance and Government Contracts which shall be governed by Section 3.1(i), Section 3.1(k), Section 3.1(l), Section 3.1(m), Section 3.1(n), Section 3.1(t) and Section 3.1(u), respectively and, as would not reasonably be expected to, (A) materially and adversely affect the ability of the Company to carry out its obligations hereunder or consummate the transactions contemplated hereby, or (B) materially and adversely affect the ability of the Company and its Subsidiaries to carry on their business as it is now being conducted:

(i) the Company and its Subsidiaries have, since January 1, 2011, conducted their business in compliance with all Laws and Orders applicable to its business as currently conducted (including (x) any Laws relating to federal aviation regulations, (y) any Orders of any Aviation Regulatory Authority and (z) any Laws relating to export and/or import controls compliance, such as ITAR, the Export Administration Regulations and the regulations of the U.S. Treasury Department's Office of Foreign Assets Control);

(ii) the Company and its Subsidiaries have all Permits necessary to conduct their businesses as currently conducted, and all such Permits are valid and in full force and effect and no cancellation or suspension of any such Permit is pending or, to the Knowledge of the Company, threatened;

(iii) to the Knowledge of the Company, each Permit of the Company and its Subsidiaries will be in full force and effect immediately following the Closing Date and will not expire, terminate or be restricted as a result of the transactions contemplated hereby; and

(iv) there are no material defaults or events which, with the passage of time or the giving of notice, would constitute a default under or non-compliance with any provision of the Plan of Reorganization by the Company or any Affiliate of the Company.

(k) Environmental Matters .

(i) The Company and its Subsidiaries are and, except for any noncompliance that has been resolved or as would not reasonably be expected to individually or in the aggregate materially and adversely affect the Company and its Subsidiaries taken as a whole, have been since January 1, 2011 in compliance in all material respects with all applicable Environmental Laws.

(ii) The Company and its Subsidiaries have obtained and possess all Permits required under applicable Environmental Laws for their current operations and, except for any noncompliance that the Company reasonably believes has been resolved, are and have been since January 1, 2011 in compliance with all terms and conditions of such Permits, in each case, except for such failure to obtain or possess or such noncompliance that would not reasonably be expected to individually or in the aggregate materially and adversely affect the Company and its Subsidiaries taken as a whole.

(iii) Since January 1, 2011, the Company and its Subsidiaries have not received any written notice of violation of, written notice of liability or written information request relating to or arising under any Environmental Law, including with respect to any investigation, cleanup, removal, remediation, or remedial or corrective action related to Hazardous Materials, in each case that is unresolved, except as would not reasonably be expected to, individually or in the aggregate, materially and adversely affect the Company and its Subsidiaries taken as a whole.

(iv) Neither the Company nor any of its Subsidiaries is the subject of any outstanding Order of any Governmental Entity that was issued under Environmental Laws and which requires any pending, ongoing or future costs or obligations under Environmental Laws, in each case, which would reasonably be expected to, individually or in the aggregate, materially and adversely affect the Company and its Subsidiaries taken as a whole.

(v) There are no unresolved Actions, Claims or written inquiries pending or, to the Knowledge of the Company, threatened in writing against the Company or any of its Subsidiaries, in each case under Environmental Law, which, if determined adversely to the Company or any of its Subsidiaries would reasonably be expected to, individually or in the aggregate, materially and adversely affect the Company and its Subsidiaries taken as a whole.

(vi) Neither the Company nor any of its Subsidiaries is currently conducting or funding any investigation, cleanup, removal, remediation, or remedial or corrective action of or with respect to any Release of Hazardous Materials which would reasonably be expected to individually or in the aggregate materially and adversely affect the Company and its Subsidiaries taken as a whole.

(vii) Since January 1, 2011, there has been no material Release of any Hazardous Materials (A) by the Company or any of its Subsidiaries, (B) at, in, on, under, to or from any Owned Real Property or, to the Knowledge of the Company, real property that is subject to any Lease Document, (C) to the Knowledge of the Company, during the period of any of their ownership, operation or lease thereof, at, in, on, under, to or from any real property formerly owned, operated or leased by the Company or any of its Subsidiaries or (D) to the Knowledge of the Company, at, in, on, under, to or from any real property to which such Hazardous Materials were sent by the Company or its Subsidiaries, or were arranged to be sent by the Company or its Subsidiaries, for treatment, storage, disposal, recycling or other handling, that, in each case of (A), (B), (C) or (D) currently requires the Company or any of its Subsidiaries to undertake any investigation, cleanup, removal, remediation, or remedial or corrective action pursuant to Environmental Law that would reasonably be expected to individually or in the aggregate materially and adversely affect the Company and its Subsidiaries taken as a whole.

(viii) The Company has provided Parent with copies of any Phase I reports, in its possession, that have been generated in the past three (3) years, and that relates to the Company, any of its Subsidiaries, their businesses or their current or former owned or leased real property.

(ix) There are no underground storage tanks (" USTs ") operated by the Company or its Subsidiaries at any real property that is subject to any Lease Document, and there are no USTs at any of the Owned Real Property, in each case that would reasonably be expected to result in material liabilities for the Company or its Subsidiaries.

(x) None of the Owned Real Property or, to the Knowledge of the Company, real property that is subject to any Lease Document is (A) considered by any Governmental Entity as a Treatment, Storage, or Disposal Facility under the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et seq., or (B) listed or proposed for listing on the National Priorities List or the Comprehensive Environmental Response, Compensation and Liability Information System under the Comprehensive Environmental Response Compensation and Liability Act, 42, U.S.C. 9601, et seq., or any analogous or similar federal or state list.

(xi) This Section 3.1(k) includes the sole and exclusive representations and warranties of the Company and its Subsidiaries relating to environmental matters, including any matter relating to any Environmental Law.

(l) Taxes .

(i) (A) All income and all other material Tax Returns required to be filed by or with respect to the Company or any of its Subsidiaries have been filed in a timely manner (within any applicable extension periods) and all such Tax Returns are true, correct and complete in all material aspects, (B) all material Taxes required to be paid with respect to the Company or any of its Subsidiaries (whether or not shown on such returns) have been timely paid in full, (C) the charges, accruals and reserves for Taxes with respect to the Company and its Subsidiaries reflected on the Financial Statements are adequate to cover all accrued and unpaid Tax liabilities of the Company and its Subsidiaries through the respective dates thereof, and (D) there exist no Liens for Taxes with respect to any of the assets of the Company or any of its Subsidiaries, except for Permitted Liens.

(ii) There are no outstanding agreements or waivers extending the statutory period for assessment or collection of any Taxes of the Company or any of its Subsidiaries and no written powers of attorney with respect to any such Taxes. The time for filing any Tax Return with respect to the Company or any of its Subsidiaries has not been extended, other than any extension to which the Company or any of its Subsidiaries is entitled under applicable Law without the consent of the relevant Tax authority or Governmental Entity.

(iii) There are no audits, proceedings, investigations or other actions pending or threatened in writing against the Company or any of its Subsidiaries in respect of Taxes or Tax Returns. No Tax authority has asserted or threatened to assert, in each case in writing, any deficiency, claim or issue with respect to Taxes or any adjustment to Taxes against the Company or any of its Subsidiaries for any taxable period for which the period of assessment or collection remains open.

(iv) None of the Company, the Surviving Company, or any of the Subsidiaries of the Company will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after February 28, 2013 as a result of (A) any change in method of accounting, (B) any installment sale or open transaction, (C) any prepaid amount received or paid, (D) any intercompany transactions or any excess loss account described in Treasury Regulations under Code section 1502 (or any corresponding or similar provision of state, local or non-U.S. income tax law) or (E) any election pursuant to Section 108(i) of the Code (or any similar provision of state, local or foreign Law).

(v) Neither the Company nor any of its Subsidiaries has distributed the stock of another Person, or had its stock distributed by another Person, during the five—year period ending on the date hereof, in a transaction that was purported or intended to be governed in whole or in part by Section 355 or Section 361 of the Code.

(vi) All material Taxes that the Company or any of its Subsidiaries was required to withhold or collect have been duly withheld or collected and have been paid to the proper Tax authority. The Company and each of its Subsidiaries have complied in all material respects with the rules and regulations relating to the withholding and remittance of Taxes.

(vii) Neither the Company nor any of its Subsidiaries has undergone an ownership change to which Code section 382(l)(5) applies within the past two years (in connection with the Plan of Reorganization or otherwise).

(viii) Neither the Company nor any of its Subsidiaries (A) has received or applied for a Tax ruling or entered into a closing agreement pursuant to Section 7121 of the Code (or any predecessor provision or any similar provision of state, local or foreign Law), in either case that would be binding upon the Surviving Company, the Company or any of its Subsidiaries after the Closing Date, (B) is or has been a member of any affiliated, consolidated, combined or unitary group for purposes of filing Tax Returns or paying Taxes (other than the group the common parent of which is the Company) or (C) has any liability for the Taxes of any Person (other than the Company or any Subsidiary thereof) whether under Treasury Regulation Section 1.1502-6 or any similar provision of state, local or foreign Law, as a transferee or successor, pursuant to any Tax sharing or indemnity agreement or other contractual agreement, or otherwise.

(ix) Neither the Company nor any of its Subsidiaries has engaged in any “listed transactions” within the meaning of Treasury Regulation Section 1.6011-4. Neither the Company nor any of its Subsidiaries has taken any reporting position on a Tax Return which reporting position (x) if not sustained would be reasonably likely, absent disclosure, to give rise to a penalty for substantial understatement of U.S. federal income Tax under Section 6662 of the Code (or any similar provision of state, local or foreign Tax Law) and (y) has not adequately been disclosed on a Tax Return in accordance with Section 6662(d)(2)(B) of the Code (or any similar provision of state, local or foreign Tax Law).

(x) No claim involving a material amount of Tax has been made in writing by a Tax authority in a jurisdiction where the Company or any of its Subsidiaries does not file Tax Returns that it is or may be subject to taxation by that jurisdiction.

(xi) Any material VAT that has been deducted by or reimbursed to the Company or any of its Subsidiaries has been deducted or reimbursed in compliance with applicable Laws.

(xii) The Company has validly elected to be classified as an association taxable as a corporation, and is so classified, for United States federal tax purposes.

(xiii) Neither the Company nor any of its Subsidiaries will have a material inclusion under Section 951 of the Code at the end of the taxable year of a controlled foreign corporation that includes the February 28, 2013 as a result of any transactions or activities occurring between the beginning of such taxable year through the February 28, 2013.

(m) Labor and Employment Matters .

(i) As of the date of this Agreement, neither the Company nor any of its Subsidiaries is a party to any collective bargaining agreement or other agreement with a labor union, nor is any such agreement being negotiated as of the date of this Agreement. To the Knowledge of the Company, as of the date of this Agreement, (A) there are no activities or proceedings of any labor organization to organize any employees of the Company or any of its Subsidiaries, and (B) no demand for recognition as the exclusive bargaining representative of any employees of the Company or any of its Subsidiaries is pending by or on behalf of any labor or equivalent organization. As of the date of this Agreement, there is no pending or, to the Knowledge of the Company, threatened, in writing, strike, lockout or work stoppage. With respect to the Company and each of its Subsidiaries, (A) as of the date of this Agreement, no material unfair labor practice charge or complaint is pending or, to the Knowledge of the Company, threatened in writing, (B) no material grievance or arbitration proceeding arising under any collective bargaining agreement or other agreement with a labor union is pending or, to the Knowledge of the Company, threatened, and (C) no material Action by or on behalf of any employee, prospective employee, former employee, labor organization or other representative of the Company’s employees is pending or, to the Knowledge of the Company, threatened.

(ii) (A) Except as would not be material to the Company and its Subsidiaries, the Company and its Subsidiaries are in compliance in all respects with all Laws relating to the employment of labor, including those related to wages, hours, immigration and collective bargaining; (B) except as would not be material to the Company and its Subsidiaries, there is no charge of discrimination in employment or employment practices, for any reason, including age, gender, race, religion or other legally protected category, which is now pending before the United States Equal Employment Opportunity Commission, or any other Governmental Entity in any jurisdiction in which the Company or any of its Subsidiaries has employed or currently employs any person; (C) except as would not be material to the Company and its Subsidiaries, neither the Company nor any of its Subsidiaries has misclassified any person as an independent contractor, temporary employee, leased employee, volunteer or any other servant or agent compensated other than through reportable wages as an employee of the Company or any of its Subsidiaries (each a " Contingent Worker ") and no Contingent Worker has been improperly excluded from any Company Plan and (D) the consent of or consultation of any labor or trade union, works council or any other employee representative body is not required for the Company to enter into this Agreement or to consummate any of the transactions contemplated by this Agreement.

(iii) This Section 3.1(m) includes the sole and exclusive representations and warranties of the Company and its Subsidiaries relating to labor and employment matters.

(n) Intellectual Property .

(i) Section 3.1(n)(i) of the Company Disclosure Letter lists all issued patents and pending patent applications, trademark registrations and applications for registrations of trademarks, and copyright registrations owned, or under a duty of assignment to, the Company or any of its Subsidiaries (collectively, the " Registered Company Intellectual Property "), in each case indicating for each the name of the owner, the application or registration number, and the date and jurisdiction of filing or issuance. All of the Registered Company Intellectual Property owned by the Company or any of its Subsidiaries is (A), subsisting and, to the Knowledge of the Company, valid and enforceable and (B) not subject to any outstanding Order (excluding any interim or non-final administrative actions or proceedings before the United States Patent and Trademark Office or any foreign counterpart thereof), adversely affecting the Company's or its Subsidiaries' rights in and to such Registered Company Intellectual Property in any material respect. The Company or a Subsidiary exclusively owns, free of all Liens (other than Permitted Liens), all Registered Company Intellectual Property and owns or, to the Knowledge of the Company, possesses the right to use, all other Intellectual Property used in and material to the business of the Company and its Subsidiaries as presently conducted (collectively, the " Company Intellectual Property ").

(ii) To the Knowledge of the Company, the Company's and its Subsidiaries' businesses as presently conducted do not infringe or, misappropriate the Intellectual Property rights of any third party. There are no material Actions before any Governmental Entity or any arbitrator against the Company or any of its Subsidiaries alleging infringement or misappropriation of any Person's Intellectual Property rights by the Company or any of its Subsidiaries. To the Knowledge of the Company, there is no material infringement or misappropriation of the Company Intellectual Property rights owned by the Company or any of its Subsidiaries by any other Person.

(iii) The Company and its Subsidiaries have taken commercially reasonable measures to maintain and protect the material Company Intellectual Property owned by the Company or its Subsidiaries, including taking reasonable measures to maintain the confidentiality and value of all material confidential information used or held for use in the operation of business of the Company and its Subsidiaries.

(iv) To the Knowledge of the Company, no employee, contractor or agent of the Company or any of its Subsidiaries is in default or breach of any term of any employment agreement, non-disclosure agreement, assignment of invention agreement or similar agreement relating to the protection, ownership, development, use or transfer of Company Intellectual Property in any material respect.

(v) In the past two (2) years, no university, military, educational institution, research center or Governmental Entity has funded or sponsored research and development conducted in connection with the business of the Company and its Subsidiaries which has any claim of right to, ownership of or other Lien on any Company Intellectual Property.

(o) Insurance . The Company and its Subsidiaries maintain property, workers' compensation, general liability, environmental, directors' and officers' liability, fiduciary, aviation, business interruption, employment practices liability and other insurance policies ("Company Insurance Policies ") in such amounts, with such deductibles and against such risks and losses as the Company determines are reasonable for the assets of the Company and its Subsidiaries and the conduct of their businesses. The Company Insurance Policies are in full force and effect and all premiums due with respect to all such insurance policies have been paid. The Company and its Subsidiaries have not received written notice of cancellation or termination of (other than in connection with normal renewals) any such Company Insurance Policies.

(p) Property .

(i) Section 3.1(p) of the Company Disclosure Letter sets forth the address of each Owned Real Property. With respect to each Owned Real Property: (A) the Company or one of its Subsidiaries will have good and marketable fee simple title to such Owned Real Property, free and clear of all Liens (other than Permitted Liens) as of the Closing Date, (B) neither the Company or nor any of its Subsidiaries has leased or otherwise granted to any Person the right to use or occupy such Owned Real Property or any portion thereof, and (C) other than the right of Parent and Merger Sub pursuant to this Agreement, there are no outstanding options, rights of first offer or rights of first refusal to purchase such Owned Real Property or any portion thereof or interest therein.

(ii) Section 3.1(p) of the Company Disclosure Letter sets forth a true and complete list of all leases and subleases relating to real property entered into by the Company or any of its Subsidiaries pursuant to which the annual rent is in excess of $100,000 (the " Lease Documents "), the street address of each such parcel, and the identity of the lessor, lessee and current occupant of each such property. The Company has provided Parent true and complete copies of all Lease Documents (other than immaterial amendments, supplements, notices and similar ancillary documents relating to such Lease Documents). Each Lease Document applicable to property located within the United States is a valid and binding obligation on the Company or Subsidiary party thereto and is enforceable and in full force and effect in accordance with its terms, subject to proper authorization and execution of such Lease Document by the other party thereto and the application of the Bankruptcy and Equity Exception. Neither the Company nor any of its Subsidiaries is in material default or material breach of any such Lease Document, and, to the Company's Knowledge, no event has occurred which, with notice, lapse of time or both, would constitute a material default or material breach of any such Lease Document by any of the Company or its Subsidiaries. Neither the Company nor any of its Subsidiaries has exercised or given any notice of exercise, nor has any lessor or landlord exercised or received any notice of exercise of, any option right of first offer or right of first refusal contained in any such Lease Document, including any such option or right pertaining to purchase, expansion, renewal, extension or relocation other than any renewal or extension in the ordinary course of business. The execution, delivery and performance of this Agreement by the Company does not, and the consummation of the Merger and the other transactions contemplated hereby will not, constitute or result in any material breach or violation of, or constitute a material default (or an event which with notice or lapse of time or both would become a material default), prevent assignment or give rise to any right of termination, cancellation, amendment or acceleration of, any Lease Documents.

(iii) Except for assets disposed of by the Company or its Subsidiaries in the ordinary course of business since the date of the Latest Balance Sheet or as contemplated by this Agreement, the Company or one of its Subsidiaries owns good title to, or holds pursuant to valid and enforceable leases of, all of the material tangible personal property shown to be owned or leased by it on the Latest Balance Sheet or acquired after the date thereof, free and clear of all Liens, other than Permitted Liens.

(q) Contracts .

(i) Except for this Agreement and any agreements entered into on the date hereof in connection with this Agreement, none of the Company or any of its Subsidiaries is a party to or bound by any Contract as of the date of this Agreement:

(A) that prohibits the Company or any of its Subsidiaries from competing with any Person or from engaging in any line of business or activity in any geographic area;

(B) that contains an obligation, or a put, call or similar right, pursuant to which the Company or any of its Subsidiaries is required to purchase or sell, as applicable, any equity interests of any Person or assets;

(C) that grants any rights of first refusal, rights of first offer or other similar rights to any Person with respect to any material asset of the Company or its Subsidiaries;

(D) (i) that was entered into since February 28, 2013, for the disposition, directly or indirectly (by merger or otherwise), of material assets or capital stock or other equity interests of any Person, other than sales of Inventory in the ordinary course of business, or (ii) that was entered into since February 28, 2013, for the acquisition, directly or indirectly, of any business or businesses of any Person;

(E) that relates to or evidences Indebtedness, but excluding (i) such Contracts between wholly-owned Subsidiaries of the Company (or between a wholly-owned Subsidiary of the Company and the Company) and (ii) advances to employees for business expenses in the ordinary course of business;

(F) under which any Person (other than the Subsidiaries of the Company) has directly or indirectly guaranteed or assumed Indebtedness of the Company or its Subsidiaries;

(G) that is (i) a license agreement pursuant to which the Company or any of its Subsidiaries is licensed by a third party to use any Intellectual Property for which the Company or any of its Subsidiaries has made aggregate payments in excess of $1,000,000 since January 1, 2013 (other than licenses of commercially available software or any software licensed pursuant to a software "shrink wrap," "click wrap," or "click-through" license) or (ii) an agreement pursuant to which a third party has licensed any material Intellectual Property owned or purported to be owned by, or under a duty of assignment to, the Company or any of its Subsidiaries (other than non-exclusive licenses in the ordinary course of business);

(H) pursuant to which the Company or its Subsidiaries is the lessee of, holds or uses, in each case outside of the ordinary course of business, equipment or other tangible personal property owned by any third party for an annual rent in excess of $50,000;

(I) that obligates the Company or any of its Subsidiaries to make any capital investment or capital expenditure not contemplated by the five-year plan set forth in Section 4.1(a)(xiv) of the Company Disclosure Letter and in an amount in excess of $250,000 individually or $5,000,000 in the aggregate;

(J) under which any Person has an exclusive right to purchase products or services from the Company or any of its Subsidiaries;

(K) that is a joint venture under which the Company or any of its Subsidiaries is obligated to manufacture, produce, develop, or service any existing or new product line with any Person;

(L) that is a collective bargaining agreement or Contract with any union to which the Company or any Subsidiary of the Company is a party;

(M) that is an employment agreement or Contract with an independent contractor or consultant (or similar arrangements) that provides for annual amounts payable to such independent contractor or consultant in excess of $100,000 to which the Company or any Subsidiary is a party and which is not cancellable without material penalty or without more than 90 days' notice;

(N) that provides for total annual base salary in excess of $200,000 per year for any employee, officer, director or independent contractor or consultant of the Company or any of its Subsidiaries;

(O) that is for goods purchased by or services rendered to customers of the Company and its Subsidiaries in respect of the nine-month period ended September 30, 2013 and in an amount in excess of $10,000,000; or

(P) excluding the types of Contracts described in clauses (A) through (O) and excluding Government Contracts, that is not otherwise disclosed pursuant to this Section 3.1(q) and generated annual revenue or involved payments or consideration to the Company in excess of $2,000,000 for the nine-month period from January 1, 2013 through September 30, 2013 (each Contract described in clauses (A) through (O) in effect as of the date of this Agreement is referred to herein as a " Company Material Contract ").

(ii) The Company has made available to Parent correct and complete copies of each Company Material Contract (or form thereof), other than (x) any Company Material Contract that is subject to confidentiality restrictions and (y) any immaterial amendments, supplements, notices, statements of work or similar ancillary documents related to a Company Material Contracts. Each of the Company Material Contracts is valid and binding on the Company and each of its Subsidiaries that is a party thereto and, to the Knowledge of the Company, each other party thereto and is in full force and effect and is enforceable against the Company and each of its Subsidiaries that is a party thereto, as applicable, and, to the Knowledge of the Company, each other party thereto, in each case subject to the Bankruptcy and Equity Exception and except where any such failure to be valid and binding or to be in full force and effect would not reasonably be expected to, individually or in the aggregate, materially and adversely affect the Company and its Subsidiaries taken as a whole. There is no material default under any Company Material Contract by the Company or any of its Subsidiaries that is a party thereto, and no event has occurred that with notice or lapse of time or both would constitute a material default thereunder by the Company or any of its Subsidiaries that is a party thereto, and neither the Company nor any of its Subsidiaries has received notice of any such default or event, or of any alleged default or of any termination or non-renewal of any Company Material Contract.

(r) Brokers and Finders . Other than Credit Suisse Securities (USA) LLC and Morgan Stanley & Co. LLC, neither the Company nor any of its officers, directors or employees has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finder's fees in connection with the Merger or the other transactions contemplated in this Agreement.

(s) Affiliate Contracts . Neither the Company nor any of its Subsidiaries is party to any Contract with any of the Company's or its Subsidiaries' respective directors, officers or Affiliates that involves annual payments to or from the Company and its Subsidiaries in an amount in excess of $100,000, except for Contracts (i) providing for employment arrangements, including the Company Plans, employment agreements, incentive compensation and equity arrangements, or (ii) entered into in the ordinary course of business on terms no less favorable to the Company or its applicable Subsidiary than would be obtained in a comparable arm's length transaction with a Person that is not a director, officer or Affiliate of the Company or any of its Subsidiaries.

(t) Anti-Bribery Compliance. Neither the Company nor any of its Subsidiaries, nor, to the Knowledge of the Company, any director, officer, employee, or third party intermediary acting on behalf of the Company or any of its Subsidiaries has: (i) in violation of applicable Law, provided, offered, gifted or promised, directly or indirectly, anything of value to any Government Official, political party or candidate for government office, nor provided or promised anything of value to any other Person for the purpose of (A) influencing any act or decision of such official, party or candidate in his or her official capacity, inducing such official, party or candidate to do or omit to do any act in violation of their lawful duty, or securing any improper advantage for the benefit of the Company or its Subsidiaries or (B) inducing such official, party or candidate to use his or her influence with his or her government or instrumentality to affect or influence any act or decision of such government or instrumentality, in order to assist the Company or its Subsidiaries in obtaining or retaining business for or with, or directing business to, any Person; or (ii) violated any provision of the Foreign Corrupt Practices Act of 1977, as amended, or similar applicable Laws.

(u) Government Contracts.

(i) Set forth in Section 3.1(u)(i) of the Company Disclosure Letter is a list of each Government Contract that generates annual revenue in excess of $20,000,000, the period of performance for which has not expired (other than task and delivery orders). Set forth in Section 3.1(u)(i) of the Company Disclosure Letter is a list of each outstanding Government Bid that is a binding offer that will result in a Government Contract that would generate annual revenue in excess of $20,000,000 and has not been accepted or rejected.

(ii) With respect to each Government Contract: (A) each such Government Contract is binding on the Company or its Subsidiary, as applicable, and is in full force and effect; and is enforceable against the Company and each of its Subsidiaries that is a party thereto, as applicable, and, to the Knowledge of the Company, each other party thereto, in each case subject to the Bankruptcy and Equity Exception, (B) the Company and its Subsidiaries have complied in all material respects with all terms and conditions of such Government Contract, including all clauses, provisions, representations, certifications and requirements incorporated expressly by reference therein, and all requirements thereunder relating to the safeguarding of, and access to, classified information, and there is no material default under any Government Contract by the Company or any of its Subsidiaries that is a party thereto, (C) neither any Governmental Entity nor any prime contractor has notified the Company or any of its Subsidiaries in writing that any of them have breached or violated in any material respect any Law or certification or representation of such Government Contract, and (D) neither the Company nor any of its Subsidiaries has received any written notice of termination for default, cure notice or show cause notice pertaining to such Government Contract, except, in each case of clauses (A) through (D), as would not reasonably be expected to, individually or in the aggregate, materially and adversely affect the Company and its Subsidiaries taken as a whole.

(v) Vendors. Section 3.1(v) of the Company Disclosure Letter contains a list of the top ten (10) vendors, subcontractors or suppliers of the Company and its Subsidiaries on the basis of amounts paid by the Company and its Subsidiaries for goods provided or services rendered for the nine-month period ended September 30, 2013, excluding any bankruptcy advisors (the " Material Vendors ") and the amount for which the Company and such Subsidiary has paid the supplier during such period. Since February 28, 2013 through the date of this Agreement, no Material Vendor has cancelled, terminated or materially and adversely modified, or, to the Knowledge of the Company, threatened to cancel, terminate or materially and adversely modify its relationship with any of the Company or its Subsidiaries.

(w) Product Warranties; Regulatory Compliance Regarding Products . The Company has made available to Parent copies of the current form of all material, standard forms of warranties applicable to the Products of the Company and its Subsidiaries.

(x) Inventory . All Inventory of the Company and its Subsidiaries reflected on the Financial Statements, is net of reserves for excess, obsolete and other valuation adjustments, and consists of raw materials, work in process, and finished goods. The Inventory (i) is valued on the Financial Statements at the lower of cost or net realizable value and (ii) since the date of the Latest Balance Sheet, has been maintained in the ordinary course of business consistent with past practice. All reserves for any obsolete and slow moving items have been established in accordance with GAAP as of the date hereof, and there has been no material adverse change in such reserves or the valuation of the Inventory since the date of the Latest Balance Sheet.

(y) Receivables. Section 3.1(y) of the Company Disclosure Letter contains a list of the Receivables as of the date of the Latest Balance Sheet that as of such date had been outstanding for more than 120 days. Except to the extent, if any, reserved for on the Financial Statements, all Receivables reflected on the Financial Statements constitute or will constitute, as the case may be, only valid, claims of the Company or a Subsidiary of the Company not subject to valid claims of setoff or other defenses or counterclaims other than normal discounts in the ordinary course of business consistent with past practice.

(z) Trust Agreement . The Company is not prohibited under the Plan of Reorganization from forming and operating the Trust as described in this Agreement and the Trust Agreement.

(aa) Fairness Opinion . The Company Board has received the opinion of Credit Suisse Securities (USA) LLC to the effect that, as of the date of such opinion and subject to the assumptions, qualifications, limitations and other matters considered in connection with the preparation of such opinion, the Merger Consideration to be received by the holders of Units in the Intermediate Merger and the Merger taken together as a single, unitary transaction is fair, from a financial point of view, to such holders. It is agreed and understood that such opinion is for the benefit of the Company Board and may not be relied on by Parent or Merger Sub.

(bb) Transaction Expenses . Section 3.1(bb) of the Company Disclosure Letter sets forth the good faith estimate of the Company of all costs and expenses of the Company's financial advisors in connection with the Merger and the other transactions contemplated by this Agreement.

(cc) NO OTHER REPRESENTATIONS AND WARRANTIES . EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS SECTION 3.1 , THE COMPANY EXPRESSLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, AS TO THE CONDITION, VALUE OR QUALITY

OF ITS BUSINESSES OR ITS ASSETS, INCLUDING WITH RESPECT TO ANY INFORMATION PROVIDED OR MADE AVAILABLE TO PARENT OR MERGER SUB OR ANY OF THEIR RESPECTIVE AFFILIATES OR REPRESENTATIVES OR ANY OTHER PERSON (INCLUDING IN CERTAIN "DATA ROOMS," CONFIDENTIAL INFORMATION MEMORANDA, MANAGEMENT PRESENTATIONS OR DUE DILIGENCE DISCUSSIONS IN ANTICIPATION OR CONTEMPLATION OF ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT), AND THE COMPANY SPECIFICALLY DISCLAIMS ANY REPRESENTATION OR WARRANTY OF MERCHANTABILITY, USAGE, SUITABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO ITS ASSETS, ANY PART THEREOF, THE WORKMANSHIP THEREOF, AND THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT, IT BEING UNDERSTOOD THAT SUCH SUBJECT ASSETS ARE BEING ACQUIRED "AS IS, WHERE IS" ON THE CLOSING DATE, AND IN THEIR THEN PRESENT CONDITION.

Section 3.2 **Representations and Warranties of Parent and Merger Sub** . Except as set forth in the corresponding sections or subsections of the Disclosure Letter delivered to the Company by Parent prior to entering into this Agreement (the " Parent Disclosure Letter ") (it being agreed that disclosure of any item in any section or subsection of the Parent Disclosure Letter shall be deemed disclosure with respect to any other section or subsection of the Parent Disclosure Letter to which the relevance of such item is reasonably apparent on the face of such disclosure), Parent and Merger Sub each hereby represent and warrant to the Company as of the date hereof and as of the Closing Date (except to the extent that any such representation and warranty, expressly speaks as of another date, in which case, such representation and warranty shall be true and correct only as of such other date) that:

(a) Organization, Good Standing and Qualification . Each of Parent and Merger Sub (i) is a legal entity duly organized, validly existing and in good standing (with respect to jurisdictions that recognize the concept of good standing) under the Laws of the jurisdiction of its organization, (ii) has all requisite corporate or similar power and authority to own, lease and operate its properties and assets and to carry on its business as presently conducted and (iii) is qualified to do business and is in good standing (with respect to jurisdictions that recognize the concept of good standing) as a foreign corporation or other legal entity in each jurisdiction where the ownership, leasing or operation of its assets or properties or conduct of its business as presently conducted requires such qualification, except , in the case of clauses (ii) and (iii) of this sentence, where the failure to be so qualified or in good standing or to have such power or authority, would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect. Parent has made available to the Company complete and correct copies of the certificate of incorporation and bylaws or comparable formation and governing documents of each of Parent and Merger Sub, each as amended on the date of this Agreement, and each as so made available is in full force and effect.

(b) Corporate Authority . The board of directors of Parent and the sole member of Merger Sub has approved this Agreement, the Merger and the other transactions contemplated hereby. No vote of holders of capital stock of Parent is necessary to approve this Agreement, the Merger or the other transactions contemplated hereby. Each of Parent and Merger Sub has all requisite corporate power and authority and has taken all corporate action necessary in order to execute, deliver and perform its obligations under this Agreement (other than approval of this Agreement by Parent as the sole unit holder of Merger Sub, which approval will occur immediately following the execution of this Agreement) and to consummate the Merger. This

Agreement has been duly executed and delivered by each of Parent and Merger Sub and, assuming the valid authorization, execution and delivery of this Agreement by the other Parties, constitutes a legal, valid and binding agreement of Parent and Merger Sub enforceable against each of Parent and Merger Sub in accordance with its terms, subject to the Bankruptcy and Equity Exception.

(c) Governmental Filings; No Violations; Etc.

(i) Except for (A) compliance with, and filings under, the HSR Act, (B) the filing of the Delaware Certificate of Merger and other appropriate merger documents required by the LLCA with the Secretary of State of the State of Delaware, (C) compliance with and filings under ITAR, and (D) such other items as disclosed in Section 3.2(c)(i) of the Parent Disclosure Letter (the items set forth above in clauses (A), (B) and (C), the " Parent Required Governmental Approvals "), no notices, reports or other filings are required to be made by Parent or Merger Sub with, nor are any consents, registrations, approvals or authorizations required to be obtained by Parent or Merger Sub from, any Governmental Entity in connection with the execution, delivery and performance of this Agreement by Parent and Merger Sub or the consummation of the Merger and the other transactions contemplated by this Agreement, other than such items that the failure to make or obtain, as the case may be, would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

(ii) The execution, delivery and performance of this Agreement by each of Parent and Merger Sub does not, and the consummation of the Merger and the other transactions contemplated hereby will not, constitute or result in (A) a breach or violation of, or a default under, the respective certificates of incorporation, bylaws or comparable governing documents of Parent or Merger Sub, (B) any breach or violation of, or a default (or an event which with notice or lapse of time or both would become a default) under, or give rise to any right of termination, cancellation, amendment or acceleration of, any Contract to which Parent or Merger Sub is party, (C) the creation of any Lien (other than Permitted Liens) on Parent or Merger Sub or any of their properties, rights or assets, or (D) assuming compliance with the matters referred to in Section 3.2(c)(i), under any Law or Order to which Parent or Merger Sub or any of their respective properties or assets is subject, except, in the case of clauses (B), (C) and (D) of this sentence, where such breach, violation, termination, default, creation, acceleration or change that would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

(d) Litigation. There are no Actions pending or, to the Knowledge of Parent, threatened against Parent or Merger Sub that seek to enjoin, or would reasonably be expected to have the effect of preventing, making illegal or otherwise interfering with, any of the transactions contemplated by this Agreement.

(e) Sufficient Funds. As of the date of this Agreement, Parent has sufficient funds available, and, at the Closing, Parent will have sufficient funds available to satisfy its obligations under this Agreement, including to pay at the Closing (i) the aggregate amounts required to be paid pursuant to Section 2.2(c), (ii) any and all fees and expenses required to be paid by Parent, Merger Sub and the Surviving Company in connection with the Merger and the transactions contemplated by this Agreement and (iii) any repayment of any outstanding Indebtedness of the Company and its Subsidiaries.

(f) Merger Sub. All of the issued and outstanding limited liability company interests of Merger Sub are, and at the Effective Time will be, owned by Parent, free and clear of all Liens. Merger Sub has not conducted any business prior to the date of this Agreement and has no, and prior to the Effective Time will have no, assets, liabilities or obligations of any nature other than those incident to its formation and pursuant to this Agreement and the Merger and the other transactions contemplated by this Agreement. Merger Sub does not have outstanding any option, warrant, right or any other agreement pursuant to which any Person may acquire any equity security of Merger Sub.

(g) Brokers. Other than J.P. Morgan Securities LLC, no agent, broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Parent or Merger Sub for which the Company could have any liability.

(h) Non-Reliance on Company Estimates, Projections, Forecasts, Forward-Looking Statements and Business Plans. In connection with the due diligence investigation of the Company by Parent and Merger Sub, Parent and Merger Sub have received and may continue to receive from the Company certain estimates, projections, forecasts, judgments, opinions and other forward-looking information, as well as certain business plan and cost related plan information, regarding the Company, its Subsidiaries and their respective businesses and operations (including any estimates, projections, forecasts, judgments, opinions or other forward-looking information, business plans, cost-related plans or other material provided or made available to Parent, Merger Sub or any other Person in certain "data rooms," confidential information memoranda, management presentations or due diligence discussions in anticipation or contemplation of any of the transactions contemplated by this Agreement). Parent and Merger Sub hereby acknowledge that (i) there are uncertainties inherent in attempting to make such estimates, projections, forecasts, judgments, opinions and other forward-looking statements, as well as in such business plans and cost related plans, with which Parent and Merger Sub are familiar, (ii) Parent and Merger Sub are taking full responsibility for making, and are relying solely on, their own evaluation of the adequacy and accuracy of all estimates, projections, forecasts, judgments, opinions and other forward-looking information, as well as such business plans and cost related plans, so furnished to them (including the reasonableness of the assumptions underlying such estimates, projections, forecasts, judgments, opinions, forward-looking information, business plans or cost-related plans) and (iii) other than in the case of fraud or intentional misrepresentation, Parent and Merger Sub will have no claim against the Company, any of its Subsidiaries, or any of their respective equityholders, directors, officers, employees, Affiliates, advisors, agents or representatives, or any other Person, with respect thereto. Accordingly, Parent and Merger Sub hereby acknowledge that (A) none of the Company, any of its Subsidiaries, or any of their respective equityholders, directors, officers, employees, Affiliates, advisors, agents or representatives, nor any other Person, has made or is making any representation or warranty with respect to such estimates, projections, forecasts, judgments, opinions, forward-looking statements, business plans or cost - related plans (including the reasonableness of the assumptions underlying such estimates, projections, forecasts, judgments, opinions, forward-looking statements, business plans or cost-related plans) and (B) neither the Company nor any of its Subsidiaries, nor any of their respective equityholders, directors, officers, employees, Affiliates, advisors, agents or representatives, nor any other Person, will have or be subject to any liability or indemnification obligation to Parent, Merger Sub or any other Person resulting from the delivery, dissemination or any other distribution to Parent, Merger Sub or any other Person, or the use by Parent, Merger Sub or any other Person, of any such estimates, projections, forecasts, judgments, opinions, forward-looking statements, business plans or cost - related plans provided or made available to them by the Company or any of its Subsidiaries, or any of their respective equityholders, directors, officers, employees, Affiliates, advisors, agents or representatives, or any other Person.

ARTICLE IV

COVENANTS

Section 4.1 Interim Operations .

(a) From the date of this Agreement and until the Effective Time or the earlier termination of this Agreement in accordance with its terms, except (w) as set forth in Section 4.1(a) of the Company Disclosure Letter, (x) as otherwise expressly contemplated or permitted by this Agreement, (y) to the extent consented to in writing by Parent (which consent shall not be unreasonably withheld, delayed or conditioned) or (z) as required by applicable Law or by a Governmental Entity or by any Company Material Contract in effect as of the date of this Agreement, the Company shall use reasonable best efforts to cause the business of it and its Subsidiaries to be conducted in the ordinary course of business and, to the extent consistent therewith, it shall, and shall cause its Subsidiaries to, use their respective reasonable best efforts to preserve their business organizations intact and maintain their existing relationships with Governmental Entities, customers, suppliers, distributors and employees. Notwithstanding the generality of the foregoing, and subject to the exceptions set forth in clauses (w) , (x) , (y) and (z) of the immediately preceding sentence, the Company shall not and shall not permit its Subsidiaries to:

(i) other than in connection with the Intermediate Merger, amend the Operating Agreement or the certificate of incorporation, bylaws or comparable formation or governing documents of the Company or any of the Company's Subsidiaries;

(ii) acquire (whether by merger, consolidation or acquisition of stock or assets or any other business combination) (A) any Person or any division thereof or equity outside the ordinary course of business from any other Person (other than the Company or any direct or indirect wholly-owned Subsidiary of the Company) or (B) any assets (other than in the ordinary course of business and consistent with past practice), in the case of (B) with a value or purchase price in excess of $250,000 individually;

(iii) other than in connection with the Intermediate Merger, merge or consolidate with any other Person or restructure, reorganize or completely or partially liquidate the Company or any of its Subsidiaries, except for any such transactions among wholly-owned Subsidiaries of the Company;

(iv) issue, sell, pledge, dispose of or encumber any limited liability company interests or equity interests or options, warrants or other securities, commitments or rights convertible, exchangeable or exercisable therefor (collectively, " Equity Interests ") of the Company or any of its Subsidiaries, except issuances or dispositions of (A) Units pursuant to Company Options outstanding on the date of this Agreement (or which become outstanding after the date of this Agreement in accordance with this Section 4.1(a)) under the Management Equity Plan, (B) any capital stock of any of the Company's Subsidiaries to the Company or any other of its direct or indirect wholly-owned Subsidiaries, (C) Units, Restricted Units, Phantom Units, Residual Units, Company Options and/or rights to acquire Units in connection with grants or awards of stock-based compensation made in compliance with Section 4.1(a)(x) hereof or (D) Units as required by the Plan of Reorganization;

(v) split, combine, subdivide or reclassify any of the Equity Interests of the Company;

(vi) declare, set aside, establish a record date for, or pay any dividends on or make any other distributions (whether payable in cash, stock, property or a combination thereof) in respect of any of the Equity Interests of the Company or its Subsidiaries, other than any dividends from any wholly-owned Subsidiary of the Company to the Company or to another wholly-owned Subsidiary of the Company;

(vii) repurchase, redeem or otherwise acquire any of the Equity Interests of the Company, except for redemptions, purchases or acquisitions pursuant to the exercise or settlement of Company Options, Restricted Units, Phantom Units, employee severance, retention, termination, change of control and other contractual rights existing on the date of this Agreement on the terms in effect on the date of this Agreement (excluding, for the avoidance of doubt, the Call Option under the PBGC Call Agreement);

(viii) incur, or modify in any material respect the terms of, any material Indebtedness or issue any debt securities or assume, guarantee or endorse, or otherwise become responsible for, the obligations of any Person (other than the Subsidiaries of the Company) (in each case, for the avoidance of doubt, excluding trade payables, capitalized lease obligations, or obligations issued or assumed as consideration for services or property, including inventory), except for (A) Indebtedness incurred under the Credit Facilities) in the ordinary course of business for working capital purposes, (B) letters of credit issued pursuant to (or guarantees permitted by) the Credit Facilities or otherwise issued in the ordinary course of business, (C) draws on the ABL Revolver in accordance with the terms thereof, or (D) interest rate and other hedging arrangements on customary commercial terms in the ordinary course of business;

(ix) grant any Lien on any assets that are material to the Company and its Subsidiaries taken as a whole, other than Permitted Liens;

(x) except as required pursuant to Company Plans in effect prior to the date of this Agreement, or as otherwise required by applicable Law or this Agreement, (A) grant any severance or termination payments or benefits to any Employee of the Company or any of its Subsidiaries, except, in the case of employees who are not executive officers, in the ordinary course of business, (B) materially increase the compensation, bonus or pensions or welfare benefits of any employee, except, in the case of employees who are not executive officers of the Company, in the ordinary course of business, (C) make any new equity awards to any Employee of the Company or any of its Subsidiaries, other than (1) grants of Residual Units, (2) new equity awards made in the ordinary course of business to any Employee hired or engaged by the Company or any of its Subsidiaries after the date hereof and (3) to the extent set forth in Section 4.1(a)(x) of the Company Disclosure Letter, annual 2014 grants of Phantom Units, Restricted Units and Company Options to directors as required by the Director Equity Plan or the

Management Equity Plan, as applicable, or (D) terminate or materially amend any Company Plan or establish or adopt any plan that would have been a Company Plan if it had been in effect as of the date hereof;

(xi) except as required by GAAP, a Governmental Entity or applicable Law, make any material changes to accounting policies or principles;

(xii) other than (A) in the ordinary course of business and consistent with past practice, or (B) as otherwise contemplated or permitted by this Section 4.1 , (1) enter into any Contract that would have been a Company Material Contract had it been entered into prior to the date of this Agreement or (2) terminate, consent to the termination of, materially amend or waive any material rights under any Company Material Contract in a manner materially adverse to the Company and its Subsidiaries excluding any termination due to expiration of such Company Material Contract in accordance with the terms of such Company Material Contract; provided in each case that the Company and its Subsidiaries shall be permitted to renew or replace any Company Material Contract with one or more Contracts on substantially similar terms;

(xiii) transfer, sell, lease, license, assign or otherwise dispose of any material assets or businesses of the Company and its Subsidiaries taken as a whole, including Equity Interests of any of its Subsidiaries, other than (A) as may be permitted pursuant to this Section 4.1(a) , (B) in the ordinary course of business and in a manner consistent with past practice, (C) pursuant to Contracts in effect prior to the date of this Agreement, true and complete copies of which have been provided to Parent (except to the extent such agreements are subject to confidentiality restrictions), (D) pursuant to transactions solely among the Company and/or any of its Subsidiaries or (E) pursuant to licenses or sublicenses of Intellectual Property granted in the ordinary course of business;

(xiv) except for the expenditures contemplated by the five-year plan set forth in Section 4.1(a)(xiv) of the Company Disclosure Letter, make or authorize any binding capital expenditures in excess of $5,000,000 in the aggregate;

(xv) compromise, settle or agree to settle any claims (A) involving amounts in excess of $1,000,000 individually or $3,000,000 in the aggregate that are not covered by insurance, or (B) that would impose any material non-monetary obligations on the Company or its Subsidiaries that would continue after the Effective Time;

(xvi) enter into any new line of business material to the Company and its Subsidiaries, taken as a whole;

(xvii) make, revoke, adopt, file or change any Tax election, any annual Tax accounting period, any method of Tax accounting, any income Tax Returns, surrender any claims for Tax refunds, amend any Tax Returns, enter into, revoke or amend a closing agreement, settle any Tax claim, audit or assessment, extend any statute of limitations with respect to Tax matters or any right to claim a refund, or surrender any offset or other reduction in Tax liability;

(xviii) propose, adopt or enter into a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company or any of its Subsidiaries, except in accordance with the Plan of Reorganization;

(xix) fail to maintain insurance in at least such amounts and against at least such risks and losses as are consistent in all material respects with the Company's and its Subsidiaries' past practice in the ordinary course of business;

(xx) make any capital investment in or loan to any Person (other than the Company or any of its Subsidiaries);

(xxi) pay any management, monitoring or other shareholder fees or payments of a similar nature to or for the benefit of any Member or any Affiliate of any Member (other than the Company or any of its Subsidiaries); or

(xxii) announce an intention to enter into any agreement, or otherwise make a commitment, to do any of the foregoing prohibited actions.

(b) Nothing contained in this Agreement is intended to give Parent or Merger Sub, directly or indirectly, the right to control or direct the Company's or its Subsidiaries' operations prior to the Effective Time, and nothing contained in this Agreement is intended to give the Company, directly or indirectly, the right to control or direct Parent's or its Subsidiaries' operations. Prior to the Effective Time, each of Parent and the Company shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its and its respective Subsidiaries' respective operations.

Section 4.2 Acquisition Proposals.

(a) Subject to Section 4.2(b) and Section 4.2(c), at all times during the period from the date of this Agreement to the earlier of the Effective Time or the termination of this Agreement pursuant to Article VII, the Company shall not, shall cause its Subsidiaries, directors and officers to not, and shall instruct its other Representatives and the Unit holders named on Section 4.2(a) of the Company Disclosure Letter to not (i) solicit, initiate, propose or knowingly encourage (including by way of furnishing nonpublic information) or take any other action to facilitate any inquiries or the making of any proposal or offer (including any proposal or offer to the Members) that constitutes, or may reasonably be expected to lead to, an Acquisition Proposal, (ii) enter into, maintain, continue or otherwise engage or participate in any discussions or negotiations regarding, or furnish to any Person (other than Parent, Merger Sub or their respective Representatives or the Company's Representatives) any information or data relating to, any Acquisition Proposal or any proposal or offer that could reasonably be expected to lead to an Acquisition Proposal, (iii) agree to, approve, endorse, recommend, consummate or execute or enter into any letter of intent, memorandum of understanding, agreement in principle, merger agreement, acquisition agreement or other similar agreement providing for an Acquisition Proposal or any proposal or offer that could reasonably be expected to lead to an Acquisition Proposal, or (iv) resolve, propose or agree, or authorize any of its Representatives, to do any of the foregoing. The Company acknowledges and agrees that the doing of any of the foregoing by any of its Subsidiaries shall be deemed to be a breach by the Company of this Section 4.2(a). The Company shall, shall cause its Subsidiaries, directors and officers to, and shall instruct its other Representatives to, immediately cease and cause to be terminated any and all discussions and negotiations with any Person with respect to any Acquisition Proposal, and shall deliver a written notice to each such Person to the effect that the Company is ending all discussions and negotiations with such Person with respect to any Acquisition Proposal, effective on the date hereof. The Company shall not, and shall not permit any Subsidiary of the Company to, release any third party from, or waive any provision of, any confidentiality or standstill agreement to which it is a party and the Company shall, to the extent possible, promptly take all steps necessary to terminate or cause to be terminated any such waiver previously granted with respect to any provision of any such confidentiality or standstill agreement; provided that the Company Board may provide such release or waiver to make an acquisition proposal if it first determines in good faith, after consultation with outside legal counsel, that the failure to grant such consent or authorization would be inconsistent with the Company Board's fiduciary duties under applicable Law (including, for the avoidance of doubt, Section 3.10(a) of the Operating Agreement). The Company shall as promptly as reasonably practicable request each Person that has heretofore executed a confidentiality agreement in connection with such Person's consideration of acquiring (whether by merger, acquisition of stock or assets or otherwise) the Company or any of its Subsidiaries, to return (or if permitted by the applicable confidentiality agreement, destroy) all information required to be returned (or, if applicable, destroyed) by such Person under the terms of the applicable confidentiality agreement.

(b)

(i) Notwithstanding the provisions of Section 4.2(a), Section 4.2(b)(i) or anything else in this Agreement to the contrary, at any time prior to the end of the Minimum Waiting Period, the Company may (subject to compliance with this Section 4.2(b)(i)), in response to an inquiry regarding or constituting an Acquisition Proposal from any Person that the Company Board determines in good faith is reasonably capable of making a *bona fide* Acquisition Proposal, provide a copy of the Confidential Information Memorandum to such Person pursuant to a Qualifying Confidentiality Agreement; provided that the foregoing shall not permit the Company to furnish additional confidential information with respect to the Company and its Subsidiaries or participate in discussions and negotiations with such Person except in compliance with Section 4.2(b)(i); provided further that the Company shall have provided written notice to Parent of its intent to furnish a copy of the Confidential Information Memorandum to such Person, such notice to include the identity of such Person.

(ii) Notwithstanding the provisions of Section 4.2(a) or Section 4.2(b)(i) or anything else in this Agreement to the contrary, at any time prior to the end of the Minimum Waiting Period, the Company may, subject to compliance with this Section 4.2(b)(i), in response to an unsolicited, *bona fide* written Acquisition Proposal from any Person after the date of this Agreement that did not arise from a breach by the Company, or any of its Subsidiaries, officers, directors or employees of this Section 4.2 that the Company Board determines in good faith, after consultation with its independent financial advisor and outside legal counsel, constitutes or may reasonably be expected to lead to a Superior Proposal, and after the Company Board having determined in good faith, after consultation with outside legal counsel, that failure to take the following actions would be inconsistent with the Company Board's fiduciary duties under applicable Law (including, for the avoidance of doubt, Section 3.10(a) of the Operating Agreement), (A) furnish confidential information with respect to the Company and its Subsidiaries to the Person making such Acquisition Proposal (and such Person's Representatives) pursuant to a customary standstill and confidentiality agreement (which need not restrict such Person from making a confidential Acquisition Proposal to the

Company Board but which shall not include any provision granting such Person exclusive rights to negotiate with the Company or having the effect of prohibiting the Company from satisfying its obligations under this Agreement) on terms no less favorable in any material respect to the Company than those contained in the Confidentiality Agreement (a " Qualifying Confidentiality Agreement "); provided , that the Company shall have provided written notice to Parent of its intent to furnish information or enter into discussions with such Person prior to first (with respect to such Person) taking any such action; provided further that the Company shall simultaneously make available to Parent any information concerning the Company and its Subsidiaries that is provided to any Person making such Acquisition Proposal that is given such access and which information was not previously made available to Parent or its Representatives and (B) participate in discussions and negotiations with the Person making such unsolicited *bona fide* written Acquisition Proposal (and such Person's Representatives) regarding such Acquisition Proposal. Notwithstanding the foregoing, the Company shall not provide or be required to provide any commercially sensitive non-public information to any competitor in connection with the actions permitted or required by clause (A) of this Section 4.2(b)(i) , except in a manner consistent with the Company's past practices in dealing with the disclosure of such information in the context of considering Acquisition Proposals prior to the date of this Agreement.

(iii) The Company shall, as promptly as reasonably practicable (and in any event, within twenty-four (24) hours), advise Parent orally and in writing of the receipt of any proposals, inquiries or offers with respect to an Acquisition Proposal after the date of this Agreement, including any request for discussions or negotiations and any request for information relating to the Company or any of its Subsidiaries or for access to the business, properties, assets, books or records of the Company or any of its Subsidiaries. Such notice shall indicate the material terms and conditions of any such Acquisition Proposal (including, if applicable, copies of any written requests, proposals or offers, including proposed agreements) and the identity of the Person or group of Persons making any such Acquisition Proposal. The Company shall keep Parent reasonably informed of the status of any such discussions or negotiations, and material details of any such Acquisition Proposal and provide Parent with any documents describing or evidencing any such Acquisition Proposal sent by or provided to the Company or any of its Subsidiaries or Representatives as promptly as reasonably practicable (and in any event within twenty-four (24) hours after receipt or delivery thereof). The Company shall provide Parent with at least twenty-four (24) hours prior notice of any meeting of the Company Board at which the Company Board is reasonably expected to consider any proposal, inquiry, offer or request with respect thereto (or any lesser advance notice otherwise provided to members of the Company Board in respect of such meeting).

(c)

(i) The Company Board and each committee thereof shall not (A) withhold, withdraw, qualify, amend or modify in any manner adverse to Parent or Merger Sub, or propose publicly to withdraw, qualify, amend or modify, the Company Recommendation with respect to this Agreement or the Merger or resolve or agree to take any such action or make any public statement inconsistent with the Company Recommendation, (B) recommend, adopt or approve any Acquisition Proposal, or propose publicly or otherwise to recommend, adopt or approve any Acquisition Proposal or resolve or agree to take any such action, (C) cause or permit the Company to enter into any letter of intent, memorandum of understanding, agreement in principle, merger agreement, acquisition agreement, or other similar agreement providing for an Acquisition Proposal (other than a Qualifying Confidentiality Agreement) or (D) (x) fail to publicly recommend against any Acquisition Proposal or (y) fail to publicly reaffirm the Company Recommendation, in the case of each of clause (x) and (y), within five (5) Business Days after Parent so requests in writing, which request may be made only once (any action described in clauses (A) through (D) referred to herein as a " Change of Recommendation ").

(ii) Notwithstanding this Section 4.2(c) or anything else in this Agreement to the contrary, the Company Board may (1) at any time prior to the expiration of the Minimum Waiting Period, in response to an Intervening Event, take or fail to take, as applicable, the actions specified in clauses (A) or (D) of Section 4.2(c)(i) (an " Intervening Event Change of Recommendation ") if the Company Board determines in good faith, after consultation with its outside counsel, that it is required to do so in order to comply with its fiduciary duties under applicable Law (including, for the avoidance of doubt, Section 3.10(a) of the Operating Agreement) or (2) at any time prior to the expiration of the Minimum Waiting Period, in response to an unsolicited *bona fide* written Acquisition Proposal from any Person that did not arise from any breach of this Section 4.2 by the Company, or any of its Subsidiaries, officers, directors or employees, that is not withdrawn and that the Company Board concludes in good faith, after consultation with an independent financial advisor and outside legal counsel, constitutes a Superior Proposal, terminate this Agreement pursuant to Section 7.3(a) in order to cause the Company to enter into a definitive agreement providing for a Superior Proposal; provided that (x) no Intervening Event Change of Recommendation may be made and (y) the Company shall not exercise its right to terminate this Agreement pursuant to Section 7.3(a) until after (A) the period of five (5) Business Days or, in the case of a material revision to an Acquisition Proposal with respect to which prior written notice to Parent has been provided, the period shall be three (3) Business Days (the " Notice Period ") following Parent's receipt of written notice from the Company advising Parent, in the case of clause (x) above, of the reasons for such Intervening Event Change of Recommendation, including a description of the Intervening Event in reasonable detail, and, in the case of clause (y) above, that the Company Board has received a Superior Proposal (or any material modification of a Superior Proposal), specifying the information required to be include in any notice required to be delivered to Parent under Section 4.2(b)(iii) and stating that the Company Board has resolved to exercise its right to terminate this Agreement pursuant to Section 7.3(a) (such notice, a " Match Notice ") (B) the Company shall, and shall cause its financial and legal advisors to, during the Notice Period, negotiate with Parent and its Representatives in good faith (to the extent Parent desires to negotiate) to make such adjustments in the terms and conditions of this Agreement, so that such Intervening Event would cease to necessitate an Intervening Event Change of Recommendation or such Acquisition Proposal would cease to constitute a Superior Proposal; provided that, in the event of any material revisions to the Acquisition Proposal that the Company Board has determined to be a Superior Proposal, the Company shall be required to deliver a new written notice to Parent and to comply with the requirements of this Section 4.2 (including this Section 4.2(c)(ii)) with respect to such new written notice and the revised Superior Proposal contemplated thereby; (C) (1) with respect to clause (x) above, a determination by the Company Board that the Intervening Event described in such written notice continues to necessitate an Intervening Event Change of Recommendation and (2) with respect to clause (y) above, a determination by the Company Board that the Acquisition Proposal described in such written notice constitutes a Superior Proposal, in the case of clauses (1) and (2) above after taking into account any changes to this Agreement proposed by Parent during such Notice Period and (D) in the event of a termination of this Agreement pursuant to the foregoing subclause (c)(ii), the Company shall have paid the Termination Fee pursuant to Section 7.5 to Parent prior to or concurrently with such termination.

(d) Nothing contained in this Agreement shall prohibit the Company or the Company Board or any committee thereof from (i) complying with its disclosure obligations under U.S. federal or state Law, including taking and disclosing to its Members a position contemplated by Rule 14e-2 promulgated under the Exchange Act (or any similar communication to the Members) or (ii) making accurate disclosure to the Members of any factual information regarding the business, financial condition or results of operations of the Company, Parent or Merger Sub or the fact that an Acquisition Proposal has been made, the identity of the party making such Acquisition Proposal or the material terms of such Acquisition Proposal (and no such disclosure shall be deemed to be a Change of Recommendation); provided, however, that the Company Board or any committee thereof shall not make a Change of Recommendation except in accordance with Section 4.2(c)(ii).

Section 4.3 Information Statement.

As soon as practicable (and in any event within fifteen (15) Business Days) after the execution of this Agreement, the Company shall distribute, by upload to the secure website maintained for the benefit of holders of Units, to its Members, as appropriate, an information statement and other appropriate documents (including a copy of this Agreement) which contain, subject to Section 4.2, the Company Recommendation (such information statement and other documents, including any amendments or supplements thereto, in each case in the form or forms mailed or delivered to the Members, collectively, the "Information Statement") if required in connection with obtaining Member Proxies representing the Company Requisite Approval, which Information Statement shall comply with applicable Laws. If the Company distributes the Information Statement, whenever any event occurs which is required to be set forth in an amendment or supplement to the Information Statement, the Company or Parent, as the case may be, will promptly inform the other of such occurrence and cooperate in preparing and distributing to the Members such amendment or supplement (to the extent necessary or appropriate, in the good faith judgment of the Company). Each of Parent and Merger Sub shall use its reasonable best efforts to cooperate with the Company in connection with the preparation and distribution of the Information Statement, including furnishing as promptly as reasonably practicable to the Company any and all information relating to it as the Company may reasonably request. The Company shall deliver to the Members a notice of the Record Date for acting by written consent and any other notices in connection with the Intermediate Merger and the Merger as required by the Operating Agreement. Parent agrees that on the Record Date, it will, pursuant to the Member Proxies, consent in writing to approve this Agreement and the transactions contemplated hereby.

Section 4.4 Filings; Other Actions; Notification.

(a) Cooperation. Subject to the terms and conditions set forth in this Agreement, including Section 4.3 and Section 4.4(d), the Company and Parent shall cooperate with each other and use (and shall cause their respective Affiliates to use) their respective reasonable efforts to take or cause to be taken all actions, and to do or cause to be done all things, reasonably necessary, proper or advisable on their part under this Agreement and applicable Law to consummate and make effective the Merger and the other transactions contemplated by this Agreement as soon as practicable, including preparing and filing as promptly as practicable all documentation to effect all necessary notices, reports and other filings and to obtain as promptly as practicable all consents, registrations, approvals, permits and authorizations necessary to be obtained from any Governmental Entity in order to consummate the Merger and the other transactions contemplated by this Agreement. Subject to applicable Laws relating to the exchange of information, Parent and the Company shall have the right to review in advance, and, to the extent practicable, each will consult with the other on and consider in good faith the views of the other in connection with, all of the information relating to Parent or the Company, as the case may be, and any of their respective Affiliates, that appears in the Information Statement or any filing made with, or written materials submitted to, any third party and/or any Governmental Entity in connection with the Merger and the other transactions contemplated by this Agreement. In exercising the foregoing rights, each of the Company and Parent shall act reasonably and as promptly as practicable.

(b) Information . Subject to applicable Laws, the Company and Parent each shall, upon request by the other, furnish the other with all information concerning itself, its Affiliates, directors, officers and Members or equityholders, as applicable, and such other matters as may be reasonably necessary or advisable in connection with the Information Statement or any statement, filing, notice or application made (or to be made) by or on behalf of Parent, the Company or any of their respective Affiliates to any third party and/or any Governmental Entity in connection with the Merger and the transactions contemplated by this Agreement, including under the HSR Act and any other Antitrust Law. Notwithstanding the foregoing, in connection with the performance of each Party's respective obligations pursuant to, Section 4.4(a) and Section 4.4(d) , the Company and Parent may, as each determines is reasonably necessary, designate competitively sensitive material provided to the other pursuant to this Section 4.4(b) as "Outside Counsel Only." Such materials and the information contained therein shall be given only to the outside legal counsel of the recipient and will not be disclosed by such outside counsel to directors, officers or employees of the recipient unless express permission is obtained in advance from the source of the materials (the Company or Parent, as the case may be) or its legal counsel. Notwithstanding anything to the contrary in this Section 4.4 , materials provided to the other Party or its counsel may be redacted to remove references concerning the valuation of the Company and its Subsidiaries.

(c) Status . Subject to applicable Laws and the instructions of any Governmental Entity, the Company and Parent each shall keep the other apprised of the status of matters relating to consents, clearances, approvals or authorizations of any Governmental Entity of the transactions contemplated by this Agreement, including promptly furnishing the other with copies of notices or other communications received by Parent or the Company, as the case may be, or any of their respective Affiliates, from any Governmental Entity with respect to such consents, clearances, approvals or authorizations. Neither the Company nor Parent shall permit any of its Affiliates, officers or any other Representatives to participate in any meeting or substantive discussion with any Governmental Entity in respect of any consents, clearances, approvals, authorizations, filings, investigation or other inquiry with respect to the Merger or the other transactions contemplated by this Agreement unless it consults with the other Party in advance and, to the extent permitted by such Governmental Entity, gives the other Party the opportunity to attend and participate thereat.

(d) Antitrust Matters .

(i) Subject to the terms and conditions set forth in this Agreement, without limiting the generality of the undertakings pursuant to this Section 4.4 , each of the Company, on the one hand, and Parent and Merger Sub, on the other hand, agree to take or cause to be taken the following actions:

(A) as soon as reasonably practicable, (1) and in any event, no later than ten (10) Business Days following the date of this Agreement, to file the initial pre-merger notifications with respect to this Agreement and the transactions contemplated herein required under the HSR Act (which filing, including the exhibits thereto, shall not be shared or otherwise disclosed to the other Parties except to outside counsel of each Party) for each of Parent and the Company, in each case, requesting early termination of the waiting period with respect to the Merger and (2) to file any notification or other form necessary to obtain any consents, clearances or approvals required under or in connection with any other Antitrust Law;

(B) to promptly provide to each and every supranational, national, federal, state, provincial or local Governmental Entity with jurisdiction over enforcement of any applicable Antitrust Law (a " Governmental Antitrust Entity ") non-privileged information and documents requested by any such Governmental Antitrust Entity in connection with obtaining any such consent, clearance, approval, or authorization of such Governmental Antitrust Entity that is necessary, proper or advisable to permit consummation of the Merger and the other transactions contemplated hereby; and

(C) to refrain from entering into any agreement, arrangement or other understanding to acquire any assets, or properties or business that would prevent or materially delay receipt of any Company Required Governmental Approvals or Parent Required Governmental Approvals or prevent, materially delay or materially impede the Closing.

(ii) In addition to the foregoing, Parent shall take, and cause its Subsidiaries to take, any and all actions necessary (including the payment of all filing fees of all Parties) to make any filings (including promptly complying with or modifying any requests for additional information, including any second request, by any Governmental Entity) and Parent shall, and shall cause its Subsidiaries to, and the Company shall and shall cause its Subsidiaries to, use reasonable best efforts to obtain any consents, clearances, approvals or authorizations required under or in connection with any Antitrust Law, and to enable all waiting periods under any Antitrust Law to expire, and to avoid or eliminate each and every impediment under any Antitrust Law asserted by any Governmental Entity, in each case, to enable the consummation of the Merger and the other transactions contemplated hereby as promptly as practicable following the date hereof, including (A) offering and consenting to, and thereafter implementing, the following measures: (1) the sale, license, assignment, transfer, divestiture, holding separate or other disposition of any assets, business or portion of business of the Company, the Surviving Company, or any of their respective Subsidiaries or (2) the imposition of any restriction, requirement or limitation on the operation of the business or portion of the business of the Company, the Surviving Company, or any of their respective Subsidiaries; provided that Parent will not be required to offer, consent to or implement the foregoing measures with respect to (x) any non- *de minimis* assets (as such term is defined for purposes of this Section 4.4(d)(ii) on Section 4.4(d)(ii) of the Company Disclosure Letter) of the Company or the Surviving Company or (y) any assets of Parent and its Subsidiaries and (B) contesting, defending or appealing any Action brought by any Governmental Entity, threatened or pending preliminary or permanent injunction or other Order, decree or ruling or statute, rule, regulation or executive order.

(iii) Parent will not (x) withdraw its initial filing under the HSR Act or any other Antitrust Law, as the case may be, and re-file it unless the Company has consented in advance to such withdrawal and refiling, such consent not to be unreasonably withheld, delayed or conditioned or (y) take, or cause to be taken, any actions or do, or cause to be done, any things that would be reasonably likely to delay the obtaining of any approval or to extend any waiting period under the HSR Act, any Antitrust Law with respect to the transactions contemplated hereby or to cause any Governmental Entity to object to such transactions, including acquiring or agreeing to acquire any assets or businesses engaged in whole or in part in a line of business similar to that engaged in by the Company and its Subsidiaries.

(iv) Nothing in this Agreement shall require the Company or its Affiliates or Parent, Merger Sub or their respective Affiliates to take or agree to take any action with respect to its business or operations unless the effectiveness of such agreement or action is conditioned upon the Closing.

(v) Parent shall reimburse the Company and its Subsidiaries for all of their documented and reasonable out-of-pocket expenses (including the reasonable fees and expenses of all attorneys, consultants, economists and other experts retained by a party and all reasonable duplicating, travel and related expenses) incurred or accrued in connection with Section 4.4(d)(ii)(B).

(e) DSS Approval. As soon as practicable after the date of this Agreement, Parent shall provide all necessary information to the Company regarding Parent’s foreign ownership, control or influence, and in turn the Company shall or shall cause its Subsidiaries to (as applicable) prepare and submit to the DSS a notification under Section 1-302(g) of the NISPOM and provide all reasonable support to Parent in requesting from the DSS approval to operate the business of the Company and its Subsidiaries pursuant to a Foreign Ownership, Control, or Influence mitigation proposal submitted in relation to the transactions contemplated by this Agreement in accordance with the NISPOM.

Section 4.5 Access and Reports.

(a) Subject to applicable Law, upon reasonable notice, the Company shall (and shall cause its Subsidiaries to) afford Parent’s officers, employees and other authorized Representatives (including financing sources) reasonable access, during normal business hours throughout the period prior to the Effective Time, to its employees, properties, books, Contracts and records, and, during such period, the Company shall (and shall cause its Subsidiaries to) furnish promptly to Parent and Parent’s officers, employees and other authorized Representatives (including financing sources) information concerning its business, properties and personnel as may reasonably be requested, including (i) access to conduct, at Parent's sole cost and expense, ASTM-compliant Phase I environmental site assessments or limited environmental compliance reviews, of any Owned Real Property and, subject to the rights of any landlord, any real property that is the subject of any material Lease Document and (ii) reasonable access to KPMG, the Company's external auditors, and their work papers associated with their review of the Interim Financial Statements and Duff & Phelps Corporation and ICF SH&E, the auditors who assisted the Company in their preparation of the February Balance Sheet, subject to Parent signing a customary confidentiality and indemnity letter if requested by such auditors; provided that Parent and its Representatives shall conduct any such activities in such a manner as to not interfere unreasonably with the business or operations of the Company and in no event will the foregoing include any sampling or analysis of soil, groundwater, building materials or other environmental media of the sort generally referred to as a Phase II environmental investigation. All requests for information made pursuant to this Section 4.5 shall be directed to the executive officer or other Persons designated by the Company. All such information shall be governed by the terms of the Confidentiality Agreement. No investigation pursuant to this Section 4.5 or by Parent or its Representatives at any time prior to or following the date of this Agreement shall affect or be deemed to modify any representation or warranty made by the Company herein.

(b) This Section 4.5 shall not require the Company or its Subsidiaries to permit any access to or to disclose (i) any information that, in the reasonable, good faith judgment (after consultation with counsel, which may be in-house counsel) of the Company, is reasonably likely to result in any violation of any Law (including ITAR) or any Contract to which the Company or its Subsidiaries is a party or cause any privilege (including attorney-client privilege) that the Company or its Subsidiaries would be entitled to assert to be undermined with respect to such information or (ii) if the Company or any of its Affiliates, on the one hand, and Parent or any of its Affiliates, on the other hand, are adverse parties in a litigation, any information that is reasonably pertinent thereto; provided that, in the case of clause (i) above, the Parties shall cooperate in seeking to find a way to allow disclosure of such information to the extent doing so (A) would not (in the good faith belief of the Company (after consultation with counsel, which may be in-house counsel)) be reasonably likely to result in the violation of any such Law or Contract or be reasonably likely to cause such privilege to be undermined with respect to such information or (B) could reasonably (in the good faith belief of the Company (after consultation with counsel, which may be in-house counsel)) be managed through the use of customary "clean-room" arrangements pursuant to which non-employee Representatives of Parent could be provided access to such information.

(c) The information provided pursuant to this Section 4.5 shall be used solely for the purpose of the Merger and the other transactions contemplated hereby (including any financing thereof by Parent), and such information shall be kept confidential and treated by Parent and Merger Sub in accordance with the Confidentiality Agreement.

Section 4.6 Publicity. The initial press release regarding the Merger shall be reasonably agreed upon by Parent and the Company. Thereafter, so long as this Agreement is in effect, the Company and Parent each shall consult with each other prior to issuing any press releases or otherwise making public announcements with respect to the Merger and the other transactions contemplated by this Agreement and prior to making any filings with any third party and/or any Governmental Entity (including any national securities exchange or interdealer quotation service) with respect thereto, except (a) as may be required by Law (including filings required to be made by any Party under the Securities Act or the Exchange Act, provided that the other party shall be given an opportunity to review and comment upon any such filing before it is filed and the filing party shall consider such comments in good faith) or by the fiduciary duties of the members of the Company Board (and, for the avoidance of doubt, Section 3.10(a) of the Operating Agreement) or (b) by the request of any Governmental Entity or (c) in connection with a Change of Recommendation; provided, however, that the foregoing will not restrict or prohibit the Company or any of its Subsidiaries from making any announcement (together with instructions to keep such information strictly confidential) to its unit holders, employees, customers and other business relations to the extent the Company or such Subsidiary reasonably determines in good faith that such announcement is necessary or advisable.

Section 4.7 Employee Benefits.

(a) Parent agrees that, during the period commencing at the Effective Time and ending on December 31, 2014, each employee of the Company and its Subsidiaries who continues employment with Parent, the Surviving Company or any Subsidiary of the Surviving Company after the Effective Time (collectively, the "Affected Employees") will be provided with (i) base salary, wages, and bonus, incentive and commission target opportunities which are, in the aggregate, no less than the base salary or wages, and bonus, incentive and commission target opportunities provided by the Company and its Subsidiaries to such Affected Employee immediately prior to the Effective Time, (ii) employee benefits and perquisites that are substantially similar in the aggregate to those provided by Parent to its employees who are similarly situated to each Affected Employee as of the Effective Time and (iii) severance benefits that are no less favorable than the severance benefits provided by the Company and its Subsidiaries immediately prior to the Effective Time. Notwithstanding the foregoing, Parent and the Company agree that, with respect to any Affected Employee whose terms and conditions of employment are covered by a collective bargaining agreement, the terms and conditions of each such Affected Employee's employment shall be subject to such collective bargaining agreement for so long as it remains in effect or as otherwise required by applicable Law.

(b) Parent shall cause any employee benefit plans (including any severance plans) in which any Affected Employee is entitled to participate after the Effective Time to take into account for purposes of eligibility, vesting, level of benefits and benefit accrual thereunder, service for the Company and its Subsidiaries as if such service were with Parent, to the same extent such service was credited under a comparable plan of the Company or any of its Subsidiaries (except to the extent it would result in a duplication of benefits with respect to the same period of service). Parent shall, and shall cause its direct and indirect Subsidiaries (including the Surviving Company) to (i) waive all limitations as to preexisting conditions exclusions and all waiting periods with respect to participation and coverage requirements applicable to each Affected Employee under any welfare benefit plan in which an Affected Employee is eligible to participate on or after the Effective Time and (ii) credit each Affected Employee for any co-payments, deductibles and other out-of-pocket expenses paid prior to the Effective Time under the terms of any corresponding Company Plan in satisfying any applicable deductible, co-payment or out-of-pocket requirements for the plan year in which the Effective Time occurs under any welfare benefit plan in which the Affected Employee participates on and after the Effective Time.

(c) The Company shall not, and shall not permit any other Reorganized Debtor (as defined in the Call Option Agreement made and entered into as of February 28, 2013 among Beech Holdings, LLC and each of the Debtor Affiliates of Hawker Beechcraft, Inc., and the Pension Benefit Guaranty Corporation (the "PBGC Call Agreement")), to exercise the Call Option under the PBGC Call Agreement.

Section 4.8 **Expenses**. Except as otherwise provided in this Agreement, whether or not the Merger is consummated, all costs and expenses incurred in connection with this Agreement and the Merger and the other transactions contemplated by this Agreement shall be paid by the party incurring such expense.

Section 4.9 **Indemnification; Directors' and Officers' Insurance**.

(a) For a period of six (6) years following the Effective Time, Parent and the Surviving Company will, and after the Effective Time Parent will cause the Surviving Company to, indemnify, defend and hold harmless, and advance expenses as incurred, to the fullest extent permitted under applicable Law, each present and former director and officer of the Company and its Subsidiaries (in their capacities as such) and each of their heirs and estates (collectively, the "Indemnified Parties") against any costs, expenses (including reasonable attorneys' and experts' fees), judgments, fines, losses, claims, damages, liabilities and amounts paid in settlement (collectively, "Costs") incurred in connection with any claim, Action or investigation, whether civil, criminal, administrative or investigative, arising out of or related to such Indemnified Parties' service as a director or officer of the Company or its Subsidiaries or services performed by such Persons at the request of the Company or its Subsidiaries at or prior to the Effective Time, whether asserted or claimed prior to, at or after the Effective Time, including, for the avoidance of doubt, in connection with (i) the Merger and the other transactions contemplated by this Agreement and (ii) actions to enforce this provision or any other indemnification or advancement right of any Indemnified Party; provided that the Person to whom Costs are advanced, if required by applicable Law, provides an undertaking to repay such Costs if it is ultimately determined that such Person is not entitled to indemnification under applicable Law.

(b) Prior to the Effective Time, the Company shall and, if the Company is unable to, Parent shall cause the Surviving Company as of the Effective Time to obtain and fully pay the premium for "tail" insurance policies for the extension of the directors' and officers' liability, employment practices liability and fiduciary liability coverages (collectively, "D&O Insurance") of the Company's existing respective insurance policies for a claims reporting or discovery period of at least six years from and after the Effective Time from insurers with the same or better A.M. Best rating as the Company's present insurers as of the date of this Agreement with benefits, terms, conditions, retentions and levels of coverage that are at least as favorable to the Indemnified Parties as the Company's existing policies with respect to any matters that existed or occurred at or prior to the Effective Time (including in connection with this Agreement or the transactions or actions contemplated hereby).

(c) If Parent or the Surviving Company or any of their respective successors or assigns (i) shall consolidate with or merge into any other corporation or entity and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) shall transfer all or substantially all of its properties and assets to any individual, corporation or other entity, then, and in each such case, proper provisions shall be made so that the successors and assigns of Parent or the Surviving Company, as applicable, shall assume all of the obligations set forth in this Section 4.9.

(d) The provisions of this Section 4.9 are intended to be for the benefit of, and shall be enforceable by, each of the Indemnified Parties, who are third party beneficiaries of this Section 4.9 .

(e) The rights of the Indemnified Parties under this Section 4.9 shall be in addition to any rights such Indemnified Parties may have under the certificate of formation, the Operating Agreement, the Plan of Reorganization, certificate of incorporation, bylaws or comparable governing documents of the Company, the Surviving Company or any of their Subsidiaries, or under any applicable Contracts or Laws. The Surviving Company shall, and Parent shall cause the Surviving Company to, maintain, or cause to be maintained, all rights to indemnification and exculpation from liabilities for acts or omissions occurring at or prior to the Effective Time and rights to advancement of expenses relating thereto now existing in favor of any Indemnified Party as provided in the certificate of formation, the Operating Agreement, the Plan of Reorganization, the certificate of incorporation, bylaws or comparable governing documents of the Company, the Surviving Company and their Subsidiaries or any indemnification agreement between such Indemnified Party and the Company or any of its Subsidiaries so that such rights survive the Merger. Parent and the Surviving Company shall not permit the foregoing to be amended, repealed or otherwise modified in any manner that would adversely affect any right thereunder of any such Indemnified Party.

Section 4.10 **Confidentiality** . Each of Parent and Merger Sub will hold and treat all documents and information concerning the Company and its Subsidiaries furnished to Parent or Merger Sub in connection with the transactions contemplated by this Agreement in accordance with the Confidentiality Agreement, which shall remain in full force and effect in accordance with its terms.

Section 4.11 **Resignation of Directors** . At the Closing, to the extent requested by Parent at least two (2) Business Days prior to the Closing Date, the Company shall deliver to Parent the resignation of the members of the Company Board, and of any member of the board of directors (or any equivalent) of each Subsidiary of the Company, who are in office immediately prior to the Effective Time, which resignations shall be effective at the Effective Time.

Section 4.12 **Transaction Litigation** . Subject to the immediately following sentence, prior to the Effective Time, each of the Company and Parent shall use reasonable best efforts to prevent the entry of (and, if entered, to have vacated, lifted, reversed or overturned) any Order that results from any equityholder litigation against the Company, Parent, Merger Sub or any of their respective directors or officers relating to this Agreement, the Merger or any of the other transactions contemplated hereby. The Company shall give Parent the opportunity to participate in, but not control, the defense or settlement of any equityholder litigation against the Company or any of its directors or officers relating to this Agreement, the Merger or any of the transactions contemplated by this Agreement, and no such settlement of any equityholder litigation shall be agreed to without Parent's prior written consent, such consent not to be unreasonably withheld, conditioned or delayed. Each of Parent and the Company shall notify the other promptly (and in any event within forty-eight (48) hours) of the commencement of any such equityholder litigation of which it has received notice.

Section 4.13 **No Other Company Representations or Warranties** . Except for the representations and warranties expressly set forth in Section 3.1 , Parent and Merger Sub hereby acknowledge and agree that neither the Company nor any of its Subsidiaries, nor any of their respective equityholders, directors, officers, employees, Affiliates, advisors, agents or representatives, nor any other Person, has made or is making any other express or implied representation or warranty with respect to the Company or any of its Subsidiaries or their respective business or operations, including with respect to any information provided or made available to Parent or Merger Sub (including in certain "data rooms," confidential information memoranda, management presentations or due diligence discussions in anticipation or contemplation of any of the transactions contemplated by this Agreement) and Parent and Merger Sub shall not assert any claim or initiate any Action inconsistent with this Section 4.13 .

Section 4.14 Financial Statements .

(a) From the date hereof until the Closing, the Company shall deliver to Parent, promptly after such information is delivered to senior management of the Company, monthly financial and operating information in the form such reports are currently prepared by the Company in the ordinary course of business.

(b) At least three (3) Business Days prior to the Closing, the Company shall deliver to Parent audited consolidated balance sheets of the Company as of December 31, 2013 and February 28, 2013 (the " Audited February Balance Sheet "), and the related audited consolidated statements of income and cash flows for the year ended December 31, 2013, including the notes or other supplementary information thereto along with an unqualified audit report from KPMG, as auditors to the Company, with respect thereto (the " 2013 Audited Financial Statements "). During the period between the date of delivery of the 2013 Audited Financial Statements and the Closing Date, the Company shall make reasonably available to Parent the Company's officers and other employees, and shall use its reasonable best efforts to make its auditors, KPMG, available to Parent to discuss the 2013 Audited Financial Statements.

(c) The Company shall provide to Parent, at the same time as it provides such information to its lenders under its Credit Facilities, the calculation of the Fixed Charge Coverage Ratio as of December 31, 2013, in the form in which it is provided to its lenders pursuant to the ABL Revolver.

ARTICLE V

TAX MATTERS

Section 5.1 Cooperation on Tax Matters . Each of Parent, the Surviving Company and the Company shall provide each other with material and relevant information, as and to the extent reasonably requested, in connection with the filing of Tax Returns and any audit, litigation or other proceeding with respect to Taxes. In each case, such cooperation shall include the retention and (upon request, at the requesting party's cost and expense and at the time and place mutually agreed upon) the provision of records and information which are reasonably relevant to any such audit, litigation or other proceeding and (upon request, at the requesting party's cost and expense and at the time and place mutually agreed upon) making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder, to the extent such information and/or explanation is readily available and within the control of the party to which such request is made. The responsibility to retain records and information shall include the responsibility to (1) retain such records and information as are required to be retained by any applicable Taxing authority and (2) retain such records and information in machine-readable format where appropriate and reasonably feasible, such that the requesting party shall be able to readily access such records and information. Each of Parent, the

Surviving Company and the Company shall give reasonable written notice and receive the consent of the other Parties prior to transferring, destroying or discarding any such books and records. Any information or explanation obtained pursuant to this Section 5.1 shall be maintained in confidence, except (i) as may be legally required by any Taxing authority or otherwise and (ii) with the written consent of the disclosing party.

Section 5.2 **Tax Sharing Agreements**. The Company shall release each of its Subsidiaries, and shall cause itself to be released, from any obligation under any agreement relating to the allocation, indemnification or sharing of Taxes other than this Agreement ("Tax Sharing Agreements") with any Person (other than the Company or any of its Subsidiaries) prior to the Closing Date.

ARTICLE VI

CONDITIONS

Section 6.1 **Conditions to Each Party's Obligation to Effect the Merger**. The respective obligation of each Party to effect the Merger is subject to the satisfaction or waiver (to the extent permitted by applicable Law and other than the conditions set forth in Section 6.1(a) which may not be waived by any Party) at or prior to the Effective Time of each of the following conditions:

(a) Intermediate Merger. The Intermediate Effective Time shall have occurred.

(b) Member Approval. The Company Requisite Approval shall have been obtained.

(c) Regulatory Consents. (i) Any waiting period (and any extension thereof) applicable to the Merger under the HSR Act shall have been terminated or shall have expired and (ii) all competition, merger control and antitrust approvals or filings required by the Antitrust Laws of the countries listed in Section 6.1(c) of the Company Disclosure Letter shall have been obtained, terminated or expired, as applicable.

(d) No Injunction. No Order (whether temporary, preliminary or permanent) by any Governmental Entity of competent jurisdiction restraining, enjoining or otherwise prohibiting consummation of the Merger shall have been issued and be continuing in effect. No Law shall have been enacted, issued, entered, promulgated or enforced by any Governmental Entity that prohibits or makes illegal consummation of the Merger and shall continue to be in effect.

Section 6.2 **Conditions to Obligations of Parent and Merger Sub**. The obligations of Parent and Merger Sub to effect the Merger are also subject to the satisfaction or waiver at or prior to the Effective Time of the following conditions:

(a) Representations and Warranties. (i) The representations and warranties of the Company contained in the first six sentences of Section 3.1(b) (*Capital Structure*) of this Agreement shall be true and correct in all respects, except for *de minimis* errors (it being agreed that errors resulting in no more than $2,750,000 in the aggregate being required to be paid pursuant to Article II shall be deemed to be *de minimis* errors) in each case as of the date hereof and as of the Closing Date as though made on the Closing Date (except to the extent that any such representation and warranty expressly speaks as of another date, in which case such representation and warranty shall be true and correct as of such other date); (ii) the Fundamental Representations shall be true and correct in all material respects as of the date hereof and as of the Closing Date (except to the extent that any such representation or warranty expressly speaks as of another date in which case such representation and warranty shall be true and correct as of such other date); (iii) the representation and warranty of the Company contained in Section 3.1(g)(ii) (*Absence of Certain Changes*) of this Agreement shall be true and correct in all respects as of the date hereof and as of the Closing Date as though made on the Closing Date; (iv) all other representations and warranties of the Company set forth in this Agreement shall be true and correct (without giving effect to any qualifications or limitations as to materiality or Company Material Adverse Effect set forth therein) as of the date hereof and as of the Closing Date as though made on the Closing Date (except to the extent that any such representation and warranty expressly speaks as of another date, in which case such representation and warranty shall be true and correct as of such other date), except, in the case of this clause (iv), for such failures to be true and correct that would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect; and (v) Parent shall have received at the Closing a certificate signed on behalf of the Company by a senior executive officer of the Company to the effect that such officer has read this Section 6.2(a) and the conditions set forth in this Section 6.2(a) have been satisfied.

(b) Performance of Obligations of the Company . The Company shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and Parent shall have received a certificate signed on behalf of the Company by a senior executive officer of the Company to such effect.

(c) No Company Material Adverse Effect . Since the date of this Agreement, there shall not have occurred any change, event, development or effect that has had or would reasonably be expected to have a Company Material Adverse Effect.

(d) Financial Statements . The 2013 Audited Financial Statements (along with unqualified audit reports from the Company's accounting firm with respect to such 2013 Audited Financial Statements) shall have been delivered to Parent in accordance with Section 4.14 .

Section 6.3 Conditions to Obligation of the Company . The obligation of the Company to effect the Merger is also subject to the satisfaction or waiver at or prior to the Effective Time of the following conditions:

(a) Representations and Warranties . (i) The representations and warranties of Parent and Merger Sub set forth in this Agreement shall be true and correct as of the date hereof and as of the Closing Date as though made on the Closing Date (except to the extent that any such representation and warranty expressly speaks as of another date, in which case such representation and warranty shall be true and correct as of such other date), except for such failures to be true and correct that would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect, and (ii) the Company shall have received at the Closing a certificate signed on behalf of Parent and Merger Sub by a senior executive officer of Parent to the effect that such officer has read this Section 6.3(a) and the conditions set forth in this Section 6.3(a) have been satisfied.

(b) Performance of Obligations of Parent and Merger Sub. Each of Parent and Merger Sub shall have performed in all material respects all obligations required to be performed by them under this Agreement at or prior to the Closing Date, and the Company shall have received a certificate signed on behalf of Parent and Merger Sub by a senior executive officer of Parent to such effect.

(c) Minimum Waiting Period. The Minimum Waiting Period shall have expired.

Section 6.4 Frustration of Closing Conditions. None of the Company, Parent or Merger Sub may rely on the failure of any condition set forth in Article VI, as the case may be, to be satisfied to excuse such Party's obligation to effect the Merger if such failure was primarily caused by such Party's failure to use the standard of efforts required from such Party to consummate the Merger and the other transactions contemplated by this Agreement, including as required by and subject to Section 4.4.

ARTICLE VII

TERMINATION

Section 7.1 Termination by Mutual Consent. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, whether before or after obtaining the duly executed Member Proxies representing the Company Requisite Approval, by mutual written consent of the Company and Parent.

Section 7.2 Termination by Either Parent or the Company. This Agreement may be terminated and the Merger may be abandoned by Parent or the Company (acting through the Company Board) at any time prior to the Effective Time if:

(a) the Merger shall not have been consummated by April 25, 2014 (such date, as it may be extended pursuant to the provisions hereof, the "Termination Date"), provided, if on the Termination Date (x) the conditions to Closing set forth in Section 6.1(c) or Section 6.1(d) (in connection with Section 6.1(c)) shall not have been fulfilled, then either the Company or Parent may, by written notice to the other Party, extend the termination date from April 25, 2014 to July 24, 2014 or (y) the condition to Closing set forth in Section 6.2(d) shall not have been fulfilled, then either the Company or Parent may, by written notice to the other Party, extend the termination date from April 25, 2014 to June 9, 2014 (in the case of any such extension, such date shall then be the "Termination Date"); provided, further, that the right to terminate this Agreement under this Section 7.2(a) shall not be available to any Party that has breached its obligations hereunder and whose breach is the principal cause of the failure of the Closing to have occurred on or before the Termination Date; or

(b) any Order permanently restraining, enjoining or otherwise prohibiting consummation of the Merger shall become final and non-appealable or any Law shall be enacted, issued, entered, promulgated or enforced by any Governmental Entity that prohibits or makes illegal consummation of the Merger, provided, that the right to terminate this Agreement pursuant to this Section 7.2(b) shall not be available to any Party that has breached in any material respect its obligations under this Agreement and whose breach is the principal cause of the failure of a condition to the consummation of the Merger.

Section 7.3 **Termination by the Company** . This Agreement may be terminated and the Merger may be abandoned by the Company (acting through the Company Board) at any time prior to the Effective Time:

(a) at any time prior to the end of the Minimum Waiting Period, in order to concurrently enter into a definitive agreement providing for a Superior Proposal, if (i) the Company has complied in all material respects with the requirements of Section 4.2 and (ii) the Company, concurrently with such termination, pays to Parent in immediately available funds any fees required to be paid pursuant to Section 7.5(c) ; or

(b) at any time prior to the Effective Time, if there has been a breach of any representation, warranty, covenant or agreement made by Parent or Merger Sub in this Agreement, or any such representation and warranty shall have become untrue after the date of this Agreement, such that the conditions set forth in Section 6.3(a) or 6.3(b) would not be satisfied, and such breach or condition is not curable or, if curable, is not cured prior to the earlier of (i) the 30th day after written notice thereof is given by the Company to Parent and (ii) the date that is one Business Day prior to the Termination Date; provided, however , that the Company shall not have the right to terminate this Agreement pursuant to this Section 7.3 if it is then in breach of this Agreement so as to cause any of the conditions set forth in Section 6.2(a) or Section 6.2(b) not to be capable of being satisfied.

Section 7.4 **Termination by Parent** . This Agreement may be terminated and the Merger may be abandoned by Parent at any time prior to the Effective Time;

(a) in the event that a Change of Recommendation shall have occurred; or

(b) if there has been a breach of any representation, warranty, covenant or agreement made by the Company in this Agreement, or any such representation and warranty shall have become untrue after the date of this Agreement, such that the conditions set forth in Section 6.2(a) or Section 6.2(b) would not be satisfied, and such breach or condition is not curable or, if curable, is not cured prior to the earlier of (i) the 30th day after written notice thereof is given by Parent to the Company or (ii) the date that is one Business Day prior to the Termination Date; provided, however , that Parent shall not have the right to terminate this Agreement pursuant to this Section 7.4 if it (or Merger Sub) is then in breach of this Agreement so as to cause any of the conditions set forth in Section 6.3(a) or 6.3(b) not to be capable of being satisfied.

Section 7.5 **Effect of Termination and Abandonment** .

(a) In the event of termination of this Agreement and the abandonment of the Merger pursuant to this Article VII , this Agreement shall become void and of no effect with no liability to any Person on the part of any Party (or of any of its Representatives or Affiliates); provided , however , notwithstanding the foregoing: (i) no such termination shall relieve any Party of any liability or damages to the other Party resulting from any willful and material breach of this Agreement and (ii) no such termination shall relieve any Party of its obligations pursuant to the provisions set forth in Section 4.6 , Section 4.8 , Section 4.10, Section 7.5 , Section 8.1 through 8.13 , and the Confidentiality Agreement, all of which shall survive the termination of this Agreement.

(b) In the event that (x) this Agreement is terminated pursuant to Section 7.2(a) (the section related to the Termination Date) and the Company Requisite Approval shall not have been obtained prior to such termination or Section 7.4(b), (y) any Person shall have announced, commenced, publicly disclosed or otherwise made known to the Company Board a *bona fide* Acquisition Proposal after the date of this Agreement but prior to such termination, and such Acquisition Proposal shall not have been withdrawn prior to such termination and (z) within twelve (12) months of such termination the Company shall have entered into a definitive agreement with respect to such Acquisition Proposal and the transaction contemplated by such definitive agreement is consummated (provided that for purposes of this clause (z) the references to "20%" in subsections (i) and (ii) of the definition of "Acquisition Proposal" shall be deemed to be references to "50%"), then the Company shall, within one (1) Business Day after the date on which the Company consummates the transaction referred to in sub-clause (z) of this Section 7.5(b), pay Parent the Termination Fee by wire transfer of immediately available funds. Any Termination Fee payable pursuant to this Section 7.5(c) will be reduced by the amount of any Reimbursable Expenses previously paid pursuant to Section 7.5(d).

(c) In the event that

(i) this Agreement is terminated by the Company pursuant to Section 7.3(a) (the section related to a Superior Proposal); or

(ii) this Agreement is terminated by Parent pursuant to Section 7.4(a) (the section related to a Change of Recommendation),

then the Company shall (A) in the case of clause (i) of this Section 7.5(c), concurrently with such termination and (B) in the case of clause (ii) of this Section 7.5(c), no later than one (1) Business Day after the date of such termination, pay Parent the Termination Fee by wire transfer of immediately available funds.

(d) The Company agrees that if Parent shall terminate this Agreement pursuant to Section 7.4(b) in the event of an intentional breach by the Company of a covenant, and the Termination Fee is not as of the date of such termination required to be paid pursuant to Section 7.5(b), the Company shall reimburse Parent and Merger Sub for all of their documented and reasonable Expenses, up to a maximum of fifteen million dollars ($15,000,000), in the aggregate (not later than five (5) Business Day after submission by Parent of statements including reasonable detail therefor) (the " Reimbursable Expenses ").

(e) The Parties acknowledge and agree that, notwithstanding anything to the contrary herein, in no event shall the Company be required to pay the Termination Fee on more than one occasion. The parties agree that the payment of the Termination Fee shall be the sole and exclusive remedy available to Parent and Merger Sub with respect to this Agreement and the transactions contemplated hereby in the event any such payment is made when and as due in accordance with the terms of this Section 7.5 (other than, in the case of a termination pursuant to Section 7.4(b) in the event of an intentional breach by the Company of a covenant, for the right of Parent to payment of the Reimbursable Expenses, subject to and in accordance with Section 7.5(d) and the last sentence of Section 7.5(b)), and upon such payment of the Termination Fee, the Company (and the Company's Affiliates and its and their respective directors, officers, employees, stockholders and Representatives) shall have no further liability to Parent and Merger Sub under this Agreement, in each case, other than in circumstances where the Company has otherwise intentionally breached its obligations under this Agreement.

(f) The Company and Parent acknowledge that the agreements contained in this Section 7.5 are an integral part of the transactions contemplated by this Agreement. Accordingly, in the event that the Company shall fail to pay the Termination Fee when due or the Company shall fail to pay any Reimbursable Expenses when due, and in each case Parent commences an action which results in a judgment against the Company with respect to the payment by the Company set forth in this Section 7.5 , then, the Company shall pay Parent its reasonable costs and expenses actually incurred or accrued by Parent (including reasonable fees and expenses of counsel) in connection with the collection under and enforcement of this Section 7.5 , together with interest on such unpaid Termination Fee and Expenses, as the case may be, commencing on the date that the Termination Fee or such costs and expenses became due, at a rate of interest equal to the LIBOR Rate as of the date such payment was required to be made plus 1%. Payment of the costs and expenses described in this Section 7.5 shall not be in lieu of any damages incurred in the event of intentional breach of this Agreement.

ARTICLE VIII

MISCELLANEOUS AND GENERAL

Section 8.1 **Survival** . This Article VIII and those covenants and agreements set forth herein that by their terms contemplate performance in whole or in part after the Closing shall survive the consummation of the Merger. All other representations, warranties, covenants and agreements in this Agreement (or in any certificate or other document furnished in connection with this Agreement) shall not survive the consummation of the Merger.

Section 8.2 **Modification or Amendment** . At any time prior to the Effective Time, the Parties may modify or amend this Agreement, by written agreement of the Company and Parent, by action taken by their respective boards of directors; provided that after receipt of the Company Requisite Approval, if any such amendment or waiver shall by applicable Law require further approval of the Members, the effectiveness of such amendment shall be subject to the approval of the Members.

Section 8.3 **Waiver of Conditions** . The conditions to each of the Parties' obligations to consummate the Merger are for the sole benefit of such Party and may be waived by such Party in whole or in part to the extent permitted by applicable Laws. Any such extension or waiver shall only be valid if set forth in an instrument in writing signed by the Party or Parties to be bound thereby. The failure of any Party to assert any rights or remedies shall not constitute a waiver of such rights or remedies.

Section 8.4 **Counterparts** . This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original instrument, and all such counterparts shall together constitute one and the same agreement having the same effect as if the signatures thereto were upon the same instrument, and shall become effective when one or more counterparts have been signed by each of the Parties and delivered (by telecopy, electronic delivery or otherwise) to the other Parties. Signatures to this Agreement transmitted by facsimile transmission, by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signature.

Section 8.5 **GOVERNING LAW AND VENUE; WAIVER OF JURY TRIAL; SPECIFIC PERFORMANCE** .

(a) THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN AND IN ALL RESPECTS SHALL BE INTERPRETED, CONSTRUED AND GOVERNED BY AND IN ACCORDANCE WITH THE LAW OF THE STATE OF DELAWARE WITHOUT REGARD TO THE CONFLICTS OF LAW PRINCIPLES THEREOF TO THE EXTENT THAT SUCH PRINCIPLES WOULD DIRECT A MATTER TO ANOTHER JURISDICTION. The Parties hereby irrevocably and unconditionally submit to the exclusive personal jurisdiction of the Court of Chancery of the State of Delaware, or to the extent such court does not have subject matter jurisdiction, the United States District Court for the District of Delaware (the " Chosen Courts ") in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to in this Agreement, and in respect of the transactions contemplated hereby, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or of any such document, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in the Chosen Courts or that the Chosen Courts are an inconvenient forum or that the venue thereof may not be appropriate, or that this Agreement or any such document may not be enforced in or by such Chosen Courts, and the Parties irrevocably and unconditionally agree that all claims relating to such action, suit or proceeding shall be heard and determined in the Chosen Courts. The Parties hereby consent to and grant any such Chosen Court jurisdiction over the person of such Parties and, to the extent permitted by Law, over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action, suit or proceeding in the manner provided in Section 8.6 or in such other manner as may be permitted by Law shall be valid, effective and sufficient service thereof.

(b) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, SUIT OR PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF SUCH ACTION, SUIT OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH PARTY MAKES THIS WAIVER VOLUNTARILY AND (iv) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.5 .

(c) The Parties agree that irreparable damage for which monetary damages, even if available, would not be an adequate remedy, would occur in the event that the Parties do not perform their obligations under the provisions of this Agreement (including failing to take all such actions as are necessary or required of them hereunder to consummate the transactions contemplated by this Agreement) in accordance with its specified terms or otherwise breach such provisions. The Parties acknowledge and agree that prior to the valid termination of this

Agreement in accordance with Article VII , (a) the Parties shall be entitled to an injunction or injunctions, specific performance, or other equitable relief, to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in the Chosen Courts without proof of damages or otherwise, this being in addition to any other remedy to which they are entitled under this Agreement or at Law or in equity, (b) the provisions set forth in Section 7.5 are not intended to, and shall not be construed to, diminish or otherwise impair in any respect any Party's right to specific enforcement and (c) the right of specific enforcement is an integral part of the transactions contemplated by this Agreement and without that right, neither the Company, Parent nor Merger Sub would have entered into this Agreement. Each of the Parties agrees that it will not oppose the granting of an injunction, specific performance and other equitable relief on the basis that (x) the other Parties have an adequate remedy at Law or (y) an award of specific performance is not an appropriate remedy for any reason at Law or equity. The Parties acknowledge and agree that any Party seeking an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in accordance with this Section 8.5(c) shall not be required to provide any bond or other security in connection with any such order or injunction. If any Party brings an Action to enforce specifically the performance of the terms and provisions of this Agreement (other than an Action to specifically enforce any provision that expressly survives termination of this Agreement) when expressly available to such Party pursuant to the terms of this Agreement, then the Termination Date shall automatically be extended to (i) the 20th Business Day following the resolution of such Action, or (ii) such other time period established by the court presiding over such Action.

(d) For the avoidance of doubt, while either Party may pursue both a grant of specific performance in accordance with Section 8.5(c) and payment of monetary damages, the payment of the Termination Fee and/or expense reimbursement (as applicable), under no circumstances shall any Party be permitted or entitled to receive both a grant of specific performance requiring consummation of the Merger and any such payments.

Section 8.6 Notices .

(a) Any notice, request, instruction or other document to be given hereunder by any Party to the others shall be in writing and delivered personally or sent by registered or certified mail, postage prepaid or by facsimile, email or overnight courier:

If to Parent or Merger Sub:

Textron Inc.
40 Westminster Street
Providence, RI 02903
Attention: E. Robert Lupone
John Curran
fax: (401) 457-2418
email: rlupone@textron.com
jcurran@textron.com

with a copy (which shall not constitute notice) to:

Shearman & Sterling LLP
599 Lexington Avenue
New York, NY 10022-6069
Attention: Peter D. Lyons
Robert M. Katz
fax: (212) 848-7179
email: plyons@shearman.com
rkatz@shearman.com

If to the Company:

Beech Holdings, LLC
B091-S03
10511 E. Central
Wichita, Kansas 67206 USA
Attention: Alexander Snyder
fax: (316) 676-8422
email: alexander_snyder@beechcraft.com

with a copy (which shall not constitute notice) to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Attention: Sarkis Jebejian
David Feirstein
fax: (212) 446-6460
email: sarkis.jebejian@kirkland.com
david.feirstein@kirkland.com

or to such other Persons or addresses as may be designated in writing by the Party to receive such notice as provided above. Any notice, request, instruction or other document given as provided above shall be deemed given to the receiving Party upon actual receipt, if delivered personally, three (3) Business Days after deposit in the mail, if sent by registered or certified mail, upon confirmation of successful transmission if sent by facsimile or email (provided that if given by facsimile or email such notice, request, instruction or other document shall be followed up within one Business Day by dispatch pursuant to one of the other methods described herein), or on the next Business Day after deposit with an overnight courier, if sent by an overnight courier.

Section 8.7 **Entire Agreement** . This Agreement (including any exhibits, schedules and exhibits hereto, including the Disclosure Letters), the Trust Agreement and the Confidentiality Agreement constitute the entire agreement, and supersede all other prior agreements, understandings, representations and warranties both written and oral, among the Parties, with respect to the subject matter hereof.

Section 8.8 **No Third Party Beneficiaries** . Except (i) as provided in Section 4.9 (*Indemnification; Directors' and Officers' Insurance*) and (ii) with respect to Members (and holders of any derivative securities) of the Company after the Effective Time, for the provisions set forth in Article II , Parent and the Company hereby agree that their respective representations, warranties and covenants set forth herein are solely for the benefit of the other Parties, in accordance with and subject to the terms of this Agreement, and this Agreement is not intended to, and does not, confer upon any Person other than the Parties any rights or remedies hereunder, including the right to rely upon the representations and warranties set forth herein. The Parties further agree that the rights of third party beneficiaries under Section 4.9 shall not arise unless and until the Effective Time occurs.

Section 8.9 **Obligations of Parent and of the Company**. Whenever this Agreement requires a Subsidiary of Parent to take any action, such requirement shall be deemed to include an undertaking on the part of Parent to cause such Subsidiary to take such action. Whenever this Agreement requires a Subsidiary of the Company to take any action, such requirement shall be deemed to include an undertaking on the part of the Company to cause such Subsidiary to take such action and, after the Effective Time, on the part of the Surviving Company to cause such Subsidiary to take such action.

Section 8.10 **Definitions**. Each of the terms set forth in Exhibit A is defined as set forth therein or as in the Section of this Agreement corresponding to such term.

Section 8.11 **Severability**. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

Section 8.12 **Interpretation; Construction**.

(a) The table of contents and headings herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof. Where a reference in this Agreement is made to a Section or Exhibit, such reference shall be to a Section of or Exhibit to this Agreement unless otherwise indicated. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The words " hereof ", " herein " and " hereunder " and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The terms " or ", " any " and " either " are not exclusive. The word " extent " in the phrase " to the extent " shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply " if ". The word " will " shall be construed to have the same meaning and effect as the word " shall ". All pronouns and all variations thereof shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the Person may require. Where a reference in this Agreement is made to any agreement (including this Agreement), contract, statute or regulation, such references are to, except as context may otherwise require, the agreement, contract, statute or regulation as amended, modified, supplemented, restated or replaced from time to time (in the case of an agreement or contract, to the extent permitted by the terms thereof), and to any section of any statute or regulation including any successor to the section and, in the case of any statute, any rules or regulations promulgated thereunder. All references to “dollars” or “$” in this Agreement are to United States dollars. All references to “days” shall be to calendar days unless otherwise indicated as a “Business Day”. All references to “made available” shall include all documentation that was located and provided in that certain online data room entitled “Project Sky” hosted by Intralinks as of the close of business on the date that is two (2) Business Days prior to the date hereof.

(b) The Parties have participated jointly in negotiating and drafting this Agreement. In the event that an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement.

(c) Each Party has or may have set forth information in its respective disclosure letter (each, a “ Disclosure Letter ”) in a section thereof that corresponds to the section of this Agreement to which it relates, it being agreed that any information so disclosed in any section of a Disclosure Letter shall be deemed to be disclosed with respect to any representation or warranty corresponding to any other section of this Agreement and such Disclosure Letter to the extent its relevance to such section, representation or warranty is reasonably apparent on the face of such disclosure. The mere inclusion of any item in any section or subsection of any Party’s Disclosure Letter as an exception to any representation or warranty or otherwise shall not be deemed to constitute an admission by the applicable Party, or to otherwise imply, that any such item has had or would reasonably be expected to have a Company Material Adverse Effect or Parent Material Adverse Effect, as the case may be, or otherwise represents an exception or material fact, event or circumstance for the purposes of this Agreement, or that such item meets or exceeds a monetary or other threshold specified for disclosure in this Agreement. Matters disclosed in any section or subsection of a Party’s Disclosure Letter are not necessarily limited to matters that are required by this Agreement to be disclosed therein. Such additional matters are set forth for informational purposes only and do not necessarily include other matters of a similar nature or impose any duty or obligation to disclose any information beyond what is required by this Agreement, and disclosure of such additional matters shall not affect, directly or indirectly, the interpretation of this Agreement or the scope of the disclosure obligations hereunder. Headings inserted in the sections or subsections of any Party’s Disclosure Letter are for convenience of reference only and shall not have the effect of amending or changing the express terms of the sections or subsections as set forth in this Agreement.

Section 8.13 **Assignment** . This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, legal representatives and permitted assigns. No Party to this Agreement may assign any of its rights or delegate any of its obligations under this Agreement, by operation of Law or otherwise, without the prior written consent of the other Parties. Any purported assignment in violation of this Agreement is void.

[*Signature page follows.*]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the Parties as of the date first written above.

TEXTRON INC.

/s/ Scott C. Donnelly
Name: Scott C. Donnelly
Title: President & CEO

TEXTRON ACQUISITION LLC

/s/ Scott C. Donnelly
Name: Scott C. Donnelly
Title: President & CEO

[SIGNATURE PAGE TO PROJECT SKY AGREEMENT AND PLAN OF MERGER]

BEECH HOLDINGS, LLC

By /s/ W.W. Boisture, Jr.
Name: W.W. Boisture, Jr.
Title: Chief Executive Officer

SKY INTERMEDIATE MERGER SUB, LLC

By /s/ W.W. Boisture, Jr.
Name: W.W. Boisture, Jr.
Title: President and Chief Executive Officer

EXHIBIT A

DEFINITIONS

As used in this Agreement, the following terms have the meanings specified in this Exhibit A .

“ 2013 Audited Financial Statements ” has the meaning set forth in Section 4.14 .

“ ABL Revolver ” shall mean the Senior Secured Asset-Based Revolving Credit Agreement, dated as of February 15, 2013, among Beechcraft Holdings LLC, Beech Enterprises, LLC, the Lenders party thereto and JPMorgan Chase Bank, N.A. as Administrative Agent and Collateral Agent, as amended by the First Amendment dated as of April 22, 2013.

“ Acquisition Proposal ” shall mean any inquiry, proposal or offer from any Person or group (other than Parent and its Subsidiaries) relating to, in a single transaction or series of related transactions, any direct or indirect (i) acquisition of 20% or more of the consolidated assets of the Company and its Subsidiaries (based on the fair market value thereof, as determined in good faith by the Company Board), (ii) acquisition of 20% or more of the outstanding Units, (iii) tender offer or exchange offer that if consummated would result in any Person or group beneficially owning 20% or more of the outstanding Units, (iv) merger, amalgamation, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution or similar transaction involving the Company, (v) sale, lease, license, exchange, transfer or other disposition of, or joint venture involving, assets or businesses that constitute or represent more than 20% of the total revenue, operating income, EBITDA or fair market value of the assets of the Company and its Subsidiaries, taken as a whole or (vi) any other similar transaction the consummation of which would be reasonably likely to impede, interfere with, prevent or materially delay the Merger, in each case, other than the Merger.

“ Actions ” has the meaning set forth in Section 3.1(h)(i) .

“ Affected Employees ” has the meaning set forth in Section 4.7(a) .

“ Affiliate ” shall mean, when used with respect to any party, any Person who is an “affiliate” of that party within the meaning of Rule 405 promulgated under the Securities Act.

“ Agreement ” has the meaning set forth in the preamble to this Agreement.

“ Allowed L/C Secured Claim ” has the meaning set forth in the Plan of Reorganization.

“ Allowed Senior Credit Facility Secured Claim ” has the meaning set forth in the Plan of Reorganization.

“ Antitrust Law ” shall mean the Sherman Act, the Clayton Act, the HSR Act, the Federal Trade Commission Act and all other applicable antitrust, competition or trade regulation Laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition.

"Audited February Balance Sheet" has the meaning set forth in Section 4.14(b).

"Aviation Regulatory Authority" means the Department of Transportation, the Federal Aviation Administration or any Governmental Entity or other governing body in a foreign country with jurisdiction to regulate the manufacturing of aircraft, the operations of air carriers, the certification of aircraft as airworthy, the repair, maintenance or alteration of aircraft, the training of individuals regarding the operation of aircraft, the supply and sale of aircraft parts, or any other aviation matter that is regulated by the Department of Transportation or the Federal Aviation Administration in the United States.

"Award Agreement" shall mean the written agreement granting an individual an award of Company Options, an award of Restricted Units or an award of Phantom Units pursuant to the Management Equity Plan or the Director Equity Plan, as applicable.

"Bankruptcy and Equity Exception" shall mean any bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general applicability relating to or affecting creditors' rights and to general equity principles.

"Book Entry Units" has the meaning set forth in Section 2.1(b)(ii).

"Business Day" shall mean any day ending at 11:59 p.m. (Eastern Time) other than a Saturday or Sunday or other day on which banks are required or authorized to close in the City of New York.

"Certificate" has the meaning set forth in Section 2.1(b)(ii).

"Certificate of Airworthiness" shall mean any authorization granted by an Aviation Regulatory Authority to operate an aircraft in flight.

"Certificate of Formation" has the meaning set forth in Section 1.5(b).

"Change of Recommendation" has the meaning set forth in Section 4.2(c)(i).

"Chosen Courts" has the meaning set forth in Section 8.5(a).

"Claims" means any and all Actions, Orders, petitions, appeals, demand letters, claims, notices of non-compliance or violation, consent and other orders or consent agreements, in each case, of or with respect to a Governmental Entity or any other Person.

"Closing" has the meaning set forth in Section 1.2.

"Closing Date" has the meaning set forth in Section 1.2.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the preamble to this Agreement.

"Company Board" shall mean the "Board" (as defined in Section 3.1(a)(i) of the Operating Agreement).

"Company Disclosure Letter" has the meaning set forth in Section 3.1.

"Company Insurance Policies" has the meaning set forth in Section 3.1(o).

"Company Intellectual Property" has the meaning set forth in Section 3.1(n)(i).

"Company Material Adverse Effect" shall mean any change, event, development or effect that (a) is either individually or in the aggregate, materially adverse to the assets, liabilities, business, financial condition or results of operations of the Company and its Subsidiaries, taken as a whole, or (b) prevents the Company from consummating the Merger; provided, however, that for the purposes of clause (a) only, none of the following, and no change, event, development or effect arising out of or resulting from the following, shall constitute or be taken into account in determining whether a Company Material Adverse Effect has occurred or may, would or could occur: (i) adverse events, changes, developments or effects in or generally affecting the industries in which the Company and its Subsidiaries operate; (ii) general economic, credit, financial or capital market, regulatory, legislative or political conditions in the United States or elsewhere in the world, including changes in interest and exchange rates; (iii) changes in GAAP, accounting standards or Law or in the interpretation or enforcement thereof; (iv) any worsening of geopolitical conditions, act of terrorism or an outbreak or escalation of hostilities or war (whether or not declared); (v) the execution, announcement, existence of, or compliance with the express terms of, this Agreement (including announcement of the identity of Parent) or the consummation of the transactions contemplated by this Agreement, including the impact thereof on relationships, contractual or otherwise, with customers, suppliers, distributors, partners, employees or regulators (provided that this clause (v) shall not diminish the effect of, and shall be disregarded for purposes of, the representations and warranties contained in Section 3.1(e) or the condition set forth in Section 6.2(a) as it relates to such representations and warranties); (vi) the pendency of any litigation arising from allegations of breach of fiduciary duty or violation of Law relating to this Agreement or the transactions contemplated by this Agreement; (vii) any adverse change in the credit ratings of the Company or any of its Subsidiaries (provided that the exception in this clause (vii) shall not prevent or otherwise affect a determination that any change, event or effect underlying such adverse change has resulted in or contributed to a Company Material Adverse Effect), (viii) any failure to meet any internal or public projections, forecasts or estimates of revenue, earnings, cash flow or cash position and any seasonal changes in the results of operations of the business of the Company or any of its Subsidiaries (provided that the exception in this clause (viii) shall not prevent or otherwise affect a determination that any change, event, development or effect underlying such failure has resulted in or contributed to a Company Material Adverse Effect); (ix) any failure to be awarded a Contract with any military or national defense organization of a Governmental Entity; and (x) any action taken by the Company or the Company's Subsidiaries that is required by this Agreement or taken at the written request or with the written consent of Parent or Merger Sub, or the failure to take any action by the Company or its Subsidiaries if that action is prohibited by this Agreement, except in the case of clauses (i) - (iv) above to the extent (but only to such extent) such changes, events, developments or effects have a materially disproportionate adverse impact on the assets, liabilities, business, financial condition or results of operations of the Company and its Subsidiaries, taken as a whole, relative to other similarly situated participants in the principal industries in which the Company and its Subsidiaries conduct their businesses (in which case the incremental disproportionate adverse impact of such changes, events, developments or effects on the Company and its Subsidiaries relative to other similarly situated participants in the industries in which the Company and its Subsidiaries operate shall be taken into account for purposes of determining whether a Company Material Adverse Effect has occurred).

"Company Material Contract" has the meaning set forth in Section 3.1(q)(i)(O).

"Company Option" shall mean any option to acquire a Unit issued or granted pursuant to the Management Equity Plan.

"Company Plans" has the meaning set forth in Section 3.1(i)(i).

"Company Recommendation" has the meaning set forth in Section 3.1(c)(iii).

"Company Required Governmental Approvals" has the meaning set forth in Section 3.1(e)(i).

"Company Requisite Approval" shall mean the approval of this Agreement and the transactions contemplated hereby by the written consent or approval of holders of a majority of the issued and outstanding Units.

"Confidential Information Memorandum" shall mean that certain confidential information memorandum dated October 2013 prepared by the Company.

"Confidentiality Agreement" shall mean that certain confidentiality letter agreement, dated as of August 26, 2013, by and between Parent and the Company.

"Contingent Worker" has the meaning set forth in Section 3.1(m)(ii).

"Contract" shall mean any agreement, purchase order, lease, sublease, license, sublicense, contract, note, mortgage, indenture, arrangement or other obligation (whether written or oral), including all amendments, extensions and guaranties with respect thereto.

"Costs" has the meaning set forth in Section 4.9(a).

"Credit Facilities" shall mean the Term Loan and the ABL Revolver.

"D&O Insurance" has the meaning set forth in Section 4.9(b).

"Delaware Certificate of Merger" has the meaning set forth in Section 1.3(b).

"Director Equity Plan" shall mean the Company's Director Equity Plan.

"Disclosure Letter" has the meaning set forth in Section 8.12(c).

"Effective Time" has the meaning set forth in Section 1.3(b).

"Employees" has the meaning set forth in Section 3.1(i)(i).

"Environmental Law" shall mean any Law, enacted prior to and in effect as of the Closing Date, relating to or concerning pollution or protection of the environment or, to the extent relating to the management of or exposure to Hazardous Materials, health and safety, including any such Law concerning the import, export, presence, use, storage, recycling, treatment, generation, transportation, processing, handling or Release of, or exposure to, any Hazardous Material.

"Equity Interests" has the meaning set forth in Section 4.1(a)(iv).

"ERISA" has the meaning set forth in Section 3.1(i)(i).

"EUMR" has the meaning set forth in Section 6.1(c).

"Exchange Act" shall mean the Securities Exchange Act of 1934.

"Exchange Funds" has the meaning set forth in Section 2.2(a).

"Exchange Fund Letter of Transmittal" has the meaning set forth in Section 2.2(b).

"Excluded Units" has the meaning set forth in Section 2.1(b)(i).

"Excluded Party" means any Person, group of Persons or group that includes any Person or group of Persons, from whom the Company has received, during the period extending from the date of this Agreement until 11:59 p.m. New York time on the 30th calendar day following the date of this Agreement, a written Acquisition Proposal that the Board determines in good faith (after consultation with its outside legal counsel and a financial advisor), prior to such time, constitutes, or would reasonably be expected to result in, a Superior Proposal; provided that any such Person or group of persons shall cease to be an Excluded Party when the ultimate equityholder(s) of such person and the other persons who were members of such group, if any, as of such time, cease to provide (directly or indirectly) in the aggregate at least 25% of the equity financing (measured by voting power and value) of such person or group at any time following such time.

"Expenses" means all out-of-pocket fees and expenses of counsel, investment banking firms and other financial institutions) actually incurred or accrued by a party hereto or its Affiliates or on its or their behalf or for which it or they are liable in connection with or related to the authorization, preparation, negotiation, execution and performance of the Merger and the other transactions contemplated by this Agreement, the filing of any required notices under any Antitrust Law and all other matters related to the consummation of the Merger and the other transactions contemplated by this Agreement.

"Fair Market Value" has the meaning set forth in the Management Equity Plan.

"February Balance Sheet" has the meaning set forth in Section 3.1(f)(i).

"Financial Statements" has the meaning set forth in Section 3.1(f)(i).

"Foreign Plan" has the meaning set forth in Section 3.1(i)(i).

"Fundamental Representations" shall mean the representations and warranties contained in Section 3.1(a) (*Organization, Good Standing and Qualification*), Section 3.1(c) (*Organizational Authority and Approval*), and Section 3.1(r) (*Brokers and Finders*).

"GAAP" shall mean United States generally accepted accounting principles, consistently applied.

"Government Bid" shall mean any offer to sell or provide services made by any of the Company or any of its Subsidiaries prior to the Closing Date which if accepted, would result in a Government Contract.

"Government Contract" shall mean any Contract that is between the Company or any Subsidiary of the Company and a Governmental Entity.

"Government Official" shall mean any officer or employee of a Governmental Entity or any department, agency or instrumentality thereof, including state-owned entities, or of a public organization or any person acting in an official capacity for or on behalf of any such government, department, agency, or instrumentality or on behalf of any such public organization.

"Governmental Antitrust Entity" has the meaning set forth in Section 4.4(d)(i)(B).

"Governmental Entity" has the meaning set forth in Section 3.1(e)(i).

"Hazardous Material" means any (a) petroleum and petroleum products, by-products or breakdown products, radioactive materials, asbestos-containing materials and polychlorinated biphenyls and (b) any other chemicals, materials, substances or wastes defined or regulated as toxic or hazardous, or as a pollutant or contaminant, under any applicable Environmental Law.

"HSR Act" has the meaning set forth in Section 3.1(e)(i).

"Indebtedness" of any Person shall mean, as of any specified time, (a) all obligations of such Person for borrowed money, whether current, short-term or long-term, secured or unsecured, contingent or not contingent, (b) all obligations of such Person for the deferred purchase price of property or services, (c) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments for the payment of which such Person is responsible or liable, (d) all obligations of such Person as an account party in respect of letters of credit and bankers' acceptances or similar credit transactions, (e) all obligations of such Person as lessee under leases that have been or should be, in accordance with GAAP, recorded as capital leases (other than capital lease obligations in respect of office equipment), (f) all obligations under conditional sale, title retention or similar agreements or agreements creating an obligation with respect to the deferred purchase price of property, securities or other assets (including "earn-out" payments), (g) any net obligations in respect of interest rate and currency swaps, collars, caps, hedges or similar arrangements, (h) any accrued interest, premiums, penalties and other obligations relating to the foregoing payable in connection with the repayment thereof on or prior to the Closing Date and (i) all obligations of such Person guaranteeing in any manner any obligations of any third party of the type described in the foregoing clauses (a) - (h).

"Indemnified Parties" has the meaning set forth in Section 4.9(a).

"Information Statement" has the meaning set forth in Section 4.3.

"Intellectual Property" shall mean (a) trademarks, service marks, the registrations and applications therefor, and renewals thereof, common-law trademarks, trade dress, and other designations of origin, and the right to recover for past infringements of, or liabilities for, any and all such rights, and all goodwill associated therewith and symbolized thereby, (b) patents, patent applications, continuations, continuations-in-part, divisionals, foreign counterparts, and any extensions, reexaminations, and reissues thereof, including the right of claim priority under the Laws of the United States, Paris Convention and any foreign countries, and the right to recover for past infringements of, or liabilities for, any such rights, (c) trade secrets and proprietary know-how and confidential information, including software, technical data, algorithms, formulae, procedures, protocols, rules of thumb, techniques and results of experimentation and testing, (d) copyrights and mask works, the registrations and applications therefor, and renewals, extensions, restorations and reversions thereof, and all works based upon, derived from, or incorporating the works covered by such copyrights, and all causes of action for past infringement based upon said copyrights, and (e) Internet domain names.

"Interim Financial Statements" has the meaning set forth in Section 3.1(f)(i).

"Intermediate Closing" has the meaning set forth in Section 1.2.

"Intermediate Company" has the meaning set forth in the recitals to this Agreement.

"Intermediate Company LLC Agreement Amendment" has the meaning set forth in Section 1.4(a).

"Intermediate Delaware Certificate of Merger" has the meaning set forth in Section 1.3(a).

"Intermediate Effective Time" has the meaning set forth in Section 1.3(a).

"Intermediate LLC Agreement" has the meaning set forth in Section 1.4(a).

"Intermediate Merger" has the meaning set forth in the recitals to this Agreement.

"Intermediate Merger Sub" has the meaning set forth in the preamble to this Agreement.

"Intervening Event" shall mean, with respect to the Company, a material event, development or change in circumstances occurring, arising or coming to the attention of the Company Board after the date of this Agreement, and which was not known to or by the Company Board as of or prior to the date of this Agreement; provided, however, that in no event shall (1) the receipt, existence or terms of an Acquisition Proposal, (2) clearance of the Merger under the HSR Act, or (3) any matter relating to the foregoing or consequence of the foregoing, constitute an Intervening Event.

"Intervening Event Change of Recommendation" has the meaning set forth in Section 4.2(c)(ii).

"Inventory" shall mean all inventory, merchandise, goods, and raw materials maintained, held or stored by or for the Company or any of its Subsidiaries at the Closing.

"IRS" shall mean the Internal Revenue Service.

"ITAR" has the meaning set forth in Section 3.1(e)(i).

"Knowledge" shall mean (A) when referring to the knowledge of the Company or any of its Subsidiaries, the actual knowledge as of the date hereof of Bill Boisture, Don Alvord, Russ Bartlett, Bill Brown, Bill James, Dave Rosenberg, Alex Snyder (provided that, with respect to Mr. Snyder, such information excludes privileged legal advice but includes the underlying facts associated therewith), Christi Tannahill, KJ Tjon or Shawn Vick and (B) when referring to the knowledge of Parent, the actual knowledge as of the date hereof of E. Robert Lupone, Frank Connor, Julie Duffy or Blake Meyen after due inquiry.

"Latest Balance Sheet" has the meaning set forth in Section 3.1(f)(i).

"Law" or "Laws" shall mean any domestic or foreign laws, statutes, ordinances, rules (including rules of common law), regulations, codes, Orders or legally enforceable requirements enacted, issued, adopted, or promulgated by any Governmental Entity and any judicial interpretation thereof.

"L/C Final Distribution Date" has the meaning set forth in the Plan of Reorganization.

"L/C Reserve Fund has the meaning set forth in Section 2.2(a).

"L/C Secured Claims" has the meaning set forth in the Plan of Reorganization.

"L/C Secured Claim Rights Holders" has the meaning set forth in Section 2.1(b)(i)(B).

"L/C Secured Claim Units" has the meaning set forth in Section 2.1(b)(i)(B).

"Lease Documents" has the meaning set forth in Section 3.1(p)(ii).

"Lien" shall mean any lien, mortgage, deed of trust, charge, pledge, security interest, claim, encumbrance, charge, option, easement, lease, license, right or restriction of any kind. For the avoidance of doubt, "Lien" shall not be deemed to include any licenses of Intellectual Property.

"LLC Agreement" has the meaning set forth in Section 1.4(b).

"LLCA" has the meaning set forth in the recitals to this Agreement.

"Management Equity Plan" shall mean the Company's 2013 Management Equity Incentive Plan.

"Match Notice" has the meaning set forth in Section 4.2(c)(ii).

"Material Vendors" has the meaning set forth in Section 3.1(v).

"Member" has the meaning set forth in the recitals to this Agreement.

"Member Registry" shall mean the registry of Members maintained by the Company in accordance with Section 2.5(a) of the Operating Agreement.

"Member Proxy" means the proxy of the Members in the form attached hereto as Exhibit D.

"Merger" has the meaning set forth in the recitals to this Agreement.

"Merger Sub" has the meaning set forth in the preamble to this Agreement.

"Merger Sub" has the meaning set forth in the preamble to this Agreement.

"Minimum Waiting Period" shall mean (a) with respect to an Acquisition Proposal from an Excluded Party, the period extending from the date of this Agreement until 11:59 p.m. New York time on the 40th calendar day following the date of this agreement, and (b) with respect to an Acquisition Proposal from any other Person, the period extending from the date of this Agreement until 11:59 p.m. New York time on the 30th calendar day following the date of this Agreement; provided, that in the event the Company has delivered a Match Notice to Parent, the Minimum Waiting Period will be automatically extended until 11:59 p.m. on the first Business Day following the end of the Notice Period (as the Notice Period may be extended pursuant to Section 4.2(c)(ii)).

"Notice Period" has the meaning set forth in Section 4.2(c)(ii).

"Operating Agreement" has the meaning set forth in the recitals to this Agreement.

"Order" shall mean any order, decision, judgment, injunction, award, decree or writ adopted or imposed by, including any consent decree, settlement agreement or similar determination of any Governmental Entity.

"Owned Real Property" shall mean all land, together with all buildings, structures, improvements and fixtures located thereon, and all easements and other rights and interests appurtenant thereto, owned by the Company or any Subsidiary.

"Parent" has the meaning set forth in the preamble to this Agreement.

"Parent Disclosure Letter" has the meaning set forth in Section 3.2.

"Parent Material Adverse Effect" shall mean any change, event, development or effect that would reasonably be expected to prevent or materially delay the Closing or prevent or materially delay the ability of Parent and Merger Sub to perform their obligations under this Agreement or to consummate the Merger and the other transactions contemplated by this Agreement.

"Parent Required Governmental Approvals" has the meaning set forth in Section 3.2(c)(i).

"Parties" and "Party" have the respective meanings set forth in the preamble to this Agreement.

"Paying Agent" has the meaning set forth in Section 2.2(a).

"PBGC Call Agreement" has the meaning set forth in Section 4.7(c).

"Per Unit Merger Consideration" has the meaning set forth in Section 2.1(b)(i)(A).

"Per Unsecured Claim Unit Consideration" has the meaning set forth in Section 2.1(b)(i)(C).

"Permit" shall mean any authorizations, licenses, franchises, consents, certificates, registrations, approvals or other permits of any Governmental Entity, including any Certificate of Airworthiness, Production Certificate or Type Certificate.

"Permitted Liens" shall mean (a) mechanic's, materialmen's, carriers', repairers' and other Liens imposed by Law arising or incurred in the ordinary course of business for amounts that are not yet delinquent or are being contested in good faith, (b) Liens for Taxes, assessments or other governmental charges (i) not yet due and payable as of the Closing Date or (ii) that are being contested in good faith and for which adequate reserves have been maintained in accordance with GAAP, (c) minor survey exceptions, reciprocal easement agreements and other customary encumbrances on title to real property that (i) were not incurred in connection with any Indebtedness, (ii) do not render title to the property encumbered thereby unmarketable, and (iii) do not, individually or in the aggregate, materially and adversely affect the value of or the use of such property for its current and anticipated purposes, (d) Liens granted to any lender at the Closing in connection with any financing by Parent or Merger Sub of the transactions contemplated hereby, (e) zoning, building codes and other land use Laws regulating the use or occupancy of real property or the activities conducted thereon which are imposed by any Governmental Entity having jurisdiction over such real property and which are not violated by the current use or occupancy of such real property or the operation of the businesses of the Company and its Subsidiaries except for any violation of which would not reasonably be expected to materially and adversely affect the Company and its Subsidiaries taken as a whole and (f) Liens described on Section P-1 of the Company Disclosure Letter.

"Person" shall mean any individual, corporation (including not-for-profit), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, Governmental Entity or other entity of any kind or nature.

"Phantom Unit" shall mean a grant of one phantom Unit under the Management Equity Plan or Director Equity Plan if specified vesting conditions are met.

"Plan of Reorganization" shall mean the Amended Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code dated January 30, 2013, filed by the predecessor in interest to the Company and certain other affiliated debtors, as confirmed by that certain Findings of Fact, Conclusions of Law and Order Confirming the Debtors' Amended Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code of such court dated February 1, 2013.

"Primary Exchange Fund" has the meaning set forth in Section 2.2(a).

"Production Certificates" shall mean any approvals issued any Aviation Regulatory Authority to manufacture aircraft pursuant to a Type Certificate.

"Qualifying Confidentiality Agreement" has the meaning set forth in Section 4.2(b)(i).

"Receivables" shall mean any and all accounts receivable, notes and other amounts receivable from third parties, including customers and employees, arising from the conduct of the Company's or any of its Subsidiaries' businesses prior to the Closing, whether or not in the ordinary course, together with any unpaid financing charges accrued thereon.

"Record Date" has the meaning set forth in Section 3.1(c)(iv).

"Registered Company Intellectual Property" has the meaning set forth in Section 3.1(n)(i).

"Reimbursable Expenses" has the meaning set forth in Section 7.5(d).

"Release" means disposing, discharging, injecting, spilling, leaking, leaching, dumping, emitting, escaping, emptying, or seeping, of Hazardous Materials into or upon the environment.

"Representatives" shall mean with respect to any Person, such Person's directors, officers, employees, investment bankers, attorneys, accountants, consultants, agents and other advisors or representatives.

"Residual Equity Value" has the meaning set forth in the Management Equity Plan.

"Residual Units" has the meaning set forth in Section 2.3(d).

"Restricted Units" shall mean an award of Units under the Management Equity Plan that is subject to forfeiture if specified vesting criteria are not achieved.

"Secured Claim Units" has the meaning set forth in Section 2.1(b)(i)(A).

"Securities Act" shall mean the Securities Act of 1933, as amended.

" Subsidiary " shall mean, with respect to any Person, any other Person of which at least a majority of the securities or ownership interests having, by their terms, ordinary voting power to elect a majority of the board of directors or other persons performing similar functions is directly or indirectly owned or controlled by such Person or by one or more of its Subsidiaries.

" Superior Proposal " shall mean any bona fide written Acquisition Proposal that did not result from a breach of Section 4.2 that the Company Board has determined in its good faith judgment, after consultation with its financial advisors and outside legal counsel, and taking into account the relevant legal, regulatory, financial and other aspects of such proposal (including financing and legal and regulatory considerations, expense reimbursement requirements and any conditions to, and expected timing and risks of, completion, as well as any changes to the terms of the this Agreement proposed by Parent in response to such Superior Proposal), would be (a) more favorable, including from a financial point of view, to the Members than the Merger and (b) reasonably expected to be consummated; provided that no Acquisition Proposal shall be deemed to be a "Superior Proposal" if any financing required to consummate the transaction contemplated by such Acquisition Proposal is not committed or if the receipt of any such financing is a condition to the consummation of such transaction. For purposes of the definition of "Superior Proposal", the references to "20%" in the definition of Acquisition Proposal shall be deemed to be references to "50%".

" Surviving Company " has the meaning set forth in Section 1.1(b) .

" Tax " or " Taxes " shall mean taxes of any kind whatsoever (whether payable directly or by withholding), including national, federal, state, provincial and local, whether domestic or foreign, income, profits, franchise, gross receipts, customs duty, documentary, stamp, payroll, sales, use, employment, personal property, real property, intangible personal property, social security, wages, pension, withholding, excise, production, ad valorem, value added, and other taxes, together with all interest, penalties and additions imposed with respect thereto.

" Tax Return " shall mean returns and reports required to be filed with a Tax authority relating to Taxes.

" Tax Sharing Agreements " has the meaning set forth in Section 5.2 .

" Term Loan " shall mean the Senior Secured Term Credit Agreement, dated as of February 15, 2013, among Beechcraft Holdings LLC, Beech Enterprises, LLC, the Lenders party thereto and JPMorgan Chase Bank, N.A. as Administrative Agent and Collateral Agent, as amended by the First Amendment dated as of April 22, 2013.

" Termination Date " has the meaning set forth in Section 7.2(a) .

" Termination Fee " shall mean an amount equal to $48 million.

" Treasury Regulations " means tax regulations, including any temporary or proposed regulations, promulgated under the Code, as such regulations may be amended from time to time.

"Trust Agreement" means a trust agreement entered into by the Company and the Trustee consistent with the terms set forth in Exhibit E.

"Trustee" means a trustee to be mutually agreed by the Parties acting reasonably.

"Type Certificates" means approvals issued by any Aviation Regulatory Authority in regards to the design of aircraft, engines or propellers, including any supplemental Type Certificates or amended Type Certificates.

"U.S. Plan" has the meaning set forth in Section 3.1(i)(i).

"Unit" and "Units" shall mean a limited liability company interest in the Company and, for the avoidance of doubt, following the Intermediate Effective Time, a limited liability company interest in the Intermediate Company.

"Unsecured Claim" has the meaning set forth in the Trust Agreement.

"Unsecured Claim Unit" shall mean a Unit that was issued and allocated in accordance with the Plan of Reorganization to a holder of an Unsecured Claim.

"Unsecured Trust" has the meaning set forth in Section 2.2(c).

"VAT" shall mean (i) any value added tax as may be levied in accordance with (but subject to derogation from) Council Directive 2006/112/EC, and (ii) any other value added Tax imposed by a jurisdiction outside the European Union upon the sale of goods or services of a similar nature to and based on a similar refund mechanism as such Tax referred to in clause (i).

EXHIBIT B

FORM OF INTERMEDIATE COMPANY LLC AGREEMENT AMENDMENT

EXHIBIT B

**FIRST AMENDMENT
TO
OPERATING AGREEMENT
OF
BEECH HOLDINGS, LLC**

THIS AMENDMENT (this " **Amendment** ") to the Operating Agreement of Beech Holdings, LLC, a Delaware limited liability company (the " **Company** "), dated as of February 15, 2013, as amended [1] (the " **Initial LLC Agreement** " and the Initial LLC Agreement as amended by this Amendment, the " **LLC Agreement** "), is being effected pursuant to Section 18-209(f) of the Delaware Limited Liability Company Act (as the same may be amended from time to time, the "Act") by operation of the merger of Sky Intermediate Merger Sub, LLC, a Delaware limited liability company (" **Intermediate Merger Sub** ") with and into the Company, with the Company surviving such merger (the " **Intermediate Merger** "). This Amendment shall become effective at the Intermediate Effective Time (as defined in the Agreement and Plan of Merger dated as of December ____, 2013 by and among the Company, Intermediate Merger Sub, [Parent] ("Parent") and [Merger Sub] ("Merger Sub") (as amended, the " **Merger Agreement** ")). Capitalized terms used herein and not otherwise herein defined have the meanings given to such terms in the LLC Agreement.

WHEREAS, the Board has determined that the Merger Agreement and the transactions contemplated by the Merger Agreement, including, without limitation, the merger (the " **Project Sky Merger** ") of Merger Sub with and into the Company, are advisable to and in the best interests of the Company and the Members; and

WHEREAS, the Intermediate Merger is a condition to the Project Sky Merger; and

WHEREAS, the Company desires to amend the Initial LLC Agreement pursuant to the Intermediate Merger (i) to create the defined term " **Majority Member Vote** " and (ii) to contemplate expressly the treatment in the Project Sky Merger of the Units and the rights under the Reorganization Plan to receive Units in the future, which treatment is consistent with the terms of the Reorganization Plan.

NOW, THEREFORE, the Initial LLC Agreement is hereby amended as follows:

1. <u>Majority Member Vote</u> . Exhibt A (Definitions) to the Initial LLC Agreement is hereby amended to add the following defined term:

> " **Majority Member Vote** " means the affirmative vote or written consent of Members holding at least a Majority of the issued and outstanding Units.

---

[1] NTD: We understand that the LLC Agreement was previously amended to change the terms of the director grants.

2. Treatment of Units in Merger. Article IX (Miscellaneous) of the Initial LLC Agreement is hereby amended to add the following new Section 9.21:

> **Section 9.21 "Project Sky Merger"** Notwithstanding anything to the contrary in this Agreement, in the merger (the "Project Sky Merger") of the Company with [Merger Sub] or any other affiliate of [Parent] pursuant to the Agreement and Plan of Merger dated as of December ____, 2013 (the "Project Sky Merger Agreement") among the Company, Sky Intermediate Merger Sub, LLC, a Delaware limited liability company, [Parent] and [Merger Sub], (a) all Units and all rights under the Reorganization Plan to receive Units in the future ("Unallocated Unit Rights"), including, without limitation, rights with respect to Allowed L/C Secured Claims and Unsecured Claims, shall be converted into the right to receive the consideration, if any, set forth in the Project Sky Merger Agreement and, with respect to Unsecured Claims, the Trust Agreement, on the terms and conditions set forth in the Project Sky Merger Agreement and, with respect to Unsecured Claims, the Trust Agreement, and the holders of such Units and such Unallocated Unit Rights shall have no rights following the Project Sky Merger other than the right to receive the consideration, if any, into which such Units and Unallocated Unit Rights convert and on the terms and conditions set forth in the Project Sky Merger Agreement and, with respect to Unsecured Claims, the Trust Agreement. Capitalized terms used in this Section 9.21 and not otherwise defined in this Agreement shall have the meanings ascribed thereto in the Project Sky Merger Agreement.

3. Confirmation of LLC Agreement. Except as amended pursuant to this Amendment, the Initial LLC Agreement shall continue in full force and effect. This Amendment shall be deemed to be incorporated in full into the Initial LLC Agreement.

4. Governing Law. This Amendment and the rights of the parties hereunder shall be governed by, interpreted, and enforced in accordance with the laws of the State of Delaware, without reference to conflicts of law principles.

5. Binding Effect. This Amendment shall be binding upon, and shall inure to the benefit of, the parties to the Initial LLC Agreement and their respective successors and assigns.

EXHIBIT C

FORM OF SURVIVING COMPANY LIMITED LIABILITY COMPANY AGREEMENT

EXHIBIT C

AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT

OF

[TEXTRON ACQUISITION LLC]

THIS AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT (the “Agreement”) of [TEXTRON ACQUISITION LLC] (the “Company”) dated as of the [____], by TEXTRON INC., a Delaware corporation, as the sole member of the Company (the “Member”).

RECITAL

The Member has formed the Company as a limited liability company under the laws of the State of Delaware and desires to enter into a written agreement, in accordance with the provisions of the Delaware Limited Liability Company Act and any successor statute, as amended from time to time (the “Act”), governing the affairs of the Company and the conduct of its business.

ARTICLE 1
The Limited Liability Company

1.1 Formation. Concurrently with the execution of this Agreement, the Member has formed the Company as a limited liability company pursuant to the provisions of the Act. A certificate of formation for the Company as described in Section 18-201 of the Act (the “Certificate of Formation”) has been executed and filed in the Office of the Secretary of State of the State of Delaware in conformity with the Act, by the authorized person listed in the “LLC Execution Authorization” attached hereto as Exhibit A.

1.2 Name. The name of the Company shall be “Textron Acquisition LLC” and its business shall be carried on in such name with such variations and changes as the Member shall determine or deem necessary to comply with requirements of the jurisdictions in which the Company’s operations are conducted.

1.3 Business Purpose; Powers. The Company is formed for the purpose of engaging in any lawful business, purpose or activity for which limited liability companies may be formed under the Act. The Company shall possess and may exercise all the powers and privileges granted by the Act or by any other law or by this Agreement, together with any powers incidental thereto, so far as such powers and privileges are necessary or convenient to the conduct, promotion or attainment of the business purposes or activities of the Company.

1.4 Registered Office and Agent. The location of the registered office of the Company shall be Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801. The Company’s Registered Agent at such address shall be The Corporation Trust Company.

1.5 Term. Subject to the provisions of Article 5 below, the Company shall have perpetual existence.

ARTICLE 2
The Member

2.1 The Member. The name and address of the Member are as follows:

Name	Address
Textron Inc.	40 Westminster Street Providence, RI 02903

2.2 Actions by the Member; Meetings. The Member may approve a matter or take any action at a meeting or without a meeting by the written consent of the Member. Meetings of the Member may be called at any time by the Member.

2.3 Liability of the Member. All debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and the Member shall not be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a member.

2.4 Power to Bind the Company. The Member (acting in its capacity as such) shall have the authority to bind the Company to any third party with respect to any matter.

2.5 Admission of Members. New members shall be admitted only upon the approval of the Member.

ARTICLE 3
Management by the Member

3.1 Management. The management of the Company is fully reserved to the Member, and the Company shall not have "managers," as that term is used in the Act. The powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of, the Member, who shall make all decisions and take all actions for the Company. In managing the business and affairs of the Company and exercising its powers, the Member shall act through resolutions adopted in written consents. Decisions or actions taken by the Member in accordance with this Agreement shall constitute decisions or action by the Company and shall be binding on the Company.

3.2 Officers and Related Persons. The Member shall have the authority to appoint and terminate officers of the Company and retain and terminate employees, agents and consultants of the Company and to delegate such duties to any such officers, employees, agents and consultants as the Member deems appropriate, including the power, acting individually or jointly, to represent and bind the Company in all matters, in accordance with the scope of their respective duties.

ARTICLE 4
Capital Structure, Contributions and
Limited Liability Company Shares

4.1 No Contribution or Limited Liability Company Interest Until Election . The Member is admitted as the sole member of the Company without making a contribution to the Company and without acquiring a limited liability company interest in the Company, as such admission is described in Section 18-301(d) of the Act. Until such a date as the Member elects, through action by written consent as described in Article 2.2 of this Agreement, to make a contribution or to acquire a limited liability interest in the Company, the Member will be deemed to have made no contribution to and to have acquired no interest in the Company. At such time as the Member makes such election and makes a contribution, the Member shall receive a first issue membership interest in the Company.

ARTICLE 5
Dissolution

5.1 Events of Dissolution . The Company shall be dissolved and its affairs wound up upon the occurrence of any of the following events (each, an “Event of Dissolution”):

(a) The Member votes for dissolution; or

(b) A judicial dissolution of the Company under Section 18-802 of the Act.

ARTICLE 6
Exculpation and Indemnification

6.1 Right to Indemnification . Each person who was or is a party or is threatened to be made a party to or is involved (as a party, witness, or otherwise), in any threatened, pending, or completed action, suit, arbitration, alternative dispute resolution procedure or other proceeding, whether civil, criminal, administrative, or investigative (hereafter a “Proceeding”), by reason of or in connection with the fact that such person, or another person of whom such person is the legal representative, is or was (i) a director or officer of the Company (which, for purposes of this Article 6 shall be deemed to refer to the Company or Beech Holdings, LLC (“Beech”)), (ii) serving at the request of the Company as a director, officer, member, employee, or agent of another foreign or domestic corporation or other business entity, partnership, joint venture, trust, or other enterprise, and is a director or officer of the Company, (iii) a director, officer, employee, or agent of a foreign or domestic corporation or other business entity hereafter acquired by the Company, and such person is a director or officer of the Company, or (iv) a trustee or administrator or other provider of service with respect to employee benefit plans, whether the basis of the Proceeding is alleged action in an official capacity as a director or officer of the Company, or in any other capacity while serving as a director, officer, employee, or agent of another business enterprise at the request of the Company (each of the persons referenced in the foregoing clauses (i) — (iv) hereafter generically referred to as a "Representative"), shall be indemnified and held harmless by the Company (but not by any member individually) to the fullest extent authorized by statutory and decisional law, as the same exists or may hereafter be interpreted or amended (but, in the case of any such amendment or interpretation, only to the extent that such amendment or interpretation permits the Company to provide broader indemnification rights than were permitted prior thereto) against all expenses incurred or suffered by such person in connection with investigating, defending, being a witness in, or participating in (including on appeal), or preparing for any of the foregoing in any Proceeding; provided, however, that (y) except as to actions to enforce indemnification rights pursuant to Article 6.3, the Company shall indemnify any Representative seeking indemnification in connection with a Proceeding (or part thereof) initiated by such person only if the Proceeding (or part thereof) was authorized by the Board and (z) no person shall be entitled to indemnification hereunder to the extent the Proceeding results from such person's fraud, gross negligence or willful misconduct as determined in a final, nonappealable judgment by a court of competent jurisdiction. The termination of any 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 acted fraudulently or with gross negligence or willful misconduct, or did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal Proceeding, had reasonable cause to believe that his or her conduct was unlawful. The right to indemnification conferred in this Article 6 shall be a contract right.

6.2 Authority to Advance Expenses . Expenses incurred by a director or officer of the Company (acting in his or her capacity as such) in defending a Proceeding shall be paid by the Company in advance of the final disposition of such Proceeding, provided, however, in each case, that such expenses shall be advanced only upon delivery to the Company of an undertaking by or on behalf of such director or officer of the Company to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Company as authorized in this Article 6 or otherwise. Any obligation to reimburse the Company for expense advances shall be unsecured, and no interest shall be charged thereon.

6.3 Right of Claimant to Bring Suit . If a claim under Article 6.1 or Article 6.2 is not paid in full by the Company within thirty (30) days after a written claim has been received by the Company, the claimant may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense (including attorneys' fees) of prosecuting such claim. It shall be a defense to any such action that the claimant has been determined in a final, nonappealable judgment by a court of competent jurisdiction to have not met the standards of conduct that make it permissible under Article 6.1 to indemnify the claimant for the amount claimed. The burden of proving such a defense shall be on the Company. Neither the failure of the Company (including its Board or independent legal counsel) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper under the circumstances because he or she has met the applicable standard of conduct set forth in Article 6.1, nor an actual determination by the Company (including its Board or independent legal counsel) that the claimant had not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct.

6.4 Provisions Nonexclusive . The rights conferred on any person by this Article 6 shall not be exclusive of any other rights that such person may have or hereafter acquire under any statute, provision of the Certificate of Formation, agreement, or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office.

6.5 Authority to Insure . The Company may purchase and maintain insurance to protect itself and any Representative against any expense asserted against or incurred by such person, whether or not the Company would have the power to indemnify the Representative against such expense under applicable law or the provisions of this Article 6.

6.6 Survival of Rights . The rights provided by this Article 6 shall continue as to a person who has ceased to be a Representative and shall inure to the benefit of the successors, heirs, executors, and administrators of such person.

6.7 Settlement of Claims . The Company shall not be liable to indemnify any Representative under this Article 6 (a) for any amounts paid in settlement of any action or claim effected without the Company's written consent, which consent shall not be unreasonably withheld or delayed; or (b) for any judicial award, if the Company was not given a reasonable and timely opportunity to participate, at its expense, in the defense of such action.

6.8 Effect of Amendment . Any amendment, repeal, or modification of this Article 6 shall not adversely affect any right or protection of any Representative existing at the time of such amendment, repeal, or modification, whether or not any matter for which indemnification may be sought, shall have occurred.

6.9 Subrogation . In the event of payment under this Article 6, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Representative, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

6.10 No Duplication of Payments . The Company shall not be liable under this Article 6 to make any payment in connection with any claim made against the Representative to the extent the Representative has otherwise actually received payment (under any insurance policy, agreement, vote, or otherwise) of the amounts otherwise indemnifiable hereunder.

6.11 Prior Rights . The Company acknowledges and agrees that, (a) pursuant to the Reorganization Plan (as defined in the Merger Agreement), the

Company and each of its subsidiaries is obligated to provide for the indemnification, defense, reimbursement, exculpation, and/or limitation of liability of, and advancement of fees and expenses to, Hawker Beechcraft, Inc.'s and its subsidiaries' directors, officers, employees, or agents that served prior to February 15, 2013 at least to the same extent as was set forth in the organizational documents of each of Hawker Beechcraft, Inc. and its subsidiaries as of May 3, 2012, against any claims or causes of action, whether direct or derivative, liquidated or unliquidated, fixed or contingent, disputed or undisputed, matured or unmatured, known or unknown, foreseen or unforeseen, asserted or unasserted, (b) that such current and former directors, officers, employees and agents shall be entitled to indemnification hereunder as Representatives in accordance with the terms hereof in furtherance in of the Company's satisfaction of such obligations and (c) the Company shall not, and cause its subsidiaries to not, amend and/or restate this Agreement or any of the organizational documents of the Company or its subsidiaries after the date hereof to terminate, or in a manner which would materially adversely affect, any of the Company or its subsidiaries obligations to provide such indemnification rights to such directors, officers, employees, and agent; provided that this Article 6.11 is qualified in its entirety by reference to Section 4.9 of the Agreement and Plan of Merger, dated as of December [__], 2013, among the Company, the Member, Beech and Sky Intermediate Merger Sub, LLC (the "Merger Agreement") and that this Article 6.11 is not intended to constitute or expand upon, and shall not be construed as constituting or expanding upon, representations, warranties and covenants of the Company contained in the Merger Agreement.

ARTICLE 7
Miscellaneous

7.1 Tax Treatment. Unless otherwise determined by the Member, the Company shall be a disregarded entity for U.S. federal income tax purposes (as well as for any analogous state or local tax purposes), and the Member and the Company shall timely make any and all necessary elections and filings for the Company treated as a disregarded entity for U.S. federal income tax purposes (as well as for any analogous state or local tax purposes).

7.2 Amendments. Amendments to this Agreement and to the Certificate of Formation shall be approved in writing by the Member. An amendment shall become effective as of the date specified in the approval of the Member or if none is specified as of the date of such approval or as otherwise provided in the Act.

7.3 Severability. If any provision of this Agreement is held to be invalid or unenforceable for any reason, such provision shall be ineffective to the extent of such invalidity or unenforceability; provided, however, that the remaining provisions will continue in full force without being impaired or invalidated in any way unless such invalid or unenforceable provision or clause shall be so significant as to materially affect the expectations of the Member regarding this Agreement. Otherwise, any invalid or unenforceable provision shall be replaced by the Member with a valid provision which most closely approximates the intent and economic effect of the invalid or unenforceable provision.

7.4 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to the principles of conflicts of laws thereof.

7.5 Limited Liability Company. The Member intends to form a limited liability company and does not intend to form a partnership under the laws of the State of Delaware or any other laws.

IN WITNESS WHEREOF, the undersigned has duly executed this Agreement as of the day first above written.

TEXTRON INC.

By: ____________________________________
Name: Elizabeth C. Perkins
Title: Vice President and
Deputy General Counsel

Exhibit A

LLC Execution Authorization

The following individual is authorized hereunder to execute a Certificate of Formation, and cause said Certificate of Formation to be filed in the Office of the Secretary of State of the State of Delaware in conformity with the Act:

Ann T. Willaman

EXHIBIT D

FORM OF MEMBER PROXY

EXHIBIT D

BEECH HOLDINGS, LLC

IRREVOCABLE PROXY TO ACT BY WRITTEN CONSENT

The undersigned (the " Undersigned Member "), being a member and owner of Units of Beech Holdings, LLC, a Delaware limited liability company (the " Company "), hereby grants the following irrevocable proxy in respect of all Units that such Member owns, in accordance with the Operating Agreement of the Company, the Agreement and Plan of Merger dated as of December 26, 2013 by and among the Company, Textron Inc., a Delaware corporation (" Parent "), Textron Acquisition LLC, a Delaware limited liability company (" Merger Sub "), and Sky Intermediate Merger Sub, LLC, a Delaware limited liability company (" Intermediate Merger Sub "), as the same may be amended from time to time (the " Merger Agreement "; a copy of which is attached hereto as Exhibit A ; capitalized terms used but not otherwise defined herein have the meanings ascribed to such term in the Merger Agreement), and the Delaware Limited Liability Company Act (the, " Act ").

RECITALS

WHEREAS, the Merger Agreement provides for (a) the merger of Intermediate Merger Sub with and into the Company, with the Company surviving (such surviving company, the " Intermediate Company ", and such merger, the " Intermediate Merger "), as a result of which certain amendments will be made to the Operating Agreement as set forth in the Merger Agreement, and (ii) immediately following the consummation of the Intermediate Merger, the merger of Merger Sub with and into the Intermediate Company, with the Intermediate Company surviving the Merger (the " Merger ", and together with the Intermediate Merger, the " Mergers "), as a result of which the Company will become a wholly owned subsidiary of Parent;

WHEREAS, the board of directors of the Company has, by the unanimous vote of the board members present, (i) determined that the Merger Agreement and the transactions contemplated thereby are advisable to and in the best interests of the Company and the owners of Units (each such owner, a " Member " and, collectively, the " Members "), (ii) approved the execution, delivery and performance of the Merger Agreement by the Company and the consummation of the Mergers and the other transactions contemplated thereby, (iii) directed that, following its execution, the Merger Agreement and the Mergers be submitted to the Members necessary to obtain the Company Requisite Approval in accordance with the Act and the Operating Agreement and (iv) established a record date that is fifteen (15) calendar days from the date of the Merger Agreement for purposes of obtaining the Company Requisite Approval; and

WHEREAS, the Undersigned Member wishes to approve and adopt the Merger Agreement and the Mergers in accordance with the Act and the Operating Agreement, and wishes for such approval to be irrevocable.

Grant of Irrevocable Proxy

The Undersigned Member hereby irrevocably appoints as its proxy and attorney-in-fact, E. Robert Lupone and John Curran, and each of them acting separately, and the successors and assigns of each (collectively, the " Grantees "), with full power of substitution and resubstitution, from the date hereof to the termination of the Merger Agreement in accordance with its terms, to vote and act by written consent (in the form attached hereto as Annex A or otherwise) with respect to all Units of the Undersigned Member to approve and adopt the Merger Agreement and the Mergers and all terms of the Mergers as set forth therein. This proxy is coupled with an interest sufficient in law to support an irrevocable proxy, and the Undersigned Member will take such further action or execute such other instruments as may be necessary to effectuate the intent of this proxy and hereby revokes any proxy previously granted by the Undersigned Member which would conflict with or limit the exercise of this proxy with respect to the Merger Agreement and the Mergers. For the avoidance of doubt, (x) such proxy shall remain in effect and remain irrevocable notwithstanding any transfer or disposition of the Units to which it relates and (y) the Grantees shall be required to act by written consent to approve and adopt the matters covered by this proxy.

Termination of Approval and Proxy

The irrevocable proxy granted hereby shall be of no further force and effect upon the earlier of (a) any termination of the Merger Agreement in accordance with its terms, (b) the time of any modification, waiver or amendment to the Merger Agreement that either (x) materially adversely affects the rights, privileges and preferences of the holders of Units pursuant to the Merger Agreement as in effect on the date hereof or (y) reduces the amount, changes the form or otherwise adversely affects the consideration payable to holders of Units pursuant to the Merger Agreement as in effect on the date hereof, in the case of either (x) or (y), without the written approval of the Undersigned Member, and (c) the written agreement of Parent and the Undersigned Member to terminate this proxy, at which time such proxy shall automatically terminate and be of no further force and effect.

No Transfers or Inconsistent Agreements

The Undersigned Member shall not, directly or indirectly, (i) sell, transfer (including by operation of law), pledge, assign or otherwise encumber or dispose of, or enter into any agreement, option or other arrangement (including any profit sharing arrangement) or understanding with respect to any of the Units owned of record and/or beneficially by the Undersigned Member to any person other than Parent or Parent's designee, (ii) deposit any such Units into a voting trust or enter into any voting arrangement, whether by proxy, voting agreement, voting trust, power-of-attorney, attorney-in-fact, agent or otherwise, with respect to such Units, or (iii) take any other action that would in any way restrict, limit or interfere with the performance of the Undersigned Member's obligations hereunder; provided that, notwithstanding anything to the contrary set forth herein, the Undersigned Member may transfer any such Units to (x) any of its controlled Affiliates so long as such controlled Affiliate agrees in writing to be bound by the terms of this irrevocable proxy with respect to such Units and (y) to any other transferee so long as such third-party transferee agrees in writing to be bound by the terms of this irrevocable proxy with respect to such Units.

No Solicitation

Neither the Undersigned Member nor any of its Affiliates shall take any action with respect to the Company or any of its Subsidiaries, directly or indirectly, which the Company would be prohibited from taking pursuant to Section 4.2 of the Merger Agreement.

Reliance

The Undersigned Member understands and acknowledges that Parent and Merger Sub are entering into the Merger Agreement in reliance upon the Undersigned Member's execution and delivery of this irrevocable proxy to act by written consent.

Representations and Warranties

The Undersigned Member represents and warrants to Parent as follows:

1. The Undersigned Member has all requisite capacity and authority to grant this irrevocable proxy.

2. This irrevocable proxy has been duly executed and delivered by the Undersigned Member.

3. The execution and delivery of this irrevocable proxy by the Undersigned Member does not violate or conflict with, or constitute a default under, any agreement, instrument, contract or other obligation or any order, arbitration award, judgment or decree to which the Undersigned Member is a party or by which the Undersigned Member is bound, or any applicable law, statute, rule or regulation or undertaking to any regulatory, administrative or supervisory body (including, without limitation, any relevant stock exchange or securities council) to

which the Undersigned Member is subject or, in the event that the Undersigned Member is a corporation, partnership, trust or other entity, any memorandum and articles of association, charter, bylaw or other organizational document of the Undersigned Member.

4. The Undersigned Member is the record and beneficial owner of, or is the trustee that is the record holder of, and whose beneficiaries are the beneficial owners of, and has good title to all of the Units set forth on Annex B hereto, free and clear of all liens and encumbrances with full power and authority to transfer good and valid title of its Units free and clear of all liens and encumbrances. The Undersigned Member does not own, of record or beneficially, any units or securities of the Company other than the Units set forth on Annex B hereto (other than units subject to options over which the Undersigned Member will have no voting rights until the exercise of such options). The Undersigned Member has the right to vote the Units set forth on Annex B hereto, and none of such Units is subject to any voting trust or other agreement, arrangement or restriction with respect to the voting of such Units.

Miscellaneous

The provisions of Sections 8.4 (*Counterparts*) and 8.5 (*Governing Law and Venue; Waiver of Jury Trial; Specific Performance*) of the Merger Agreement shall apply to this irrevocable proxy *mutatis mutandis* .

[*Signature page follows*]

IN WITNESS WHEREOF, the undersigned has executed this irrevocable proxy to act by written consent on the date set forth below.

Member (if an Individual)	Dated:
______________________________	______________________________
Name:	
Member (if an Entity):	Dated:
By:______________________________	______________________________
Name:	
Title:	

ACCEPTED, AGREED AND ACKNOWLEDGED

Beech Holdings, LLC	Dated:
By:______________________________	______________________________
Name:	
Title:	
Textron Inc.	Dated:
By:______________________________	______________________________
Name:	
Title:	

Signature Page to Irrevocable Proxy

ANNEX A

WRITTEN CONSENT
OF THE UNIT HOLDERS
OF
BEECH HOLDINGS, LLC

The undersigned (the " Undersigned Member "), being a member and owner of Units of Beech Holdings, LLC, a Delaware limited liability company (the " Company "), hereby adopts the following resolutions as if such resolutions had been adopted at a duly convened meeting of the Unit holders of the Company, such resolutions to be effective as of January 10, 2014 for all purposes of the Limited Liability Company Act of the State of Delaware (the " Act ") and the Operating Agreement of the Company dated as of February 15, 2013, as the same may be amended from time to time (the " Operating Agreement "):

WHEREAS, the Company has entered into the Agreement and Plan of Merger dated as of December 26, 2013 by and among the Company, Sky Intermediate Merger Sub, LLC, a Delaware limited liability company (" Intermediate Merger Sub "), Textron Inc., a Delaware corporation (" Parent "), and Textron Acquisition LLC, a Delaware limited liability company (" Merger Sub ") (as the same may be amended from time to time) (the " Merger Agreement "; a copy of which has previously been provided to the Undersigned Member; capitalized terms used but not otherwise defined herein have the meanings ascribed to such term in the Merger Agreement), pursuant to which (i) Intermediate Merger Sub will be merged with and into the Company, with the Company surviving (such surviving company, the " Intermediate Company ", and such merger, the " Intermediate Merger ") and (ii) immediately following the consummation of the Intermediate Merger, Merger Sub will be merged with and into the Intermediate Company, with the Intermediate Company surviving the Merger as a wholly-owned subsidiary of Parent (the " Merger ");

WHEREAS, the board of directors of the Company has, by the unanimous vote of the board members present, (i) determined that the Merger Agreement and the transactions contemplated thereby are advisable to and in the best interests of the Company and the owners of Units (each such owner, a " Member " and, collectively, the " Members "), (ii) approved the execution, delivery and performance of the Merger Agreement by the Company and the consummation of the Intermediate Merger, the Merger and the other transactions contemplated thereby, (iii) directed that, following its execution, the Merger Agreement, the Intermediate Merger and the Merger be submitted to the Members necessary to obtain the Company Requisite Approval in accordance with the Act and the Operating Agreement and (iv) established a record date that is fifteen (15) calendar days after the date of the Merger Agreement for purposes of obtaining the Company Requisite Approval;

WHEREAS, the Undersigned Member wishes to approve and adopt the Merger Agreement, the Intermediate Merger and the Merger in accordance with the Act and the Operating Agreement, and wishes for such approval to be irrevocable;

WHEREAS, the Undersigned Member is the record and beneficial owner of, or is the trustee that is the record holder of, and whose beneficiaries are the beneficial owners of, and has good title to all of the Units set forth on Exhibit A hereto, free and clear of all liens and encumbrances with full power and authority to transfer good and valid title of its Units free and clear of all liens and encumbrances;

WHEREAS, the Undersigned Member has the right to vote the Units set forth on Exhibit A hereto, and none of such Units is subject to any voting trust or other agreement, arrangement or restriction with respect to the voting of such Units; and

WHEREAS, the Undersigned Member understands and acknowledges that Parent and Merger Sub are entering into the Merger Agreement in reliance upon the Undersigned Member's execution and delivery of this written consent.

NOW, THEREFORE, BE IT:

1. Approval of the Intermediate Merger and the Merger .

RESOLVED, that Undersigned Member hereby ratifies, approves and adopts in all respects (a) the Merger Agreement, the schedules and exhibits annexed thereto and the transactions contemplated thereby, and the execution, delivery and performance thereof, and (b) the Intermediate Merger and the Merger, each upon the terms and subject to the conditions of the Merger Agreement.

2. General Authorization .

RESOLVED, that the officers of the Company be, and each of them hereby is, authorized to do and perform (or cause to be done and performed), in the name and on behalf of the Company, all acts and things and to execute, file and deliver (or cause to be executed, filed and delivered) the Merger Agreement and all such other agreements, documents and instruments (including, but not limited to, any amendments thereto) as any of them shall deem necessary, appropriate or advisable to effectuate the intent and purposes of the foregoing resolutions, such determination to be conclusively evidenced by the performance of such acts and things or the execution, filing and delivery of such agreements, documents and instruments (including, but not limited to, any amendments thereto), as applicable.

RESOLVED, that all actions previously taken and performed by the officers, directors, managers, employees or agents of the Company in connection with the actions contemplated by the forgoing resolutions be and they hereby are, adopted, approved, authorized, ratified and confirmed in all respects as the acts and deeds of the Company.

[*Signature page follows*]

IN WITNESS WHEREOF, this written consent has been adopted as of January ___, 2014.

[Name of Member]

By: ________________________________
[Name of Parent Representative], as Parent Representative acting on behalf of such Member pursuant to that certain Irrevocable Proxy To Act By Written Consent executed by such Member on December ___, 2013.

Dated:

____

Signature Page to Member Consent

EXHIBIT A

UNITS

See attached.

ANNEX B

UNITS

See attached.

EXHIBIT A

Merger Agreement

[See attached.]

<u>**EXHIBIT E**</u>

TRUST AGREEMENT TERMS

EXHIBIT E

Terms for Trust Agreement

Overview	The following describes the proposed terms for a trust agreement (the " Trust Agreement ") between Parent, the Company and the Trustee (as defined below) to provide for the payment of merger consideration to holders of Units issued on account of unsecured claims and to unsecured claimholders who in the future have their claims allowed (i.e., approved by the court under the Plan of Reorganization). Capitalized terms used but not otherwise defined have the meaning given to them in the Agreement and Plan of Merger dated December 26, 2013 by and between Parent, the Company, Intermediate Merger Sub, and Merger Sub.
Creation of Trust; Appointment of Trustee	At or prior to the Effective Time, the Company will select, with the prior approval of Parent, a trustee to administer the trust. Parent will not be a party to the Trust Agreement.
Deposit of Unsecured Claims Fund	At the Closing, Parent will deposit into a separate trust fund an amount equal to $250,819,948, payable in respect of the Unsecured Claim Units and other Unsecured Claims (the " Unsecured Claims Fund ").
Investment of Unsecured Claims Fund	The Trustee will invest the Trust Fund as directed by the Company; provided that such investments shall be in obligations of or guaranteed by the United States of America, with maturities not exceeding three months. Any interest and other income resulting from such investment shall become a part of the Trust Fund and a proportionate distribution of any such interest or income shall be paid upon payment to any holder of an Unsecured Claim Unit or Unsecured Claim.
General Principles and Background on Unsecured Claim Units	Distributions from the Unsecured Claims Funds will be made to holders of Unsecured Claim Units and holders of allowed Unsecured Claims following the final reconciliation of unsecured claims (the " Final Unsecured Reconciliation ") on a pro rata basis based on the total amount of unsecured claims allowed in the Final Unsecured Reconciliation (such total amount, the " Final Aggregate Unsecured Claims Amount "). Subject to approval by the Bankruptcy Court of a cap on the ultimate amount of allowed unsecured claims, it may be possible to make interim distributions from the Trust Fund to holders of allowed Unsecured Claims prior to the Final Unsecured Claims Reconciliation. Each Unsecured Claim Unit that is currently outstanding was issued in respect of an allowed Unsecured Claim of $127.10 (i.e., one Unsecured Claim Unit is equal to $127.10 worth of Unsecured Claims as of the date such Unsecured Claim Unit was initially distributed) (the " Initial Unsecured Claim Unit Value "). There are currently [16,137,619] Units outstanding which were issued on account of allowed unsecured claims and [14,694,581] additional Units "reserved" for issuance on account of future allowed unsecured claims, totaling 30,832,200 Units in the aggregate for unsecured claims. This aggregate number of Units issued (and to be issued) on account of unsecured claims is based on an assumption that the Final Aggregate Unsecured Claims Amount would equal $3.918 billion (the " Assumed Aggregate Unsecured Claims Amount "). Pursuant to the Plan of Reorganization, in the event the Assumed Aggregate

	Unsecured Claims Amount is less than the Final Aggregate Unsecured Claims Amount, which would result in additional value being allocated to holders of Unsecured Claim Units, such additional value is to be allocated to the original holder of the Unsecured Claim (the " Original Claim Holder ") (i.e., not a transferee of the Unsecured Claim Unit (a " Transferee Holder ")).
Payments if Assumed Aggregate Unsecured Claims Amount is equal to the Final Aggregate Unsecured Claims Amount (Basic Formula)	A holder of Unsecured Claim Units will be entitled to an amount equal to the Unsecured Claims Fund *multiplied by* such holder's Unit Based Pro Rata Percentage, which is equal to (x) the number of Unsecured Claim Units held by such Person *multiplied by* (y) the Initial Unsecured Claim Unit Value, *divided by* (z) the Final Aggregate Unsecured Claims Amount (the quotient, expressed as a percentage, the " Unit Based Pro Rata Percentage "). The amount paid to a holder in the event the Assumed Aggregate Unsecured Claims Amount is equal to the Final Aggregate Unsecured Claims Amount is referred to as the " Baseline Distribution " A holder of Unsecured Claims who has its claims allowed in the Final Unsecured Reconciliation will be entitled to an amount equal to the Unsecured Claims Fund *multiplied by* such holder's Claim Based Pro Rata Percentage, which is equal to (x) the aggregate amount of Unsecured Claims held by such Person *divided by* (z) the Final Aggregate Unsecured Claims Amount (the quotient, expressed as a percentage, the " Claim Based Pro Rata Percentage ").
Payments if Assumed Aggregate Unsecured Claims are Greater than the Final Aggregate Unsecured Claims Amount	A holder of Unsecured Claim Units will be entitled to receive an amount equal to the Unsecured Claims Fund *multiplied* by such holder's Unit Based Pro Rata Percentage. A holder of an allowed Unsecured Claim that has not received a distribution of Unsecured Claim Units will be entitled to receive an amount equal to the Unsecured Claims Fund *multiplied* by such holder's Claim Based Pro Rata Percentage.
Payments if Assumed Aggregate Unsecured Claims are Less than the Final Aggregate Unsecured Claims Amount	An Original Claim Holder that is a holder of Unsecured Claim Units will be entitled to receive an amount equal to the Unsecured Claims Fund multiplied by such holder's Unit Based Pro Rata Percentage (the " Full Shortfall Distribution ") (i.e., an Original Claimholder that still holds a Unit is entitled to receive the Baseline distribution and an additional allocation of merger consideration that results from fewer unsecured claims being allowed than the Assumed Aggregate Unsecured Claims). A Transferee Holder will be entitled to receive an amount equal to the Baseline Distribution (i.e., Transferee Holders will only be entitled to receive an amount that they would have been entitled to receive if the Assumed Aggregate Unsecured Claims Amount is equal to the Final Aggregate Unsecured Claims Amount). The original holder of the allowed unsecured claim that later transferred the Unit held by such Transferee Holder will be entitled to receive the Full Shortfall Distribution less the Baseline Distribution.

Exhibit 10.20

Execution Version

TERM CREDIT AGREEMENT

Dated as of January 24, 2014

Among

TEXTRON INC.,

THE LENDERS LISTED HEREIN,

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

and

CITIBANK, N.A.
and
BANK OF AMERICA, N.A.,
as Syndication Agents

and

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,
as Documentation Agent

J.P. MORGAN SECURITIES LLC,
CITIGROUP GLOBAL MARKETS INC.,
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
and
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,
Lead Arrangers and Joint Bookrunners

TABLE OF CONTENTS

PAGE

ARTICLE 5
Affirmative Covenants

ARTICLE 6
Negative Covenants

ARTICLE 7
Events of Default

ARTICLE 8
Agents

ARTICLE 9
Miscellaneous

EXHIBITS

Commitment Schedule		
Pricing Schedule		
Exhibit A	-	Form of Note
Exhibit B	-	Form of Opinion of Gibson, Dunn & Crutcher LLP
Exhibit C	-	Form of Opinion of Jayne M. Donegan, Esq. Senior Associate General Counsel of the Borrower
Exhibit D	-	Form of Opinion of Davis Polk & Wardwell LLP
Exhibit E-1	-	Form of Notice of Borrowing
Exhibit E-2	-	Form of Notice of Conversion/Continuation
Exhibit F	-	Form of Compliance Certificate
Exhibit G	-	Form of Transfer Supplement

TERM CREDIT AGREEMENT

TERM CREDIT AGREEMENT, dated as of January 24, 2014, among TEXTRON INC., a Delaware corporation (together with its successors, the " **Borrower** "), the banks and other financial institutions party hereto (each a " **Lender** " and collectively the " **Lenders** "), JPMORGAN CHASE BANK, N.A., as Administrative Agent for the Lenders (together with its successors in such capacity, the " **Administrative Agent** "), CITIBANK, N.A. and BANK OF AMERICA, N.A., as Syndication Agents for the Lenders (together with their successors in such capacity, the " **Syndication Agents** ") and THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., as Documentation Agent for the Lenders (together with its successors in such capacity, the " **Documentation Agent** ").

The Borrower, the Lenders and the Agents agree as follows:

ARTICLE 1
DEFINITIONS AND ACCOUNTING TERMS

Section 1.01. *Definitions* . As used in this Agreement, and unless the context requires a different meaning, the following terms have the meanings indicated:

" **Acquisition** " means the Borrower's contemplated acquisition of Beech Holdings, LLC pursuant to the Acquisition Agreement.

" **Acquisition Agreement** " means that certain Agreement and Plan of Merger among Beech Holdings, LLC, Sky Intermediate Merger Sub, the Borrower and Textron Acquisition LLC, dated as of December 26, 2013, as amended from time to time prior to the Funding Date.

" **Administrative Agent** " has the meaning assigned to that term in the introduction to this Agreement.

" **Administrative Fee** " has the meaning assigned to that term in Section 2.06(b)

" **Administrative Questionnaire** " means, with respect to each Lender, an administrative questionnaire in the form prepared by the Administrative Agent, completed by such Lender and returned to the Administrative Agent (with a copy to the Borrower).

" **Affected Lender** " means any Lender affected by any of the events described in Section 2.09(b) or 2.09(c) hereof.

" **Affiliate** " means, with respect to any Person, any Person or group of Persons acting in concert in respect of the Person in question that, directly or indirectly, controls or is controlled by or is under common control with such Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person or group of Persons acting in concert, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

" **Agent** " means any of the Administrative Agent, the Syndication Agents and the Documentation Agent.

" **Agreement** " means this Credit Agreement, as the same may at any time be amended, amended and restated, supplemented or otherwise modified in accordance with the terms hereof.

“ **Anti-Corruption Laws** ” means the United States Foreign Corrupt Practices Act of 1977 and all other laws, rules, and regulations of any jurisdiction applicable to the Borrower and its Subsidiaries concerning or relating to bribery or corruption.

“ **Applicable Lending Office** ” means, for any Lender with respect to its Term Loan of any particular Type, the office, branch or affiliate of such Lender specified as the booking office therefor in such Lender’s Administrative Questionnaire, or such other office, branch or affiliate of such Lender as such Lender may specify from time to time for such purpose by notice to the Borrower and the Administrative Agent.

“ **Applicable Percentage** ” means, with respect to any Lender, the percentage of the Total Commitments represented by such Lender’s Commitment (or, at any time after the Funding Date, the percentage which the principal amount of such Lender’s Term Loan then outstanding constitutes of the Total Outstanding Amount). If the Commitments have terminated or expired prior to the Funding Date, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments and to any Lender’s status as a Defaulting Lender at the time of determination.

“ **Bankruptcy Code** ” means Title 11 of the United States Code entitled “Bankruptcy,” as from time to time amended and any successor statutes.

“ **Bankruptcy Event** ” means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, *provided* that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a Governmental Authority or instrumentality thereof, *provided*, *further* , that such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any obligations of such Person hereunder.

“ **Base Rate** ” means, for any day, a rate *per annum* equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Rate in effect on such day plus ½ of 1% and (c) the sum of 1% plus the rate for deposits in Dollars with a one-month maturity appearing on the Screen at approximately 11:00 A.M., London time, on such day (or if such day is not a Business Day, on the immediately preceding Business Day).

“ **Base Rate Loans** ” are Term Loans whose interest rate is based on Base Rate.

“ **Base Rate Margin** ” has the meaning specified in the Pricing Schedule.

“ **Beech Companies** ” means Beech Holdings, LLC, and its Subsidiaries.

“ **Board** ” means the Board of Governors of the Federal Reserve System.

“ **Borrower** ” has the meaning assigned to that term in the introduction to this Agreement.

“ **Borrowing** ” means the borrowing of Term Loans hereunder.

“ **Business Day** ” means any day other than a Saturday, Sunday or other day on which commercial banks in New York City are required or authorized by law to close and, if such day relates to any Eurodollar Rate Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

“ **Capital Lease** ”, as applied to any Person, means any lease of any property (whether real, personal or mixed) by that Person as lessee which, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of that Person.

“ **Change of Control** ” means that (a) any Person or group of Persons within the meaning of Section 13(d)(3) of the Exchange Act becomes the beneficial owner, directly or indirectly, of 40% or more of the outstanding common stock of the Borrower or (b) individuals who constitute the Continuing Directors cease for any reason to constitute at least a majority of the board of directors of the Borrower.

“ **Code** ” means the Internal Revenue Code of 1986, as from time to time amended. Any reference to the Code shall include a reference to corresponding provisions of any subsequent revenue law.

“ **Commitment** ” means with respect to each Lender listed on the Commitment Schedule, the amount set forth opposite such Lender’s name on the Commitment Schedule; *provided* that, if the context so requires, the term “ **Commitment** ” means the obligation of a Lender to make a Term Loan up to such amount to the Borrower hereunder.

“ **Commitment Schedule** ” means the Commitment Schedule attached hereto.

“ **Compliance Certificate** ” means a certificate substantially in the form annexed hereto as Exhibit F delivered to the Lenders by the Borrower pursuant to Section 5.01(b)(i)(B).

“ **Consolidated Capitalization** ” means, as at any date of determination, the sum (without duplication) of (a) Consolidated Indebtedness of Textron Manufacturing *plus* (b) Consolidated Net Worth *plus* (c) preferred stock of the Borrower *plus* (d) other securities of the Borrower convertible (whether mandatorily or at the option of the holder) into capital stock of the Borrower.

“ **Consolidated Indebtedness of Textron Manufacturing** ” means, as at any date of determination, the sum of short-term and long-term indebtedness for borrowed money that is shown on a balance sheet of Textron Manufacturing (or would be if a balance sheet were prepared on such date).

“ **Consolidated Net Worth** ” means, as at any date of determination, the stockholders’ equity of the Borrower and its Subsidiaries on a consolidated basis (but excluding the effects of the Borrower’s accumulated other comprehensive income/loss) calculated in conformity with GAAP.

“ **Continuing Director** ” means any member of the board of directors of the Borrower who is (i) a director of the Borrower on the date of this Agreement, (ii) nominated by the board of directors of the Borrower or (iii) appointed by directors referred to in clauses (i) and (ii).

“ **Contractual Obligation** ”, as applied to any Person, means any provision of any security issued by that Person or of any material indenture, mortgage, deed of trust or other similar instrument of that Person under which Indebtedness is outstanding or secured or by which that Person or any of its properties is bound or to which that Person or any of its properties is subject.

“ **Defaulting Lender** ” means, subject to Section 2.12(b), any Lender that (a) has failed, within two Business Days of the date required to be funded or paid, to (i) fund all or any portion of its Term

Loan or (ii) pay over to any Agent any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender's reasonable determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Administrative Agent or the Borrower in writing, or has made a public statement to the effect, that it does not intend or expect to comply with all or any portion of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender's reasonable determination that a condition precedent (specifically identified and including the particular default, if any) to funding under this Agreement cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three Business Days after request by the Administrative Agent, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations to fund a prospective Term Loan under this Agreement, *provided* that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon the Administrative Agent's receipt of such certification in form and substance satisfactory to it, (d) has become the subject of a Bankruptcy Event or has a Parent that has become the subject of a Bankruptcy Event, or (e) has defaulted in fulfilling its funding obligations under one or more other agreements in which such Lender commits to extend credit (as reasonably determined by the Administrative Agent in consultation with the Borrower).

" **Delayed Draw Expiration Date** " means July 24, 2014.

" **Documentation Agent** " has the meaning assigned to that term in the introduction to this Agreement.

" **Dollar** ", " **Dollars** " and the sign " **$** " mean the lawful currency of the United States.

" **Domestic Taxes** " has the meaning set forth in Section 2.13(a).

" **Effective Date** " has the meaning assigned to that term in Section 9.16 hereof.

" **ERISA** " means the Employee Retirement Income Security Act of 1974, as from time to time amended, and any successor statute.

" **ERISA Affiliate** " means, with respect to any Person, any trade or business (whether or not incorporated) which, together with such Person, is under common control as described in Section 414(c) of the Code or is a member of a controlled group, as defined in Section 414(b) of the Code, which includes such Person.

" **Eurodollar Margin** " has the meaning specified in the Pricing Schedule.

" **Eurodollar Rate** " means, for any Eurodollar Rate Loan for any Interest Period, the rate appearing on the Screen at approximately 11:00 A.M., London time, two Business Days before the first day of such Interest Period as the rate for deposits in Dollars with a maturity comparable to such Interest Period. In the event that such rate does not appear on the Screen, the Eurodollar Rate shall be determined by reference to such other comparable publicly available service for displaying interest rates for dollar deposits in the London interbank market as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 A.M., London time, on the date that is two Business Days prior to the commencement of such Interest Period.

" **Eurodollar Rate Loans** " means Term Loans or portions thereof during the period in which such Term Loans bear interest at rates determined in accordance with Section 2.05(a)(i) hereof.

" **Eurodollar Reserve Percentage** " means, for any day, that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of "Eurocurrency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Eurodollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Lender to United States residents).

" **Event of Default** " has the meaning assigned to that term in Article 7 hereof.

" **Exchange Act** " means the Securities Exchange Act of 1934, as from time to time amended, and any successor statutes.

" **FATCA** " means Sections 1471 through 1474 of the Code and any current or future regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the Code; *provided* , FATCA shall also include any amendments to Sections 1471 through 1474 of the Code if, as amended, FATCA provides a commercially reasonable mechanism to avoid the tax imposed thereunder by satisfying the information reporting and other requirements of FATCA.

" **Federal Funds Rate** " means on any one day the weighted average of the rate on overnight Federal funds transactions with members of the Federal Reserve System only arranged by Federal funds brokers as published on the next succeeding Business Day by the Federal Reserve Bank of New York, *provided* that if such day is not a Business Day, the Federal Funds Rate shall be measured as of the immediately preceding Business Day.

" **Finance Company** " means any Person which is (or would be but for the proviso to the definition of such term) a Subsidiary of the Borrower and which is primarily engaged in the business of a finance company.

" **Finance Company Leverage Ratio** " means, as of any date of determination, the ratio of (i) debt of the Finance Group at such date, determined in a manner consistent with "Finance group debt" on the Borrower's consolidated balance sheet included in the Financial Statements, *less* securitized debt at such date, determined in a manner consistent with "Note 8. Debt and Credit Facilities" in the notes to the Financial Statements, to (ii) total Finance Group assets *less* total Finance Group liabilities at such date, each as set forth on the Borrower's consolidated balance sheet for such date (or would be if a balance sheet were prepared on such date). Notwithstanding the foregoing, to the extent that the manner of determining "Finance group debt" and/or securitized debt changes during the term of this Agreement as a result of changes to GAAP that apply to this Agreement as a result of Section 1.02, these amounts shall be determined in a manner consistent with GAAP as in effect as of the date of determination.

" **Finance Group** " means "Finance group" as defined in the Financial Statements.

" **Financial Statements** " has the meaning assigned to that term in Section 4.03.

" **Funding Date** " means the date of the funding of the Term Loans made pursuant to a Notice of Borrowing.

" **GAAP** " means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board as in effect from time to time.

" **Governmental Authority** " means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

" **Indebtedness** ", as applied to any Person, means, without duplication, (i) all indebtedness for borrowed money of that Person, (ii) that portion of obligations with respect to Capital Leases which is properly classified as a liability on a balance sheet of that Person in conformity with GAAP, (iii) notes payable of that Person and drafts accepted by that Person representing extensions of credit whether or not representing obligations for borrowed money, (iv) any obligation of that Person owed for all or any part of the deferred purchase price of property or services which purchase price is (a) due more than twelve months from the date of incurrence of the obligation in respect thereof, or (b) evidenced by a note or similar written instrument, (v) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, (vi) all indebtedness secured by any Lien on any property or asset owned by that Person regardless of whether the indebtedness secured thereby shall have been assumed by that Person or is nonrecourse to the credit of that Person and (vii) any guarantee of that Person, direct or indirect, of any indebtedness, note payable, draft accepted, or obligation described in clauses (i)-(vi) above of any other Person.

" **indemnified liabilities** " has the meaning assigned to that term in Section 9.03.

" **Indemnitees** " has the meaning assigned to that term in Section 9.03.

" **Interest Payment Date** " means, (x) with respect to any Eurodollar Rate Loan, the last day of each Interest Period applicable to such Eurodollar Rate Loan; *provided* that in the case of each Interest Period of six months, " **Interest Payment Date** " shall also include each Interest Period Anniversary Date (or if such day is not a Business Day, then the next succeeding Business Day) for such Interest Period and (y) in the case of any Base Rate Loan, the last Business Day of each calendar quarter.

" **Interest Period** " means any interest period applicable to a Eurodollar Rate Loan as determined pursuant to Section 2.05 (b) hereof.

" **Interest Period Anniversary Date** " means, for each Interest Period applicable to a Eurodollar Rate Loan which is six months, the three-month anniversary of the commencement of that Interest Period.

" **Interest Rate Determination Date** " means each date for calculating the Eurodollar Rate for purposes of determining the interest rate in respect of an Interest Period. The Interest Rate Determination Date shall be the second Business Day prior to the first day of the related Interest Period.

" **JPMorgan Chase** " means JPMorgan Chase Bank, N.A., and its successors.

" **Lender** " and " **Lenders** " have the respective meanings assigned to those terms in the introduction to this Agreement and its or their successors and permitted assigns.

" **Lien** " means any lien, mortgage, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest).

“ **Margin Stock** ” has the meaning assigned to that term in Regulation U of the Board as in effect from time to time.

“ **Material Adverse Effect** ” means a material adverse effect on (i) the business, operations, properties, assets or financial condition of the Borrower and its Subsidiaries, taken as a whole, (ii) the ability of the Borrower to perform any of its material payment obligations under this Agreement and the Notes or (iii) the validity or enforceability of, or the rights of or remedies available to the Lenders under, this Agreement and the Notes.

“ **Maturity Date** ” means the date that is five (5) years after the Funding Date, or if such day is not a Business Day, the next preceding Business Day.

“ **Multiemployer Plan** ” has the meaning assigned to that term in Section 4001(a)(3) of ERISA.

“ **Note** ” shall have the meaning set forth in Section 2.03(b) hereof.

“ **Notice of Borrowing** ” means a notice described in Section 2.01(b) hereof substantially in the form of Exhibit E-1 hereto.

“ **Notice of Conversion/Continuation** ” means any notice delivered pursuant to Section 2.02(a) hereof, which shall be substantially in the form of Exhibit E-2 hereto.

“ **OFAC** ” has the meaning set forth in Section 4.12.

“ **OFAC Listed Person** ” has the meaning set forth in Section 4.12.

“ **Officer’s Certificate** ” means, as applied to any corporation, a certificate executed on behalf of such corporation by its Chairman of the Board (if an officer), its President, any Vice President of such corporation, its Chief Financial Officer, its Treasurer or any Assistant Treasurer of such corporation.

“ **Other Taxes** ” has the meaning set forth in Section 2.13(b).

“ **Parent** ” means, with respect to any Lender, any Person as to which such Lender is, directly or indirectly, a subsidiary.

“ **Participant Register** ” has the meaning set forth in Section 9.01(f).

“ **PBGC** ” means the Pension Benefit Guaranty Corporation created by Section 4002(a) of ERISA or any successor thereto.

“ **Pension Plan** ” means any plan (other than a Multiemployer Plan) described in Section 4021(a) of ERISA and not excluded pursuant to Section 4021(b) thereof, which may be, is or has been established or maintained, or to which contributions may be, are or have been made by the Borrower or any of its ERISA Affiliates or as to which the Borrower would be considered as a “ **contributing sponsor** ” for purposes of Title IV of ERISA at any relevant time.

“ **Permitted Encumbrances** ” means:

(i) Liens for taxes, assessments or governmental charges or claims the payment of which is not at the time required by Section 5.03;

(ii) Statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by generally accepted accounting principles then in effect, shall have been made therefor;

(iii) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(iv) Any attachment or judgment Lien individually or in the aggregate not in excess of $100,000,000 unless the judgment it secures shall, within 30 days after the entry thereof, not have been discharged or execution thereof stayed pending appeal, or shall not have been discharged within 30 days after the expiration of any such stay;

(v) Leases or subleases granted to others not interfering in any material respect with the business of the Borrower or any of its Subsidiaries;

(vi) Easements, rights-of-way, restrictions, minor defects or irregularities in title and other similar charges or encumbrances not interfering in any material respect with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(vii) Any interest or title of a lessor under any lease;

(viii) Liens arising from UCC financing statements regarding leases;

(ix) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods incurred in the ordinary course of business; and

(x) Liens (a) of a collection bank on the items in the course of collection, (b) attaching to investment accounts, trading accounts or brokerage accounts incurred in the ordinary course of business, (c) in favor of a banking or other financial institution arising as a matter of law encumbering deposits or other funds maintained with a financial institution (including the right of set off) and which are customary in the banking industry, (d) attaching to other prepayments, deposits or earnest money in the ordinary course of business and (e) attaching to cash collateral posted pursuant to a hedging, swap or similar contract entered into in the ordinary course of business.

" **Person** " means and includes natural persons, corporations, limited partnerships, general partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts or other organizations, whether or not legal entities, and any Governmental Authority.

" **Pooled Basket Amount** " means 3% of the consolidated total assets of Textron Manufacturing and its Subsidiaries, all as determined in accordance with GAAP on a consolidated basis for Textron Manufacturing and its Subsidiaries.

" **Potential Event of Default** " means a condition or event which, after notice or lapse of time or both, would constitute an Event of Default if that condition or event were not cured or removed within any applicable grace or cure period.

" **Pricing Schedule** " means the Pricing Schedule attached hereto.

" **Prime Rate** " shall mean the rate which JPMorgan Chase announces from time to time as its prime rate, as in effect from time to time. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. JPMorgan Chase may make commercial loans or other loans at rates of interest at, above or below the Prime Rate.

" **Pro Rata Share** or ***pro rata*** **Share** " means, when used with reference to any Lender and any described aggregate or total amount, a percentage equal to the amount set forth opposite such Lender's name on the Commitment Schedule divided by the aggregate amount of all Commitments set forth on the Commitment Schedule, as such *pro rata* Share may be adjusted pursuant to the terms of this Agreement.

" **Prohibited Person** " has the meaning specified in Section 4.12.

" **Purchasing Lender** " has the meaning specified in Section 9.01(c).

" **Regulation D** " means Regulation D of the Board as from time to time in effect and any successor to all or a portion thereof establishing reserve requirements.

" **Regulation T** " means Regulation T of the Board as from time to time in effect and any successor to all or a portion thereof.

" **Regulation U** " means Regulation U of the Board as from time to time in effect and any successor to all or a portion thereof.

" **Regulation X** " means Regulation X of the Board as from time to time in effect and any successor to all or a portion thereof.

" **Reportable Event** " means a " **reportable event** " described in Section 4043(b) of ERISA or in the regulations thereunder notice of which to PBGC is required within 30 days after the occurrence thereof, or receipt of a notice of withdrawal liability with respect to a Multiemployer Plan pursuant to Section 4204 of ERISA.

" **Required Lenders** " means, as at any time any determination thereof is to be made, the Lenders holding more than 50% of the Total Commitment or, if no Commitments are in effect, more than 50% of the Total Outstanding Amount (exclusive in each case of the Commitment and Term Loan of any Defaulting Lender).

" **Restricted Subsidiary** " means each Subsidiary (or a group of Subsidiaries that would constitute a Restricted Subsidiary if consolidated and which are engaged in the same or related lines of business) of the Borrower now existing or hereafter acquired or formed by the Borrower which (x) for the most recent fiscal year of the Borrower, accounted for more than 5% of the consolidated revenues of the Borrower and its Subsidiaries, or (y) as at the end of such fiscal year, was the owner of more than 5% of the consolidated assets of the Borrower and its Subsidiaries. For purposes of this definition, the proviso to the definition of Subsidiary shall not be applicable.

The " **Screen** " means Reuters Screen LIBOR01 Page. The Administrative Agent may nominate an alternative source of screen rates if this page is replaced by others which display rates for inter-bank deposits offered by leading banks in London.

" **Securities Act** " means the Securities Act of 1933, as from time to time amended, and any successor statutes.

" **Subsidiary** " means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof; *provided* , however, that (i) no Finance Company or any Subsidiary of any Finance Company and (ii) no Person having consolidated assets less than $1,000,000 shall be treated as a Subsidiary of the Borrower.

" **Syndication Agents** " has the meaning assigned to that term in the introduction to this Agreement.

" **Target Country** " has the meaning set forth in Section 4.12.

" **Taxes** " has the meaning set forth in Section 2.13(a).

" **Term Loan** " means a term loan made pursuant to Section 2.01 of this Agreement.

" **Termination Event** " means (i) a Reportable Event with respect to any Pension Plan, or (ii) the withdrawal of the Borrower or any of its ERISA Affiliates from a Pension Plan during a plan year in which it was a " **substantial employer** " as defined in Section 4001(a)(2) of ERISA, or (iii) the filing of a notice of intent to terminate a Pension Plan (including any such notice with respect to a Pension Plan amendment referred to in Section 4041(e) of ERISA), or (iv) the institution of proceedings to terminate a Pension Plan by the PBGC, or (v) any other event or condition which, to the best knowledge of the Borrower, would constitute grounds under Section 4042(a) of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan.

" **Textron Manufacturing** " means the Borrower and any Subsidiary of the Borrower that is not a Finance Company; *provided* that, for purposes of this definition, the exclusion set forth in subsection (ii) in the definition of Subsidiary shall be disregarded.

" **Total Commitment** " means, as at any date of determination, the aggregate Commitments of all Lenders then in effect (as such Commitments may be reduced from time to time pursuant to Section 2.07(f) hereof). The original amount of the Total Commitment is $500,000,000.

" **Total Outstanding Amount** " means, at any time, the aggregate outstanding principal amount of the Term Loans.

" **Type** " means the designation of a Term Loan as either a Base Rate Loan or a Eurodollar Rate Loan.

" **Undrawn Commitment Fee Rate** " has the meaning specified in the Pricing Schedule.

" **Withholding Agent** " has the meaning set forth in Section 2.13(a).

Section 1.02. *Accounting Terms and Determinations.* Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the most recent audited consolidated financial statements of the Borrower and its consolidated subsidiaries delivered to the Lenders; *provided* that, if the Borrower notifies the Administrative Agent that the Borrower wishes to amend any covenant in Article 6 to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Lenders wish to amend Article 6 for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Lenders; *provided further* that the implementation of Statement of Financial Accounting Standards No. 142 shall not be deemed a change in GAAP for purposes of the preceding proviso. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under Statement of Financial Accounting Standards No. 159 (or any other Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of the Borrower or any Subsidiary at "fair value", as defined therein.

ARTICLE 2
AMOUNTS AND TERMS OF COMMITMENTS AND TERM LOANS

Section 2.01. *Commitments* .

(a) *Term Loans* . Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties of the Borrower herein set forth, each Lender hereby severally agrees to make a Term Loan to the Borrower on the Funding Date in an amount equal to the amount of the Commitment of such Lender. The Term Loans that are repaid or prepaid may not be reborrowed. The Commitment of each Lender shall be automatically and permanently terminated on the earlier of (i) the Funding Date upon and after giving effect to the making by such Lender of its Term Loan and (ii) the Delayed Draw Expiration Date.

(b) *Notice of Borrowing* . The Borrower shall deliver to the Administrative Agent a Notice of Borrowing (which may be telephonic, confirmed promptly in writing) no later than 10:30 A.M. (New York City time) (x) in the case of a Base Rate Loan, on the proposed Funding Date and (y) in the case of a Eurodollar Rate Loan, three Business Days in advance of the proposed Funding Date. The Notice of Borrowing shall specify (i) the proposed Funding Date (which shall be a Business Day), (ii) the amount of the proposed Term Loans, (iii) whether the Term Loans are to consist of Base Rate Loans or Eurodollar Rate Loans or a combination thereof and the amounts thereof, and (iv) in the case of Eurodollar Rate Loans, the Interest Period therefor.

Neither the Administrative Agent nor any Lender shall incur any liability to the Borrower in acting upon any telephonic notice referred to above which the Administrative Agent believes in good faith to have been given by a duly authorized officer or other person authorized to borrow on behalf of the Borrower or for otherwise acting in good faith under this Section 2.01(b) and, upon funding of Term Loans by the Lenders in accordance with this Agreement pursuant to any telephonic notice, the Borrower shall have borrowed the Term Loans hereunder.

Except as provided in Sections 2.01(c) and 2.09(d), a Notice of Borrowing for a Eurodollar Rate Loan (or telephonic notice in lieu thereof) shall be irrevocable on and after the related Interest Rate Determination Date, and the Borrower shall be bound to make a borrowing in accordance therewith.

(c) *Disbursement of Funds* . Promptly after receipt of a Notice of Borrowing pursuant to Section 2.01(b) (or telephonic notice in lieu thereof) with respect to the Term Loans, the Administrative Agent shall notify each Lender of the proposed borrowing. Each Lender shall make its *pro rata* Share of the amount of the Term Loans available to the Administrative Agent in same day funds not later than 11:00 A.M. (New York City time) on the Funding Date. The Term Loan of a Lender shall be equal to such Lender's *pro rata* Share of the aggregate amount of all Term Loans requested by the Borrower pursuant to the applicable Notice of Borrowing. Upon satisfaction or waiver of the conditions precedent specified in Section 3.01 the Administrative Agent shall make the proceeds of the Term Loans available to the Borrower by causing an amount of funds equal to the proceeds of all Term Loans received by the Administrative Agent to be credited to an account in New York City designated by the Borrower in same day funds.

Unless the Administrative Agent shall have been notified by any Lender (which notice may be telephonic, confirmed promptly in writing) prior to the Funding Date (or, in the case of Base Rate Loans, not later than 11:00 A.M. (New York City time) on the Funding Date) in respect of the Term Loans that such Lender does not intend to make available to the Administrative Agent such *pro rata* Share of the Term Loans on the Funding Date, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on the Funding Date and the Administrative Agent in its sole discretion may, but shall not be obligated to, make available to the Borrower a corresponding amount on the Funding Date. If such corresponding amount is not in fact made available to the Administrative Agent by such Lender, the Administrative Agent shall be entitled to recover such corresponding amount on prompt demand from such Lender together with interest thereon, for each day from the Funding Date until the date such amount is paid to the Administrative Agent at the customary rate set by the Administrative Agent for the correction of errors among Lenders for three Business Days and thereafter at the Base Rate. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent shall promptly notify the Borrower and the Borrower shall immediately pay such corresponding amount to the Administrative Agent. Nothing in this Section 2.01(c) shall be deemed to relieve any Lender from its obligation to fulfill its Commitment hereunder or to prejudice any rights which the Borrower may have against any Lender as a result of any default by such Lender hereunder.

Section 2.02. *Notices of Conversion/Continuation* . (a) Subject to the provisions of Section 2.09 hereof, the Borrower shall have the option (i) to convert at any time all or any part of the outstanding Base Rate Loans in an aggregate minimum amount of $10,000,000 and integral multiples of $1,000,000 in excess of that amount, to Eurodollar Rate Loans and (ii) upon the expiration of any Interest Period applicable to outstanding Eurodollar Rate Loans, to continue all or any portion of such Eurodollar Rate Loans in an aggregate minimum amount of $10,000,000 and integral multiples of $1,000,000 in excess of that amount, as Eurodollar Rate Loans or to convert all or any portion of such Eurodollar Rate Loans in an aggregate minimum amount of $10,000,000 and integral multiples of $1,000,000 in excess of that amount, to Base Rate Loans. The succeeding Interest Period(s) of such converted or continued Eurodollar Rate Loan shall commence on the date of conversion in the case of clause (i) above and on the last day of the Interest Period of the Eurodollar Rate Loans to be continued in the case of clause (ii) above.

The Borrower shall deliver a Notice of Conversion/Continuation to the Administrative Agent no later than 11:00 A.M. (New York City time) at least three Business Days in advance of the proposed conversion/continuation date. A Notice of Conversion/Continuation shall specify (i) the proposed conversion/continuation date (which shall be a Business Day), (ii) the amount of the Term Loan to be converted/continued, (iii) the nature of the proposed conversion/continuation and (iv) the requested Interest Period.

Except as provided in Section 2.09(d) hereof, a Notice of Conversion/Continuation for conversion to, or continuation of, a Eurodollar Rate Loan shall be irrevocable on or after the related Interest Rate Determination Date, and the Borrower shall be bound to convert or continue in accordance therewith.

(b) Unless the Borrower shall have given the Administrative Agent (x) a timely Notice of Conversion/Continuation in accordance with the provisions of Section 2.02(a) hereof with respect to Eurodollar Rate Loans outstanding or (y) written notice of its intent to prepay Eurodollar Rate Loans, furnished not later than 11:00 A.M. (New York City time) on the third Business Day prior to the last day of the Interest Period with respect to such Eurodollar Rate Loans, the Borrower shall be deemed to have requested that such Eurodollar Rate Loans be continued for an additional Interest Period of one month.

Section 2.03. *Registry*. (a) The Administrative Agent shall maintain a register (the " **Register** ") on which it will record the Commitment of each Lender, the Term Loan made by such Lender and each repayment of the Term Loan made by such Lender. Any such recordation by the Administrative Agent on the Register shall constitute *prima facie* evidence thereof, absent manifest error. Each Lender shall record on its internal records (including computerized systems) the foregoing information as to its own Commitment and Term Loan. Failure to make any such recordation, or any error in such recordation, shall not affect the Borrower's obligations hereunder in respect of the Term Loans.

(b) The Borrower hereby agrees that, upon the request of the Administrative Agent if so instructed by any Lender at any time, such Lender's Term Loan shall be evidenced by a promissory note substantially in the form of Exhibit A hereto (a " **Note** "). The Note issued to each Lender pursuant to this Section 2.03(b) shall (i) be payable to such Lender and its registered assigns, (ii) be payable in the principal amount of the outstanding Term Loan evidenced thereby, (iii) provide that the Term Loan then outstanding shall be repaid on the date as provided herein, (iv) bear interest as provided in the appropriate clause of Section 2.05 hereof and (v) be entitled to the benefits of this Agreement.

Section 2.04. *Pro Rata Borrowings.* The Terms Loans comprising the Borrowing under this Agreement shall be made by the Lenders simultaneously and each Lender's Term Loan shall be equal to such Lender's *pro rata* Share of the Borrowing. It is understood that no Lender shall be responsible for any default by any other Lender in its obligation to make a Term Loan hereunder and that each Lender shall be obligated to make the Term Loan provided to be made by it hereunder subject to the terms hereof, regardless of the failure of any other Lender to fulfill its commitment to make its Term Loan hereunder.

Section 2.05. *Interest* . (a) *Rate of Interest on Term Loans* .

The Borrower agrees to pay interest in respect of the unpaid principal amount of the Term Loans made to it from and including the Funding Date to but not including the Maturity Date.

(i) Each Eurodollar Rate Loan shall bear interest on the unpaid principal amount thereof for the applicable Interest Period at an interest rate per annum equal to the sum of the Eurodollar Margin plus the applicable Eurodollar Rate.

(ii) Each Base Rate Loan shall bear interest on the unpaid principal amount thereof at an interest rate per annum equal to the sum of the Base Rate Margin plus the applicable Base Rate.

The Administrative Agent shall determine each interest rate applicable to the Term Loans hereunder in accordance with this Section 2.05(a) and Section 2.09(a). The Administrative Agent shall give prompt notice to the Borrower and Lenders of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(b) *Interest Periods.* In connection with each Eurodollar Rate Loan, the Borrower shall elect an interest period (each an " **Interest Period** ") to be applicable to such Term Loan, which shall be either a one, two, three or six month period; *provided* that:

(i) the Interest Period for each Eurodollar Rate Loan shall commence on the date of such Term Loan;

(ii) if an Interest Period would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; *provided* that if any Interest Period would otherwise expire on a day which is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;

(iii) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of such ending calendar month;

(iv) no Interest Period shall extend beyond the Maturity Date; and

(v) there shall be no more than 10 Interest Periods outstanding at any time.

(c) *Interest Payments* . Interest shall be payable on each Term Loan in arrears on each Interest Payment Date applicable to that Term Loan, upon any prepayment of that Term Loan (to the extent accrued on the amount being prepaid) and when due and payable (whether at maturity, by acceleration or otherwise).

(d) *Computation of Interest* . Interest on Eurodollar Rate Loans shall be computed on the basis of a 360-day year and the actual number of days elapsed in the period during which it accrues and interest on Base Rate Loans shall be computed on the basis of a 365-day year and the actual number of days elapsed in the period during which it accrues. In computing interest on any Term Loan, the date of the making of the Term Loan or, in the case of a Eurodollar Rate Loan, the first day of an Interest Period, as the case may be, shall be included and the date of payment or the expiration of an Interest Period, as the case may be, shall be excluded; *provided* that if a Term Loan is repaid on the same day on which it is made, one day's interest shall be paid on that Term Loan.

(e) *Post-Maturity Interest* . Any principal payments on the Term Loans not paid when due and, to the extent permitted by applicable law, any interest, fee or other amount not paid when due, in each case whether at stated maturity, by notice of prepayment, by acceleration or otherwise, shall thereafter bear interest payable upon demand at a rate per annum equal to the sum of 2% plus the higher of (i) the rate of interest applicable to such Term Loans or (ii) the rate of interest otherwise payable under this Agreement for Base Rate Loans.

Section 2.06. *Certain Fees* .

(a) *Undrawn Commitment Fee* . The Borrower shall pay to the Administrative Agent for the account of the Lenders an undrawn commitment fee in Dollars at the Undrawn Commitment Fee Rate accrued from and including the Effective Date to but not including the earlier of (x) the Funding Date and (y) the Delayed Draw Expiration Date, on the daily average aggregate amount of the Commitments during such period. Such fee shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed, and shall be paid on the earlier of the (x) Funding Date and (y) the Delayed Draw Expiration Date. From the effective date of any termination or reduction of Commitments, such fee shall cease to accrue or be correspondingly reduced. If the Commitments are terminated in their entirety or reduced, undrawn commitment fees accrued on the Total Commitments, or accrued on the aggregate amount of the reduction of the Commitments (in the case of such a reduction), shall be payable on the effective date of such termination or reduction.

(b) *Administrative Fee* . The Borrower agrees to pay to the Administrative Agent an annual fee (the " **Administrative Fee** ") in Dollars in an amount equal to the amount previously agreed to in writing by the Borrower and the Administrative Agent. Such Administrative Fee shall be payable quarterly in advance commencing on the date of this Agreement and on each successive quarterly anniversary of such date, so long as the Term Loans or Commitments are outstanding on such date; *provided* that if the Borrower prepay the Term Loans in their entirety pursuant to Section 2.09(a) prior to the Maturity Date, a *pro rata* portion of the Administrative Fee relating to the period from the Maturity Date to the end of the applicable quarter shall be refundable.

(c) *Time of Payment* . The Borrower shall make payment of each Lender's undrawn commitment fee and of the Administrative Agent's Administrative Fee hereunder, not later than Noon (New York City time) on the date when due in Dollars and in immediately available funds, to the Administrative Agent. Upon receipt of any amount representing the undrawn commitment fee paid pursuant to this Section 2.06, the Administrative Agent shall pay such amount to the Lenders based upon their respective *pro rata* Shares.

Section 2.07. *Repayments and Payments; Reductions in Commitments* .

(a) *Repayment of Loans.* The Term Loans shall be repaid (i) in consecutive quarterly installments payable by the Borrower on the last Business Day of March, June, September and December of each year, commencing on the first such quarterly date following the second anniversary of the Funding Date and prior to the Maturity Date, in an aggregate principal amount on each such date equal to 5% of the initial aggregate principal amount of the Term Loans made on the Funding Date (subject to adjustment in accordance with clause (b) below) and (ii) on the Maturity Date, in the amount of all remaining unpaid principal amount of all Term Loans.

(b) *Voluntary Prepayments* . Subject, in the case of any Eurodollar Rate Loan, to Section 2.09(e), the Borrower shall have the right to prepay the Term Loans in whole at any time or in part from time to time without premium or penalty in an aggregate minimum amount of $10,000,000 and integral multiples of $1,000,000 in excess of that amount or, if less, the outstanding principal amount of the Term Loans. The Borrower shall give notice (by telex or telecopier, or by telephone (confirmed in writing promptly thereafter)) (which shall be irrevocable) to the Administrative Agent and each Lender of each proposed prepayment hereunder, (x) with respect to Base Rate Loans, not later than 10:30 A.M. (New York City time) on the Business Day preceding the day of the proposed repayment and (y) with respect to Eurodollar Rate Loans, at least three Business Days prior to the day of the proposed prepayment, and in each case shall specify the proposed prepayment date (which shall be a Business Day), the aggregate principal amount of the proposed prepayment. Amounts prepaid under this clause (b) shall be applied to reduce remaining scheduled amortization payments required under clause (a) above in forward order of maturity.

(c) *Interest on Principal Amounts Repaid* . All prepayments and repayments under this Section 2.07 shall be made together with accrued and unpaid interest to the date of such prepayment on the principal amount prepaid and any other amounts payable pursuant to Section 2.09(e) of this Agreement. All payments shall be made ratably for the account of all Lenders in accordance with the respective outstanding principal amounts of their Term Loans, subject to Section 2.12(b).

(d) *Method and Place of Payment* . All payments to be made by the Borrower on account of principal and interest on the Term Loans shall be made without setoff or counterclaim to the Administrative Agent, for the ratable account of each Lender, not later than 12:00 Noon (New York City time) on the date when due and shall be made in Dollars and in same day funds. Whenever any payment with respect to the Term Loans shall be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest shall be payable at the applicable rate during such extension; *provided*, *however* , that with respect to Eurodollar Rate Loans, if the next succeeding Business Day falls in another calendar month, such payments shall be made on the next preceding Business Day. The Administrative Agent shall remit to each Lender its *pro rata* Share of all such payments received in collected funds by the Administrative Agent for the account of such Lender in respect of which such payment is made.

(e) *Order of Payment* . Upon the occurrence and during the continuance of an Event of Default, all payments made by the Borrower to the Administrative Agent (other than any fee or indemnification payments not specifically designated under the terms of this Agreement as being for the benefit of the Lenders) shall be applied by the Administrative Agent, on behalf of each Lender based on its *pro rata* Share, (i) first, to the payment of expenses referred to in Section 9.02 hereof, (ii) second, to the payment of the fees referred to in Section 2.06 hereof, (iii) third, to the payment of accrued and unpaid interest on such Lender's Base Rate Loans until all such accrued interest has been paid, (iv) fourth, to the payment of accrued and unpaid interest on such Lender's Eurodollar Rate Loans until all such accrued interest has been paid, (v) fifth, to the payment of the unpaid principal amount of such Lender's Base Rate Loans, and (vi) sixth, to the payment of the unpaid principal amount of such Lender's Eurodollar Rate Loans.

(f) *Reductions of Total Commitment* . After the Effective Date and prior to the Funding Date, the Borrower shall have the right, upon at least three Business Days' prior irrevocable written notice to the Administrative Agent, who will promptly notify the Lenders thereof, without premium or penalty, to permanently reduce or terminate the Total Commitment, in whole at any time or in part from time to time, in minimum aggregate amounts of $10,000,000 (unless the Total Commitment at such time is less than $10,000,000, in which case, in an amount equal to the Total Commitment at such time) and, if such reduction is greater than $10,000,000, in integral multiples of $5,000,000 in excess of such amount, *provided* that (i) any such reduction of the Total Commitment shall apply to the Commitment of each Lender in accordance with its pro rata Share of the aggregate of such reduction, and (ii) any such reduction in the Total Commitment shall be permanent.

Section 2.08. *Use of Proceeds.* The proceeds of the Term Loans made by the Lenders may be used for general corporate purposes of the Borrower.

Section 2.09. *Special Provisions Governing Eurodollar Rate Loans.* Notwithstanding any other provisions of this Agreement, the following provisions shall govern with respect to Eurodollar Rate Loans as to the matters covered:

(a) *Determination of Interest Rate* . As soon as practicable on an Interest Rate Determination Date, the Administrative Agent shall determine (which determination shall, absent manifest error, be final, conclusive and binding upon all parties) the interest rate which shall apply to the Eurodollar Rate

Loans for which an interest rate is then being determined for the applicable Interest Period and shall promptly give notice thereof (in writing or by telephone confirmed in writing) to the Borrower and to each Lender.

(b) *Substituted Rate of Borrowing* . In the event that on any Interest Rate Determination Date any Lender (including the Administrative Agent) shall have determined (which determination shall be final and conclusive and binding upon all parties but, with respect to the following clauses (i) and (ii)(B), shall be made only after consultation with the Borrower and the Administrative Agent) that:

(i) by reason of any changes arising after the date of this Agreement affecting the Eurodollar market or affecting the position of that Lender in such market, adequate and fair means do not exist for ascertaining the applicable interest rate by reference to the Eurodollar Rate with respect to the Eurodollar Rate Loans as to which an interest rate determination is then being made; or

(ii) by reason of (A) any change (including any changes proposed or published prior to the date hereof) after the date hereof in any applicable law or any governmental rule, regulation or order (or any interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation or order (including any thereof proposed or published, prior to the date hereof)) or (B) other circumstances affecting that Lender or the Eurodollar market or the position of that Lender in such market (such as, for example, but not limited to, official reserve requirements required by Regulation D to the extent not compensated pursuant to Section 2.11), the Eurodollar Rate shall not represent the effective pricing to that Lender for deposits in the applicable currency of comparable amounts for the relevant period;

then, and in any such event, that Lender shall be an Affected Lender and it shall promptly (and in any event as soon as possible after being notified of the Borrowing) give notice (by telephone confirmed in writing) to the Borrower and the Administrative Agent (which notice the Administrative Agent shall promptly transmit to each other Lender) of such determination. Thereafter, the Borrower shall pay to the Affected Lender with respect to such Eurodollar Rate Loans, upon written demand therefor, but only if such demand is made within 30 days of the end of the Interest Period for such Interest Rate Determination Date, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as the Affected Lender in its sole discretion shall reasonably determine) as shall be required to cause the Affected Lender to receive interest with respect to such Affected Lender's Eurodollar Rate Loans for the Interest Period following that Interest Rate Determination Date (such Interest Period being an " **Affected Interest Period** ") at a rate *per annum* equal to the Eurodollar Margin in excess of the effective pricing to the Affected Lender for deposits in Dollars to make or maintain Eurodollar Rate Loans. A certificate as to additional amounts owed the Affected Lender, showing in reasonable detail the basis for the calculation thereof, submitted in good faith to the Borrower and the Administrative Agent by the Affected Lender shall, absent manifest error, be final, conclusive and binding for all purposes.

(c) *Required Termination and Prepayment* . In the event that on any date any Lender shall have reasonably determined (which determination shall be final and conclusive and binding upon all parties) that the making or continuation of its Eurodollar Rate Loans (i) has become unlawful by, or would be inconsistent with, compliance by that Lender in good faith with any law, governmental rule, regulation or order (whether or not having the force of law and whether or not failure to comply therewith would be unlawful), or (ii) has become impracticable as a result of a contingency occurring after the date of this Agreement which materially and adversely affects the Eurodollar market, then, and in any such event, that Lender shall be an Affected Lender and it shall promptly give notice (by telephone confirmed in writing) to the Borrower and the Administrative Agent (which notice the Administrative Agent shall promptly transmit to each Lender) of that determination. Subject to the prior withdrawal of a Notice of Borrowing or prepayment of the Eurodollar Rate Loans of the Affected Lender as contemplated by the following Section 2.09(d) hereof, the obligation of the Affected Lender to make Eurodollar Rate Loans during any such period shall be terminated at the earlier of the termination of the Interest Period then in effect or when required by law and the Borrower shall no later than the termination of the Interest Period in effect at the time any such determination pursuant to this Section 2.09(c) is made or earlier, when required by law, repay Eurodollar Rate Loans of the Affected Lender together with all interest accrued thereon.

(d) *Options of the Borrower* . In lieu of paying an Affected Lender such additional moneys as are required by Section 2.09(b), 2.09(h), 2.10 or 2.11 hereof or the prepayment of an Affected Lender required by Section 2.09(c), hereof but in no event in derogation of Section 2.09(e) hereof, the Borrower may exercise any one of the following options:

(i) If the determination by an Affected Lender relates only to Eurodollar Rate Loans then being requested by the Borrower pursuant to a Notice of Borrowing or a Notice of Conversion/Continuation, the Borrower may by giving notice (by telephone confirmed in writing) to the Administrative Agent (who shall promptly give similar notice to each Lender) no later than the date immediately prior to the date on which such Eurodollar Rate Loans are to be made, continued or converted withdraw as to the Affected Lender that Notice of Borrowing or Notice of Conversion/Continuation, as the case may be; or

(ii) Upon written notice to the Administrative Agent and each Lender, the Borrower may terminate the obligations of the Lenders to make Term Loans as, and to convert Term Loans into, Eurodollar Rate Loans and in such event, the Borrower shall, prior to the time any payment pursuant to Section 2.09(c) hereof is required to be made or, if the provisions of Section 2.09(d) hereof are applicable, at the end of the then current Interest Period, convert all of such Eurodollar Rate Loans into Base Rate Loans; or

(iii) The Borrower may give notice (by telephone confirmed in writing) to the Affected Lender and the Administrative Agent (who shall promptly give similar notice to each Lender) and require the Affected Lender to make the Eurodollar Rate Loan then being requested as a Base Rate Loan or to continue to maintain its outstanding Base Rate Loan then the subject of a Notice of Conversion/Continuation as a Base Rate Loan or to convert its Eurodollar Rate Loan then outstanding that is so affected into a Base Rate Loan at the end of the then current Interest Period (or at such earlier time as prepayment is otherwise required to be made pursuant to Section 2.09(c) hereof), that notice to pertain only to the Term Loan of the Affected Lender and to have no effect on the obligations of the other Lenders to make or maintain Eurodollar Rate Loans or to convert Base Rate Loans into Eurodollar Rate Loans.

(e) *Compensation* . The Borrower shall compensate each Lender, upon written request by that Lender (which request shall set forth in reasonable detail the basis for requesting such amounts), for all reasonable losses, expenses and liabilities (including, without limitation, any interest paid by that Lender to lenders of funds borrowed by it to make or carry its Eurodollar Rate Loans and any loss (other than loss of margins) sustained by that Lender in connection with the re-employment of such funds), which that Lender may sustain with respect to its Eurodollar Rate Loans if for any reason (other than a default or error by that Lender) (i) a borrowing of any Eurodollar Rate Loan does not occur on a date specified therefor in a Notice of Borrowing or Notice of Conversion/Continuation or a telephonic request for borrowing, (ii) any repayment or conversion of any of such Lender’s Eurodollar Rate Loans occurs on a date which is not the last day of the Interest Period applicable to that Eurodollar Rate Loan, (iii) any repayment of any such Lender’s Eurodollar Rate Loans is not made on any date specified in a notice of repayment given by the Borrower, or (iv) as a consequence of any other failure by the Borrower to repay such Lender's Eurodollar Rate Loans when required by the terms of this Agreement.

(f) *Affected Lender's Obligation to Mitigate* . Each Lender agrees that, as promptly as practicable after it becomes aware of the occurrence of an event or the existence of a condition that would cause it to be an Affected Lender under Section 2.09(b) or 2.09(c) hereof, it will, to the extent not inconsistent with such Lender's internal policies, use reasonable efforts to make, fund or maintain the affected Term Loan of such Lender through another Applicable Lending Office if as a result thereof the additional moneys which would otherwise be required to be paid in respect of such Loans pursuant to Section 2.09(b) hereof would be materially reduced or the illegality or other adverse circumstances which would otherwise require prepayment of such Term Loan pursuant to Section 2.09(c) hereof would cease to exist and if, as determined by such Lender, in its sole discretion, the making, funding or maintaining of such Term Loan through such other Applicable Lending Office would not otherwise materially adversely affect such Term Loan or such Lender. The Borrower hereby agrees to pay all reasonable expenses incurred by any Lender in utilizing another Applicable Lending Office pursuant to this Section 2.09(f).

(g) *Booking of Term Loans* . Each Term Loan shall be booked by the Lender making such Term Loan at, to, or for the account of, its Applicable Lending Office for such Term Loan.

(h) *Increased Costs* . Except as provided in Section 2.09(b) or with respect to Taxes or Domestic Taxes imposed on or with respect to any payment made by the Borrower under this Agreement or any Note, which shall be governed by Section 2.13, if, by reason of (x) after the date hereof, the introduction of or any change (including, without limitation, any change by way of imposition or increase of reserve requirements) in or in the interpretation of any law or regulation (whether or not proposed or published prior to the date hereof), or (y) the compliance with any guideline or request from any central bank or other Governmental Authority or quasi governmental authority exercising control over banks or financial institutions generally (whether or not having the force of law):

(i) any Lender (or its Applicable Lending Office) shall be subject to any tax, duty or other charge with respect to its Eurodollar Rate Loans or its obligation to make Eurodollar Rate Loans or its deposits, reserves, other liabilities or capital attributable thereto; or

(ii) any reserve (including, without limitation, any imposed by the Board), special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit (including participations therein) extended by, any Lender's Applicable Lending Office shall be imposed or deemed applicable or any other condition affecting its Eurodollar Rate Loans or its obligation to make Eurodollar Rate Loans shall be imposed on any Lender or its Applicable Lending Office or the interbank Eurodollar market;

and as a result thereof there shall be any increase in the cost to that Lender of agreeing to make or making, funding or maintaining, continuing or converting to Eurodollar Rate Loans (except to the extent such Lender is entitled to compensation therefor during the relevant Interest Period pursuant to Section 2.07(e) or Section 2.11), or there shall be a reduction in the amount received or receivable by that Lender or its Applicable Lending Office, then the Borrower shall from time to time, upon written notice from and demand by that Lender (which shall be promptly furnished upon the Lenders being made subject thereto) (with a copy of such notice and demand to the Administrative Agent), pay to the Administrative Agent for the account of that Lender, within five Business Days after the date specified in such notice and demand, additional amounts sufficient to indemnify that Lender against such increased cost. A certificate as to the basis for and calculation of the amount of such increased cost, submitted to the Borrower and the Administrative Agent by that Lender, shall, absent manifest error, be final, conclusive and binding for all purposes.

(i) *Certain Requirements* . Notwithstanding anything herein to the contrary, for purposes of this Agreement, (x) the Dodd Frank Wall Street Reform and Consumer Protection Act, and all requests, rules, guidelines and directives promulgated thereunder and (y) all requests, rules, guidelines or directives concerning capital adequacy promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or United States regulatory authorities, in each case pursuant to Basel III, shall be deemed to have been adopted after the date hereof, regardless of the date enacted or adopted.

(j) *Assumption Concerning Funding of Eurodollar Rate Loans* . Calculation of all amounts payable to a Lender under this Section 2.09 in respect of a Eurodollar Rate Loan shall be made as though that Lender had actually funded its Eurodollar Rate Loan through the purchase of a Eurodollar deposit, bearing interest at the Eurodollar Rate applicable to such Eurodollar Rate Loan in an amount equal to the amount of the Eurodollar Rate Loan and having a maturity comparable to the relevant Interest Period and through the transfer of such Eurodollar deposit, from an offshore office of that Lender to a domestic office of that Lender in the United States of America; *provided, however* , that each Lender may fund each of its Eurodollar Rate Loans in any manner it sees fit and the foregoing assumption shall be utilized only for the calculations of amounts payable under this Section 2.09.

(k) *Eurodollar Rate Loans After Default* . After the occurrence of and during the continuance of a Potential Event of Default or an Event of Default, the Administrative Agent may, upon the request of the Required Lenders, prohibit Term Loans from being converted into or continued as Eurodollar Rate Loans.

Section 2.10. *Capital Requirements.* If while any portion of the Total Commitment is in effect or any Term Loans are outstanding, any Lender determines that the adoption of any law, treaty, rule, regulation, guideline or order regarding capital adequacy or capital maintenance or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by such Lender, with any request or directive regarding capital adequacy or capital maintenance (whether or not having the force of law and whether or not the failure to comply therewith would be unlawful) of any such Governmental Authority, central bank or comparable agency, has or would have the effect of increasing the amount of capital required to be maintained by such Lender or by any corporation controlling such Lender (including, without limitation, with respect to any Lender’s Commitment), then the Borrower shall from time to time, within 15 days of written notice and demand from such Lender (with a copy to the Administrative Agent), pay to the Administrative Agent, for the account of such Lender or such corporation controlling such Lender, additional amounts sufficient to compensate such Lender or such corporation controlling such Lender for the cost of such additional required capital, to the extent such Lender or such corporation controlling such Lender determines such increase to be attributable to the existence, issuance or maintenance of such Term Loan or obligations for the account of the Borrower. A certificate showing in reasonable detail the computations made in arriving at such cost, submitted to the Borrower and the Administrative Agent by such Lender shall, absent manifest error, be final, conclusive and binding for all purposes.

Section 2.11. *Regulation D Compensation.* If and so long as a reserve requirement of the type described in the definition of “Eurodollar Reserve Percentage” is prescribed by the Board of Governors of the Federal Reserve System (or any successor), each Lender subject to such requirement may require the Borrower to pay, contemporaneously with each payment of interest on each of such Lender’s Eurodollar Loans additional interest on such Eurodollar Loan at a rate per annum determined by such Lender up to but not exceeding the excess of (a) (i) the applicable Eurodollar Rate divided by (ii) one *minus* the Eurodollar Reserve Percentage over (b) the applicable Eurodollar Rate. Any Lender wishing to require payment of such additional interest (x) shall so notify the Borrower and the Administrative Agent, in which case such additional interest on the Eurodollar Loans of such Lender shall be payable to such Lender at the place indicated in such notice with respect to each Interest Period commencing at least three Business Days after such Lender gives such notice and (y) shall notify the Borrower at least five Business Days before each date on which interest is payable on the Eurodollar Loans of the amount then due it under this Section.

Section 2.12. *Defaulting Lenders.* Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) Fees shall cease to accrue on the Commitment of such Defaulting Lender pursuant to Section 2.06(a).

(b) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.01 or Section 8.04, then the Administrative Agent may, in its discretion and notwithstanding any contrary provision hereof, (i) apply any amounts thereafter received by the Administrative Agent for the account of such Lender under this Agreement for the benefit of the Administrative Agent to satisfy such Lender's obligations to it under such Section until all such unsatisfied obligations are fully paid, and/or (ii) hold any such amounts in a segregated account as cash collateral for, and application to, any future funding obligations of such Lender under any such Section, in the case of each of clauses (i) and (ii) above, in any order as determined by the Administrative Agent in its discretion.

Section 2.13. *Taxes* .

(a) Any and all payments by the Borrower to or for the account of any Lender or the Administrative Agent hereunder or under any Note shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, *excluding* , (i) in the case of each Lender and the Administrative Agent, taxes imposed on or measured by its income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Lender or the Administrative Agent (as the case may be) is organized or any political subdivision thereof, (ii) in the case of each Lender, taxes imposed on or measured by its income, and franchise or similar taxes imposed on it, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof, and (iii) taxes resulting from FATCA (all such non-excluded taxes, duties, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as its " **Taxes** ", and all such excluded taxes being hereinafter referred to as its " **Domestic Taxes** "). If the Borrower or the Administrative Agent (the " **Withholding Agent** ") shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Lender or the Administrative Agent, (i) the sum payable by the Borrower shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.13) such Lender or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Withholding Agent shall make such deductions, (iii) such Withholding Agent shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) if the Withholding Agent is the Borrower, the Borrower shall furnish to the Administrative Agent, at its address referred to in Section 9.07, the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, or charges or similar levies which arise from any payment made hereunder or under any Note or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note (hereinafter referred to as " **Other Taxes** ").

(c) The Borrower agrees to indemnify each Lender and the Administrative Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 2.13) paid or payable by such Lender or the Administrative Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto; *provided* , the Borrower shall not be obligated to indemnify any party hereunder pursuant to this Section for penalties, interest or similar liabilities arising therefrom or with respect thereto to the extent such penalties, interest or similar liabilities are attributable to the gross negligence or willful misconduct by such party. In addition, the Borrower agrees to indemnify the Administrative Agent and each Lender for all Domestic Taxes and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, in each case to the extent that such Domestic Taxes result from any payment or indemnification pursuant to this Section for (i) Taxes or Other Taxes imposed by any jurisdiction other than the United States or (ii) Domestic Taxes of the Administrative Agent or such Lender, as the case may be. This indemnification shall be made within 15 days from the date such Lender or the Administrative Agent (as the case may be) makes demand therefor.

(d) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made hereunder or under any Note shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to any withholding (including backup withholding) or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Sections 2.13, (f), (g) and (h) below) shall not be required if in the Lender’s reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense (and the Borrower has not elected to reimburse such cost or expense) or would materially prejudice the legal or commercial position of such Lender.

(e) Without limiting the foregoing, at the times indicated herein, each Lender organized under the laws of a jurisdiction outside the United States shall provide the Borrower and the Administrative Agent with Internal Revenue Service form W-8BEN, W-8IMY (accompanied by a form W-8ECI, W-8BEN, W-9 and other certification documents from each beneficial owner, as applicable) or W-8ECI (in each case accompanied by any statements which may be required under applicable Treasury regulations), as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Lender is entitled to receive payments under this Agreement (i) without deduction or withholding of any United States federal income taxes or (ii) subject to a reduced rate of United States federal withholding tax, unless, in each case of clause (i) and (ii) of this Section 2.13(e), an event (including, without limitation, any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders such forms inapplicable or which would prevent the Lender from duly completing and delivering any such form with respect to it and the Lender advises the Borrower and the Administrative Agent that it is not capable of receiving payments without any deduction or withholding of such taxes. Such forms shall be provided (x) on or prior to the date of the Lender’s execution and delivery of this Agreement in the case of each Lender listed on the signature pages hereof, and on or prior to the date on which it becomes a Lender in the case of each other Lender, and (y) on or before the date that such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form so delivered by the Lender. If the form provided by a Lender at the time such Lender first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, United States withholding tax at such rate shall be considered excluded from “Taxes” as defined in Section 2.13(a) and shall not be subject to indemnification pursuant to Section 2.13(c), unless the assignor of such Lender was entitled, at the time of such assignment, to receive additional amounts from the Borrower with respect to such withholding taxes pursuant to Section 2.13(a). In addition, to the extent that for reasons other than a change of treaty, law or regulation any Lender becomes subject to an increased rate of United States interest withholding tax while it is a party to this Agreement, United States withholding tax at such increased rate shall be considered excluded from “Taxes” as defined in Section 2.13(a).

(f) Any Lender that is a “United States person” within the meaning of Section 7701(a)(30) of the Code shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Borrower or the Administrative Agent), executed originals of Internal Revenue Service form W-9 certifying, to the extent such Lender is legally entitled to do so, that such Lender is exempt from U.S. Federal backup withholding tax.

(g) If a payment made to a Lender hereunder or under any Note would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower or the Administrative Agent to comply with its obligations under FATCA, to determine that such Lender has or has not complied with such Lender’s obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for the purposes of this Section 2.13(g), “FATCA” shall include any amendments made to FATCA after the date of this Agreement, whether or not included in the definition of FATCA.

(h) Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(i) For any period with respect to which a Lender organized under the laws of a jurisdiction outside the United States has failed to provide the Borrower with the appropriate form in accordance with Section 2.13(e) (unless such failure is excused by the terms of Section 2.13(e)), such Lender shall not be entitled to indemnification under Section 2.13(a) or Section 2.13(c) with respect to Taxes imposed by the United States; *provided, however* , that should a Lender, which is otherwise exempt from or subject to a reduced rate of withholding tax, become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Lender shall reasonably request to assist such Lender to recover such Taxes.

(j) Each Lender shall severally indemnify the Administrative Agent for any Taxes and Domestic Taxes (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Taxes and Domestic Taxes and without limiting the obligation, if any, of the Borrower to do so), in each case attributable to such Lender that are paid or payable by the Administrative Agent in connection with this Agreement or any Note, and any reasonable expenses arising therefrom or with respect thereto. This indemnification shall be made within 15 days from the date the Administrative Agent makes demand therefor.

(k) Each party's obligations under this Section 2.13 shall survive any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all other obligations under this Agreement or any Note.

(l) If the Administrative Agent or a Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section, it shall pay over such refund to Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses with respect to such refund of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); *provided* that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This Section shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person.

ARTICLE 3
CONDITIONS TO TERM LOANS

Section 3.01. *Conditions to Effectiveness.* The effectiveness of this Agreement is subject to satisfaction of each of the following conditions:

(a) On or before the Effective Date, the Borrower shall have delivered to the Lenders (or to the Administrative Agent with sufficient copies, originally executed where appropriate, for each Lender) each, unless otherwise noted, dated the Effective Date:

(i) Certified copies of its Certificate of Incorporation, together with a good standing certificate from the Secretary of State of the jurisdiction of its incorporation, each to be dated a recent date prior to the Effective Date;

(ii) Copies of its Bylaws, certified as of the Effective Date by its corporate secretary or an assistant secretary;

(iii) Resolutions of its Board of Directors, directly or indirectly, approving and authorizing the execution, delivery and performance of this Agreement and any other documents, instruments and certificates required to be executed by the Borrower in connection herewith and, directly or indirectly, approving and authorizing the incurrence of the Term Loans, each certified as of the Effective Date by its corporate secretary or an assistant secretary as being in full force and effect without modification or amendment;

(iv) Signature and incumbency certificates with respect to the Persons executing this Agreement;

(v) Executed copies of this Agreement; and

(vi) Such other documents as the Administrative Agent may reasonably request.

(b) The Borrower shall have paid all fees and other amounts due and payable to the Agents and the Lenders on or before the Effective Date and for which invoices have been received by the Borrower reasonably in advance of the Effective Date.

(c) The Administrative Agent shall have received an originally executed copy of the favorable written opinions of Gibson, Dunn & Crutcher LLP, special counsel to the Borrower, and Jayne M. Donegan, Esq., Senior Associate General Counsel of the Borrower, each dated as of the Effective Date and substantially in the form of Exhibits B and C annexed hereto; the Borrower hereby expressly instructs such counsel to prepare such opinion and deliver it to the Lenders for their benefit and such opinion shall contain a statement to that effect.

(d) The Administrative Agent shall have received an originally executed copy of the favorable written opinion of Davis Polk & Wardwell LLP, special counsel to the Agents, dated as of the Effective Date, substantially in the form of Exhibit D annexed hereto.

(e) The representations and warranties of the Borrower contained herein shall be true, correct and complete in all material respects as of the Effective Date.

(f) No Event of Default or Potential Event of Default shall have occurred and be continuing.

The Administrative Agent shall promptly notify the Borrower, the Lenders and the Administrative Agent of the satisfaction of the conditions set forth in this Section 3.01, and such notice shall be conclusive and binding on all parties hereto.

Section 3.02. *Conditions to Making of Term Loans.* The obligation of each Lender to make its Term Loan pursuant to a Notice of Borrowing is subject to satisfaction or waiver by the Required Lenders, on or prior to the Delayed Draw Expiration Date, of the following further conditions precedent:

(a) With respect to the Term Loans, the Administrative Agent shall have received, on or prior to 10:30 A.M. (New York City time) on the Funding Date, an originally executed Notice of Borrowing signed by any of the chief executive officer, the chief financial officer, the treasurer or any assistant treasurer of the Borrower (the furnishing by the Borrower of such Notice of Borrowing shall be deemed to constitute a representation and warranty of the Borrower that the condition set forth in Section 3.02 (b) hereof will be satisfied on the Funding Date).

(b) The Acquisition shall have been, or substantially concurrently with the Borrowing on the Funding Date shall be, consummated pursuant to and substantially in accordance with the terms set forth in the Acquisition Agreement (without any amendment, modification or waiver thereof or any consent thereunder which is materially adverse to the Lenders without the prior written consent of the Administrative Agent (which consent shall not be unreasonably withheld or delayed)).

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

In order to induce the Lenders to enter into this Agreement and to make the Term Loans, the Borrower represents and warrants to each Lender as of the Effective Date that the following statements are true, correct and complete:

Section 4.01. *Organization, Powers and Good Standing.* (a) *Organization and Powers* . The Borrower is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation. The Borrower has all requisite corporate power and authority (i) to own and operate its properties and to carry on its business as now conducted and proposed to be conducted, except where the lack of corporate power and authority would not have a Material Adverse Effect and (ii) to enter into this Agreement and to carry out the transactions contemplated hereby.

(b) *Good Standing* . The Borrower is in good standing wherever necessary to carry on its present business and operations, except in jurisdictions in which the failure to be in good standing would not have a Material Adverse Effect.

Section 4.02. *Authorization of Borrowing, Etc.* (a) *Authorization of Borrowing* . The execution, delivery and performance of this Agreement, and the Borrowing, have been duly authorized by all necessary corporate action by the Borrower.

(b) *No Conflict* . The execution, delivery and performance by the Borrower of this Agreement and any Notes and the Borrowing do not and will not (i) violate any provision of law applicable to the Borrower or any of its Subsidiaries except to the extent such violation would not reasonably be expected to result in a Material Adverse Effect, (ii) violate the Certificate of Incorporation or Bylaws of the Borrower or any of its Subsidiaries, (iii) violate any order, judgment or decree of any court or other Governmental Authority binding on the Borrower or any of its Subsidiaries, except to the extent such violation would not reasonably be expected to result in a Material Adverse Effect, (iv) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any Contractual Obligation of the Borrower or any of its Subsidiaries, except to the extent such conflict, breach or default would not reasonably be expected to result in a Material Adverse Effect, or (v) result in or require the creation or imposition of any material Lien upon any of the material properties or assets of the Borrower or any of its Subsidiaries or (vi) require any approval of stockholders or any approval or consent of any Person under any Contractual Obligation of the Borrower or any of its Subsidiaries other than such approvals and consents which (x) have been or will be obtained on or before the Effective Date or (y) the failure to obtain would not reasonably be expected to result in a Material Adverse Effect.

(c) *Governmental Consents* . The execution, delivery and performance by the Borrower of this Agreement and the issuance, delivery and performance by the Borrower of any Notes will not require on the part of the Borrower any registration with, consent or approval of, or notice to, or other action to, with or by, any Governmental Authority other than any such registration, consent, approval, notice or other action which (i) has been duly made, given or taken or (ii) the failure to make, obtain, give or take would not reasonably be expected to result in a Material Adverse Effect.

(d) *Binding Obligation* . This Agreement is and any Notes to be issued when executed and delivered and each Term Loan when made will be a legally valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

Section 4.03. *Financial Condition.* The Borrower has delivered to the Lenders:

(a) the audited consolidated financial statements of the Borrower and its subsidiaries for the fiscal year ended December 29, 2012 and the unaudited interim financial statements of the Borrower and its subsidiaries for September 28, 2013 and the fiscal quarter and period of three fiscal quarters then ended (collectively, the " **Financial Statements** "). All such Financial Statements were prepared in accordance with generally accepted accounting principles except for the preparation of footnote disclosures for the unaudited statements. All such Financial Statements fairly present the consolidated financial position of the Borrower and its subsidiaries as at the respective dates thereof and the consolidated statements of income and cash flows of the Borrower and its subsidiaries for each of the periods covered thereby, subject, in the case of any unaudited interim financial statements, to changes resulting from normal year-end adjustments.

Section 4.04. *No Material Adverse Change.* Since December 29, 2012, there has been no change in the business, operations, properties, assets or financial condition of the Borrower or any of its Subsidiaries, which has been, either in any case or in the aggregate, materially adverse to the Borrower and its Subsidiaries, taken as a whole.

Section 4.05. *Litigation.* Except as disclosed in the Borrower's Annual Report on Form 10-K for the fiscal year ended December 29, 2012, there is no action, suit, proceeding, governmental investigation (including, without limitation, any of the foregoing relating to laws, rules and regulations relating to the protection of the environment, health and safety) of which the Borrower has knowledge or arbitration (whether or not purportedly on behalf of the Borrower or any of its Subsidiaries) at law or in equity or before or by any Governmental Authority, domestic or foreign, pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any of its Subsidiaries or any property of the Borrower or any of its Subsidiaries which is probable of being successful and which would have a Material Adverse Effect.

Section 4.06. *Payment of Taxes.* Except to the extent permitted by Section 5.03, all taxes, assessments, fees and other governmental charges upon the Borrower and each of its Subsidiaries and upon their respective properties, assets, income and franchises which are material to the Borrower and its Subsidiaries, taken as a whole, and were due and payable, have been paid.

Section 4.07. *Governmental Regulation.* (a) Neither the Borrower nor any of its Subsidiaries is subject to any federal or state statute or regulation limiting its ability to incur Indebtedness for money borrowed as contemplated by this Agreement.

(b) Neither the Borrower nor any of its Subsidiaries is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 4.08. *Securities Activities.* Neither the Borrower nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock.

Section 4.09. *ERISA Compliance.* (a) The Borrower and its Subsidiaries and each of their respective ERISA Affiliates are in compliance with all applicable provisions of ERISA and the regulations and published interpretations thereunder with respect to all Pension Plans and all Multiemployer Plans, except as could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

(b) No Termination Event has occurred or is reasonably expected to occur with respect to any Pension Plan, as the case may be, which has resulted or would result in any liability to the PBGC (or any successor thereto) or to any other Person under Section 4062, 4063, or 4064 of ERISA, except as could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

(c) Neither the Borrower nor any of its ERISA Affiliates has incurred or reasonably expects to incur any withdrawal liability under Part E of Title IV of ERISA to any Multiemployer Plan except as could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

(d) The sum of the amount of unfunded benefit liabilities under all Pension Plans (excluding each Pension Plan with an amount of unfunded benefit liabilities of zero or less) which are required by

ERISA to be funded in the current fiscal year could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

(e) Neither the Borrower nor any of its ERISA Affiliates has incurred any accumulated funding deficiency (whether or not waived) with respect to any Pension Plan except as could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

(f) Neither the Borrower nor any of its ERISA Affiliates has or reasonably expects to become subject to a lien in favor of any Pension Plan under Section 302(f) of ERISA except as could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

As used in this Section 4.09, the term " **amount of unfunded benefit liabilities** " has the meaning specified in Section 4001(a)(18) of ERISA, and the term " **accumulated funding deficiency** " has the meaning specified in Section 302 of ERISA and Section 412 of the Code.

Section 4.10. *Certain Fees.* No broker's or finder's fee or commission will be payable by the Borrower with respect to the offer, issuance and sale of any Note or the Borrowing or the execution, delivery and performance of this Agreement.

Section 4.11. *Subsidiaries.* Each of the Borrower's Subsidiaries is a corporation, limited liability company or other business entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and has all corporate and similar constitutional powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except to the extent the failure to be in good standing or the failure to have such licenses, authorizations, consents or approvals would not reasonably be expected to result in a Material Adverse Effect.

Section 4.12. *Economic Sanctions and Anti-Corruption Matters.* The Borrower has implemented and will maintain in effect and use reasonable efforts to enforce policies and procedures designed to ensure compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws, and the Borrower, its directors and officers, its Subsidiaries and their respective, directors, executive officers and, to the knowledge of the Borrower, its and their respective employees, agents and Affiliates, are in compliance with Anti-Corruption Laws in all material respects. Neither the Borrower nor any Subsidiary, nor, to the knowledge of the Borrower, any director or officer of the Borrower or any Subsidiary is (i) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by the Office of Foreign Assets Control, U.S. Department of Treasury (" **OFAC** ") (an " **OFAC Listed Person** "), (ii) located, organized or resident in a country that is the subject of comprehensive U.S. economic sanctions administered by OFAC, currently Iran, Sudan, Cuba, Syria and North Korea (a " **Target Country** ") or (iii) a department, agency or instrumentality of, or is otherwise controlled by or acting on behalf of, or engages in any dealings or transactions with, directly or indirectly, (x) any OFAC Listed Person or (y) the government of a Target Country (each OFAC Listed Person and each other entity described in clause (iii), a " **Prohibited Person** "). No part of the Term Loans will be used or made available, directly or indirectly, in connection with any investment in, or any transactions or dealings with, any Prohibited Person where such investments, transactions or dealings would reasonably be expected to cause the making, holding or receipt of any payment or exercise of any rights in respect of the Term Loan made by any Lender to violate any OFAC administered sanctions program applicable to such Lender, or for the purpose of financing the activities of, transactions with or acquiring an interest in any OFAC Listed Person, except to the extent licensed or otherwise approved by OFAC.

ARTICLE 5
AFFIRMATIVE COVENANTS

The Borrower covenants and agrees that, so long as any of the Commitments hereunder shall be in effect or there is any Total Outstanding Amount, unless Required Lenders shall otherwise give prior written consent, it shall perform all covenants in this Article 5:

Section 5.01. *Financial Statements and Other Reports.* The Borrower will maintain, and cause each of its subsidiaries to maintain, a system of accounting established and administered in accordance with sound business practices to permit preparation of consolidated financial statements in conformity with GAAP in effect from time to time. The Borrower will deliver to the Lenders (except to the extent otherwise expressly provided below in Section 5.01(b)):

(a) (i) as soon as practicable and in any event within 45 days after the end of each fiscal quarter ending after the Effective Date in the Borrower's fiscal year the consolidated balance sheet of the Borrower and its consolidated subsidiaries as at the end of such period, and the related consolidated statements of income and cash flows of the Borrower and its consolidated subsidiaries in each case certified by the chief financial officer or controller of the Borrower that they fairly present the financial condition of the Borrower and its consolidated subsidiaries as at the dates indicated and the results of their operations and changes in their cash flows, subject to changes resulting from audit and normal year end adjustments, based on their respective normal accounting procedures applied on a consistent basis (except as noted therein);

(ii) as soon as practicable and in any event within 90 days after the end of each fiscal year the consolidated balance sheet of the Borrower and its consolidated subsidiaries as at the end of such year and the related consolidated statements of income and cash flows of the Borrower and its consolidated subsidiaries for such fiscal year, accompanied by a report thereon of independent certified public accountants of recognized national standing selected by the Borrower which report shall be unqualified as to going concern and scope of audit and shall state that such consolidated financial statements present fairly the financial position of the Borrower and its consolidated subsidiaries as at the dates indicated and the results of their operations and changes in their cash flows for the periods indicated in conformity with generally accepted accounting principles applied on a basis consistent with prior years (except as noted in such report) and that the examination by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards;

(b) (i) together with each delivery of financial statements of the Borrower and its consolidated subsidiaries pursuant to subdivisions (a)(i) and (a)(ii) above, (A) an Officer's Certificate of the Borrower stating that the signer has reviewed the terms of this Agreement and has made, or caused to be made under such signer's supervision, a review in reasonable detail of the transactions and condition of the Borrower and its consolidated subsidiaries during the accounting period covered by such financial statements and that such review has not disclosed the existence during or at the end of such accounting period, and that the signer does not have knowledge of the existence as at the date of the Officers' Certificate, of any condition or event which constitutes an Event of Default or Potential Event of Default, or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action the Borrower has taken, is taking and proposes to take with respect thereto; and (B) a Compliance Certificate demonstrating in reasonable detail compliance (as determined in accordance with GAAP during and at the end of such accounting periods) with the restrictions contained in Section 6.03 and, in addition, a written statement of the chief accounting officer, chief financial officer, any vice president or the treasurer or any assistant treasurer of the Borrower describing in reasonable detail the differences between the financial information contained in such financial statements and the information contained in the Compliance Certificate relating to the Borrower's compliance with Section 6.03 hereof;

(ii) promptly upon their becoming available but only to the extent requested by a Lender, copies of all publicly available financial statements, reports, notices and proxy statements sent or made available generally by the Borrower to its security holders or by any Subsidiary of the Borrower to its security holders other than the Borrower or another Subsidiary, of all regular and periodic reports and all registration statements and prospectuses, if any, filed by the Borrower or any of its Subsidiaries with any securities exchange or with the Securities and Exchange Commission and of all press releases and other statements made available generally by the Borrower or any Subsidiary to the public concerning material developments in the business of the Borrower and its Subsidiaries;

(iii) promptly upon the chairman of the board, the chief executive officer, the president, the chief accounting officer, the chief financial officer, the treasurer or the general counsel of the Borrower obtaining knowledge (A) of any condition or event which constitutes an Event of Default or Potential Event of Default, (B) that any Person has given any notice to the Borrower or any Subsidiary of the Borrower or taken any other action with respect to a claimed default or event or condition of the type referred to in Section 7.02, or (C) of a material adverse change in the business, operations, properties, assets or condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole (other than any change which has been publicly disclosed), an Officer's Certificate specifying the nature and period of existence of any such condition or event, or specifying the notice given or action taken by such holder or Person and the nature of such claimed default, Event of Default, Potential Event of Default, event or condition, and what action the Borrower has taken, is taking and proposes to take with respect thereto; and

(iv) with reasonable promptness, such other information and data with respect to the Borrower or any of its subsidiaries as from time to time may be reasonably requested by any Lender.

Information required to be delivered pursuant to Sections 5.01(a) and 5.01(b)(ii) above shall be deemed to have been delivered on the date on which the Borrower provides notice to the Lenders that such information has been posted on the Borrower's website on the Internet at the website address listed on the signature pages hereof, at http://www.sec.gov/edaux/searches.htm or at another website identified in such notice and accessible by the Lenders without charge; *provided* that (i) such notice may be included in a certificate delivered pursuant to Section 5.01(b) and (ii) the Borrower shall deliver paper copies of the information referred to in Sections 5.01(a) and 5.01(b)(ii) to any Lender which requests such delivery. The information required to be delivered pursuant to Section 5.01(b) may be delivered electronically to the Administrative Agent.

Section 5.02. *Conduct of Business and Corporate Existence* .

(a) Except as permitted by Section 6.01, the Borrower will at all times preserve and keep in full force and effect its corporate existence.

(b) Except as permitted by Section 6.01, the Borrower will at all times preserve and keep in full force and effect, and will cause each of its Subsidiaries to preserve and keep in full force and effect their respective rights and franchises of the business, except to the extent any such failure would not reasonably be expected to result in a Material Adverse Effect.

Section 5.03. *Payment of Taxes.* The Borrower will, and will cause each of its Subsidiaries to, pay all taxes, assessments and other governmental charges imposed upon it or any of its properties or assets or in respect of any of its franchises, business, income or property when due which are material to the Borrower and its Subsidiaries, taken as a whole, *provided* that no such amount need be paid if being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and if such reserve or other appropriate provision, if any, as shall be required in conformity with generally accepted accounting principles shall have been made therefor.

Section 5.04. *Maintenance of Properties; Insurance.* The Borrower will maintain or cause to be maintained in good repair, working order and condition all properties used or useful in the business of the Borrower and its Subsidiaries and from time to time will make or cause to be made all appropriate repairs and renewals thereto and replacements thereof, except to the extent the failure to so maintain, repair, renew or replace would not reasonably be expected to result in a Material Adverse Effect. The Borrower will maintain or cause to be maintained, with financially sound and reputable insurers, insurance with respect to its material properties and business and the material properties and business of its Subsidiaries against loss or damage of the kinds customarily insured against by corporations of established reputation engaged in the same or similar businesses and similarly situated, of such types and in such amounts as are customarily carried under similar circumstances by such other corporations and to the extent reasonably prudent may self-insure.

Section 5.05. *Inspection.* The Borrower shall permit any authorized representatives designated by any Lender to visit and inspect any of the properties of the Borrower or any of its Subsidiaries, including its and their financial and accounting records, and, to make copies and take extracts therefrom, and to discuss its and their affairs, finances and accounts with its and their officers, all upon reasonable notice and at such reasonable times during normal business hours and as often as may be reasonably requested; *provided* that any confidential information so obtained by any Lender shall remain confidential except where disclosure is mandated by applicable laws or such information otherwise becomes public other than by a breach by such Lender of this Section 5.05; *provided further* that this Section shall not prohibit any Lender from disclosing to any Agent (or any Agent from disclosing to any Lender) any Event of Default or Potential Event of Default.

Section 5.06. *Compliance with Laws.* The Borrower and its Subsidiaries shall comply in all material respects with the requirements of all applicable laws, rules, regulations and orders of any Governmental Authority (including, without limitation, laws, rules and regulations relating to the disposal of hazardous wastes and asbestos in the environment and ERISA), noncompliance with which would have a Material Adverse Effect.

ARTICLE 6
NEGATIVE COVENANTS

The Borrower covenants and agrees that, so long as any of the Commitments shall be in effect or there is any Total Outstanding Amount, unless the Required Lenders shall otherwise give prior written consent, it will perform all covenants in this Article 6:

Section 6.01. *Merger.* The Borrower may not consolidate with, merge with or into or sell, lease or otherwise transfer all or substantially all of its assets (as an entirety or substantially as an entirety in one transaction or a series of related transactions) to any Person unless:

(a) the Borrower shall be the continuing Person, or the Person (if other than the Borrower) formed by such consolidation or into which the Borrower is merged or to which the properties and assets of the Borrower are sold, leased or transferred shall be a solvent corporation organized and existing under the laws of the United States or any State thereof or the District of Columbia and shall expressly assume, by an agreement, executed and delivered to the Lenders, in form and substance reasonably satisfactory to the Administrative Agent, all of the obligations of the Borrower under this Agreement and the Notes;

(b) immediately before and immediately after giving effect to such transaction, no Event of Default and no Potential Event of Default shall have occurred and be continuing; and

(c) the Borrower shall deliver to the Lenders an Officer's Certificate (attaching the arithmetic computations to demonstrate compliance with Section 6.03) and an opinion of counsel, each stating that such consolidation, merger, sale, lease or transfer and such agreement comply with this Section 6.01 and that all conditions precedent herein provided for relating to such transaction have been complied with.

Section 6.02. *Liens.* The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, create, incur, assume or permit to exist any Lien on or with respect to any property or asset (including any document or instrument in respect of goods or accounts receivable) (other than Margin Stock) of the Borrower or any of its Subsidiaries, whether now owned or hereafter acquired, or any income or profits therefrom, except:

(i) Liens in existence on the date hereof (including, in the case of the Beech Companies, in existence on the date hereof on assets of the Beech Companies) and modifications, extensions, renewals, replacements or refinancings thereof, *provided* that such Liens are not extended to cover any other property, assets or revenues;

(ii) Permitted Encumbrances;

(iii) Liens on accounts receivable sold with recourse;

(iv) Liens incurred in connection with the acquisition or capital improvement of property, plant or equipment by the Borrower or any of its Subsidiaries, *provided* that the principal amount of the indebtedness so secured shall not exceed in any case 100% of the cost to the Borrower or such Subsidiary of the property, plant or equipment acquired and *provided, further* , that each such Lien shall cover only the property, plant or equipment acquired or improved and the proceeds thereof, substitutions therefor and replacements thereof;

(v) Liens existing upon any property of a company which is merged with or into or is consolidated into, or substantially all the assets or shares of capital stock of which are acquired by, the Borrower or its Subsidiaries, at the time of such merger, consolidation or acquisition; provided that such mortgage, pledge or other lien does not extend to any other property or assets, other than improvements to the property subject to such Lien; and

(vi) Liens (other than Liens permitted by clauses (i)-(v) above) securing obligations of the Borrower and its Subsidiaries (including Indebtedness) not in excess of an amount equal to the Pooled Basket Amount less the amount of unsecured Indebtedness of Subsidiaries permitted only pursuant to Section 6.05(a)(iii).

Nothing in this Section 6.02 shall prohibit the sale, assignment, transfer, conveyance or other disposition of any Margin Stock owned by the Borrower or any of its Subsidiaries at its fair value, or the creation, incurrence, assumption or existence of any Lien on or with respect to any Margin Stock.

Section 6.03. *Financial Covenant* . The Borrower will not at any time permit Consolidated Indebtedness of Textron Manufacturing to exceed an amount equal to 65% of Consolidated Capitalization.

Section 6.04. *Use of Proceeds.* Notwithstanding any provisions of this Agreement to the contrary, no portion of the proceeds of any borrowing under this Agreement shall be used by the Borrower in any manner which would cause the borrowing or the application of such proceeds to violate Regulation U, Regulation T, or Regulation X or any other regulation of the Board, or to violate the Exchange Act, in each case as in effect on the date or dates of such borrowing and such use of proceeds.

Section 6.05. *Subsidiary Indebtedness* .

(a) The Borrower will not permit any of its Subsidiaries, other than Finance Companies, to incur or be liable in respect of any Indebtedness, other than:

(i) Indebtedness owing to the Borrower or another Subsidiary;

(ii) Indebtedness secured by a Lien permitted by Section 6.02; and

(iii) Unsecured Indebtedness not in excess of an amount equal to the Pooled Basket Amount less the amount of Indebtedness of the Borrower secured by Liens permitted only pursuant to Section 6.02(vi).

(b) The Borrower will not permit the Finance Company Leverage Ratio at any time to exceed 9 to 1.

ARTICLE 7
EVENTS OF DEFAULT

If any of the following conditions or events (" **Events of Default** ") shall occur and be continuing:

Section 7.01. *Failure to Make Payments When Due.* Failure to pay any installment of principal of the Term Loans when due, whether at stated maturity, by acceleration, by notice of prepayment or otherwise; or failure to pay any interest on the Term Loans or any other amount due under this Agreement when due and such default shall continue for 5 days; or

Section 7.02. *Default in Other Agreements.* (i) Failure of the Borrower or any of its Subsidiaries to pay when due any principal or interest on any Indebtedness (other than Indebtedness referred to in Section 7.01) in an individual principal amount of $100,000,000 or more or items of Indebtedness with an aggregate principal amount of $100,000,000 or more beyond the end of any period prior to which the obligee thereunder is prohibited from accelerating payment thereunder or any grace period after the maturity thereof, or (ii) breach or default of the Borrower or any of its Subsidiaries (other than a default arising under any restrictive provision relating to any sale, pledge or other disposition of Margin Stock contained in a lending agreement to which any Lender or Affiliate thereof is a party) with respect to any other term of (x) any evidence of any Indebtedness in an individual principal amount of $100,000,000 or more or items of Indebtedness with an aggregate principal amount of $100,000,000 or more or (y) any loan agreement, mortgage, indenture or other agreement relating thereto, if such failure, default or breach shall continue for more than the period of grace, if any, specified therein and shall not at the time of acceleration hereunder be cured or waived; or

Section 7.03. *Breach of Certain Covenants.* Failure of the Borrower to perform or comply with any term or condition contained in (i) Section 5.02, 6.01, 6.03 or 6.04 of this Agreement or (ii) Section 6.05(b) of this Agreement, and in the case of clause (ii) only, such failure to perform or comply shall continue unremedied or waived for five Business Days; or

Section 7.04. *Breach of Warranty.* Any representation or warranty made by the Borrower in this Agreement or in any statement or certificate at any time given by the Borrower in writing pursuant hereto or thereto or in connection herewith or therewith shall be false in any material respect on the date as of which made; or

Section 7.05. *Other Defaults under Agreement.* The Borrower shall default in the performance of or compliance with any term contained in this Agreement other than those referred to above in Section 7.01, 7.03 or 7.04 and such default shall not have been remedied or waived within 30 days after receipt of notice from the Administrative Agent or any Lender of such default; or

Section 7.06. *Involuntary Bankruptcy; Appointment of Receiver, etc.* (a) A court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Borrower or any of its Restricted Subsidiaries in an involuntary case under the Bankruptcy Code or any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, which decree or order is not stayed; or any other similar relief shall be granted under any applicable federal or state law; or (b) an involuntary case is commenced against the Borrower or any of its Restricted Subsidiaries under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over the Borrower or any of its Restricted Subsidiaries, or over all or a substantial part of its property, shall have been entered; or an interim receiver, trustee or other custodian of the Borrower or any of its Restricted Subsidiaries for all or a substantial part of the property of the Borrower or any of its Restricted Subsidiaries is involuntarily appointed; or a warrant of attachment, execution or similar process is issued against any substantial part of the property of the Borrower or any of its Restricted Subsidiaries, and the continuance of any such events in subpart (b) for 60 days unless dismissed, bonded or discharged; or

Section 7.07. *Voluntary Bankruptcy; Appointment of Receiver, etc.* The Borrower or any of its Restricted Subsidiaries shall have an order for relief entered with respect to it or commence a voluntary case under the Bankruptcy Code or any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, or shall consent to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of its property; the making by the Borrower or any of its Restricted Subsidiaries of any assignment for the benefit of creditors; or the inability or failure of the Borrower or any of its Restricted Subsidiaries, or the admission by the Borrower or any of its Restricted Subsidiaries in writing of its inability to pay its debts as such debts become due; or the board of directors of the Borrower or any Restricted Subsidiary (or any committee thereof) adopts any resolution or otherwise authorizes action to approve any of the foregoing; or

Section 7.08. *Judgments and Attachments.* Any money judgment, writ or warrant of attachment, or similar process involving individually or in the aggregate an amount in excess of $100,000,000 shall be entered or filed against the Borrower or any Restricted Subsidiary or any of its assets and shall remain undischarged, unvacated, unbonded or unstayed, as the case may be, for a period of 30 days or in any event later than five days prior to the date of any proposed sale thereunder; or

Section 7.09. *Dissolution.* Any order, judgment or decree shall be entered against the Borrower or any of its Restricted Subsidiaries decreeing the dissolution or split up of the Borrower or that Restricted Subsidiary and such order shall remain undischarged or unstayed for a period in excess of 30 days; or

Section 7.10. *ERISA Title IV Liabilities.* (a) The Borrower or any of its ERISA Affiliates shall terminate or suffer the termination of (by action of the PBGC or any successor thereto) any Pension Plan, or shall suffer the appointment of or the institution of proceedings to appoint a trustee to administer any Pension Plan, or shall withdraw (under Section 4063 of ERISA) from a Pension Plan, if as of the date thereof or any subsequent date the sum of the Borrower's and each ERISA Affiliate's liabilities to the PBGC or any other Person under Sections 4062, 4063 and 4064 of ERISA (calculated after giving effect to the tax consequences thereof) resulting from or otherwise associated with the above described events could reasonably be expected to result in a Material Adverse Effect; or

(b) The Borrower or any of its ERISA Affiliates shall withdraw from any Multiemployer Plan and the aggregate amount of withdrawal liability (determined pursuant to Sections 4201 *et seq.* of ERISA) to which the Borrower and its ERISA Affiliates become obligated to all Multiemployer Plans requires annual payments that could reasonably be expected to result in a Material Adverse Effect; or

Section 7.11. *Change of Control.* A Change of Control shall occur;

THEN (i) upon the occurrence of any Event of Default described in the foregoing Sections 7.06 or 7.07, the unpaid principal amount of and accrued interest on the Term Loans shall automatically become immediately due and payable, without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by the Borrower, and the Commitments and the obligation of each Lender to make its Term Loan hereunder shall thereupon terminate, and (ii) upon the occurrence of any other Event of Default, the Required Lenders may, by written notice to the Borrower, (A) terminate the Commitments and the obligation of each Lender to make its Term Loan hereunder shall thereupon terminate and/or (B) declare the unpaid principal amount of and accrued interest on the Term Loans to be, and the same shall forthwith become, immediately due and payable. Nevertheless, if at any time within 60 days after acceleration of the maturity of the Term Loans, the Borrower shall pay all arrears of interest and all payments on account of the principal which shall have become due otherwise than by acceleration (with interest on principal and, to the extent permitted by law, on overdue interest, at the rates specified in this Agreement) and all other fees and expenses then owed hereunder and all Events of Default and Potential Events of Default (other than non payment of principal of and accrued interest on the Term Loans, in each case due and payable solely by virtue of acceleration) shall be remedied or waived pursuant to Section 9.05, then the Required Lenders by written notice to the Borrower may (in their sole discretion) rescind and annul the acceleration and its consequences; but such action shall not affect any termination of the Commitments or any subsequent Event of Default or Potential Event of Default or impair any right consequent thereon.

ARTICLE 8
AGENTS

Section 8.01. *Appointment.* Each of the Lenders hereby appoints and authorizes each Agent to act hereunder and under the other instruments and agreements referred to herein as its agent hereunder and thereunder. Each Agent agrees to act as such upon the express conditions contained in this Article 8. The provisions of this Article 8 are solely for the benefit of the Agents, and the Borrower shall not have any rights as a third party beneficiary of or any obligations under any of the provisions hereof other than Sections 8.05 and 8.06. In performing its functions and duties under this Agreement, each Agent shall act solely as agent of the Lenders and does not assume and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for the Borrower.

Section 8.02. *Powers; General Immunity*. (a) *Duties Specified* . Each Lender irrevocably authorizes each Agent to take such action on such Lender's behalf and to exercise such powers hereunder and under the other instruments and agreements referred to herein as are specifically delegated to such Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. The Agents shall have only those duties and responsibilities which are expressly specified in this Agreement and each may perform such duties by or through its agents or employees. The duties of the Agents shall be mechanical and administrative in nature; and no Agent shall have by reason of this Agreement a fiduciary or trust relationship in respect of any Lender or its Affiliates, and nothing in this Agreement, expressed or implied, is intended to or shall be so construed as to impose upon the Agents any obligations in respect of this Agreement or the other instruments and agreements referred to herein except as expressly set forth herein or therein.

(b) *No Responsibility for Certain Matters* . No Agent shall be responsible to any Lender for the execution, effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of this Agreement or the Term Loans, or for any representations, warranties, recitals or statements made herein or therein or made in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents in connection herewith or therewith furnished or made by such Agent to any Lender or by or on behalf of the Borrower to such Agent or any Lender, or be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Term Loans, or of the existence or possible existence of any Event of Default or Potential Event of Default.

(c) *Exculpatory Provisions* . Neither any Agent nor any of their respective officers, directors, employees or agents shall be responsible or liable to any Lender for any action taken or omitted hereunder or under the Notes or in connection herewith or therewith unless caused by its or their gross negligence or willful misconduct. If an Agent shall request instructions from any Lender with respect to any act or action (including the failure to take an action) in connection with this Agreement, such Agent shall be entitled to refrain from such act or taking such action unless and until such Agent shall have received instructions from the Required Lenders. Without prejudice to the generality of the foregoing, (i) the Agents shall be entitled to rely, and shall be fully protected in relying, upon any communication, instrument or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and shall be entitled to rely and shall be protected in relying on opinions and judgments of attorneys (who may be attorneys for the Borrower), accountants, experts and other professional advisors selected by it; and (ii) no Lender shall have any right of action whatsoever against any Agent as a result of such Agent acting or (where so instructed) refraining from acting under this Agreement or the other instruments and agreements referred to herein or therein in accordance with the instructions of the Required Lenders. The Agents shall be entitled to refrain from exercising any power, discretion or authority vested in it under this Agreement or the other instruments and agreements referred to herein or therein unless and until it has obtained the instructions of the Required Lenders.

(d) *Agents Entitled to Act as Lender* . The agency hereby created shall in no way impair or affect any of the rights and powers of, or impose any duties or obligations upon, any Agent in its respective individual capacity as a Lender hereunder. With respect to its participation in the Term Loans, each of JPMorgan Chase, Citibank, N.A., Bank of America, N.A. and The Bank of Tokyo-Mitsubishi UFJ, Ltd. shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not performing the duties and functions delegated to it hereunder, and the term " **Lender** " or " **Lenders** " or any similar term shall, unless the context clearly otherwise indicates, include the Agents in their respective individual capacity. Each of JPMorgan Chase, Citibank, N.A., Bank of

America, N.A. and The Bank of Tokyo-Mitsubishi UFJ, Ltd. and their respective Affiliates may accept deposits from, lend money to and generally engage in any kind of banking, trust, financial advisory or other business with the Borrower or any Affiliate or Subsidiary of the Borrower as if it were not performing the duties specified herein, and may accept fees and other consideration from the Borrower or any such Affiliate or Subsidiary for services in connection with this Agreement and otherwise without having to account for the same to the Lenders.

Section 8.03. *Representations and Warranties; No Responsibility for Appraisal of Creditworthiness.* Each Lender represents and warrants that it has made its own independent investigation of the financial condition and affairs of the Borrower in connection with the making of the Term Loans hereunder and has made and shall continue to make its own appraisal of the creditworthiness of the Borrower. No Agent shall have any duty or responsibility either initially or on a continuing basis to make any such investigation or any such appraisal on behalf of any Lender or to provide any Lender with any credit or other information with respect thereto whether coming into its possession before the making of the Term Loans or any time or times thereafter, and no Agent shall further have any responsibility with respect to the accuracy of or the completeness of the information provided to the Lenders.

Section 8.04. *Right to Indemnity.* Each Lender severally in accordance with its Applicable Percentage agrees to indemnify each Agent and the officers, directors, employees, agents and advisors and affiliates of each of them to the extent such Agent shall not have been reimbursed by the Borrower, for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including, without limitation, reasonable counsel fees and disbursements) or reasonable disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against such Agent in performing its duties hereunder or under the Notes or in any way relating to or arising out of this Agreement; *provided* that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from an Agent’s gross negligence or willful misconduct. If any indemnity furnished to an Agent for any purpose shall, in the opinion of such Agent, be insufficient or become impaired, such Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished.

Section 8.05. *Resignation by or Removal of the Agents.* (a) Any Agent may resign from the performance of all its functions and duties hereunder at any time by giving 30 days’ prior written notice to the Borrower and the Lenders. Such resignation shall take effect upon the acceptance by a successor Agent of appointment pursuant to clauses (b) and (c) below or as otherwise provided below. In addition, in the event the Administrative Agent becomes a Defaulting Lender, the Administrative Agent may be removed by the Borrower, with the consent of the Required Lenders.

(b) Upon any such notice of resignation or upon any such removal, the Required Lenders shall appoint a successor Agent who shall be satisfactory to the Borrower and shall be an incorporated bank or trust company with a combined surplus and undivided capital of at least $500 million.

(c) In the case of resignation of an Agent, if a successor Agent shall not have been so appointed within said 30 day period, the resigning Agent, with the consent of the Borrower, shall then appoint a successor Agent who shall serve in the same capacity as the resigning Agent until such time, if any, as the Required Lenders, with the consent of the Borrower, appoint a successor Agent as provided above.

Section 8.06. *Successor Agents.* Any Agent may resign at any time as provided in Section 8.05 hereof. Upon any such notice of resignation, the Required Lenders shall have the right, upon five days’ notice to the Borrower and subject to Section 8.05 hereof, to appoint a successor Agent. Upon the acceptance of any appointment by a successor Agent, that successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations as an Agent under this Agreement. After any retiring Agent's resignation hereunder as an Agent the provisions of this Article 8 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was an Agent under this Agreement.

Section 8.07. *Other Agents.* Nothing in this Agreement shall impose upon any Agent other than the Administrative Agent any duty or liability whatsoever in its capacity as an Agent.

ARTICLE 9
MISCELLANEOUS

Section 9.01. *Benefit of Agreement.* (a) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto, *provided* that the Borrower may not assign or transfer any of its interest hereunder without the prior written consent of the Lenders, except as permitted by Section 6.01.

(b) Any Lender may make, carry or transfer the Term Loan at the time owing to it at, to or for the account of, any of its branch offices or the offices of an Affiliate of such Lender, *provided* that doing so shall not cause the Borrower to incur any additional costs hereunder at the time of such transfer.

(c) Any Lender may assign its rights and delegate its obligations under this Agreement and further may sell participations in all or any part of the Term Loan made by it or its Commitment at the time owing to it or any other interest herein to another bank or other entity; *provided* that (i) in the case of an assignment, such Lender shall (A) give to the Borrower and the Administrative Agent prior notice thereof, and, in the case of any assignment, the Borrower and the Administrative Agent shall, except as set forth in the last sentence of this Section 9.01(c), have consented thereto (such consent not to be unreasonably withheld or delayed) and (B) comply with Section 9.01(e) hereof and thereupon, the assignee (the " **Purchasing Lender** ") shall have, to the extent of such assignment (unless otherwise provided thereby), the rights and benefits described in Section 9.01(e) hereof, and (ii) in the case of a participation, except as set forth below, (A) the participant shall not have any rights under this Agreement or any other document delivered in connection herewith (the participant's rights against such Lender in respect of such participation to be those set forth in the agreement executed by such Lender in favor of the participant relating thereto); *provided* that a participation agreement may provide that a Lender will not agree to any modification, amendment or waiver of any provision in this Agreement described in clause (i), (ii), or (iv) of Section 9.05(b) without the consent of the participant and (B) all amounts payable by the Borrower under Sections 2.09(e) and 2.09(h) hereof shall be determined as if the Lender had not sold such participation. Except with respect to interest rate, principal amount of the Term Loan, fees, scheduled dates for payment of principal or interest or fees, scheduled termination of commitments and commitment amounts, a Lender will not in any such participation agreement restrict its ability to make any modification, amendment or waiver to this Agreement without the consent of the participant. Any Lender may furnish any information concerning the Borrower in possession of such Lender from time to time to Affiliates of such Lender and to assignees and participants (including prospective assignees and participants), *provided, however* , that (i) except when such information is furnished to an Affiliate, the furnishing Lender shall give the Borrower prior notice of any furnishing of non public information (ii) the recipient shall agree to the terms of this Section 9.01 hereof and (iii) the furnishing of such information (and the nature, manner and extent thereof) by any Lender to its Affiliates and such assignees and participants shall be further governed by the relevant agreement, assignment or participation agreement relating to such arrangement, assignment or participation, as the case may be. Notwithstanding anything to the contrary in the foregoing, (A) any Lender may, without the consent of the Borrower or the

Administrative Agent, assign any of its rights and interests in Term Loans hereunder to (x) a federal reserve bank, (y) another Lender (other than a Defaulting Lender) or (z) any Affiliate of such Lender; (B) no consent of the Borrower to an assignment shall be required if at the time an Event of Default exists; (C) the Borrower shall be deemed to have consented to any assignment unless the Borrower shall object thereto by written notice to the Administrative Agent within fifteen Business Days after having received notice thereof, and (D) no assignment may be made to (x) the Borrower or any of its Affiliates or (y) to a natural person.

(d) Except pursuant to an assignment permitted by this Agreement but only to the extent set forth in such assignment, no Lender shall, as between the Borrower and that Lender, be relieved of any of its obligations hereunder as a result of any sale, transfer or negotiation of, or granting of participations in, all or any part of the Term Loan or Commitment of at the time owing to that Lender or other obligations owed to such Lender.

(e) Subject to Section 9.01(c), any Lender may at any time assign to one or more Lenders or other financial institutions all, or a proportionate part of all, of its rights and obligations under this Agreement, *provided* that (i) the minimum amount of such assignment shall be equivalent to (A) if the Purchasing Lender is not a Lender hereunder, $10,000,000 or the aggregate amount of the assigning Lender's Commitment (or if the Funding Date has occurred, of the outstanding principal amount of the assigning Lender's Term Loan), whichever is less and (B) if the Purchasing Lender is a Lender hereunder, $5,000,000 or the aggregate amount of the assigning Lender's Commitment (or if the Funding Date has occurred, of the outstanding principal amount of the assigning Lender's Term Loan), whichever is less and (ii) after giving effect to such assignment, the Commitment of the assigning Lender (or if the Funding Date has occurred, the outstanding principal amount of the assigning Lender's Term Loan) is equivalent to not less than $10,000,000, unless such assigning Lender shall have assigned all of its rights and obligations under this Agreement. Any assignment made pursuant to Section 9.01(c) hereof shall be made pursuant to a Transfer Supplement, substantially in the form of Exhibit G annexed hereto, executed by the Purchasing Lender, the transferor Lender, the Borrower and the Administrative Agent. Upon (i) such execution of such Transfer Supplement, (ii) delivery of an executed copy thereof to the Borrower, (iii) payment by such Purchasing Lender to such transferor Lender of an amount equal to the purchase price agreed between such transferor Lender and such Purchasing Lender, and (iv) payment by such Purchasing Lender or transferor Lender (as they shall mutually agree) to the Administrative Agent of a non refundable fee of $3,500 to cover administrative and other expenses which may be incurred in connection with such assignment, such Purchasing Lender shall for all purposes be a Lender party to this Agreement and shall have the rights (including without limitation the benefits of Sections 2.09 and 2.10) and obligations of a Lender under this Agreement to the same extent as if it were an original party hereto and thereto with the *pro rata* Share of the applicable Commitment (or if the Funding Date has occurred, of the applicable Term Loan) set forth in such Transfer Supplement, and no further consent or action by the Borrower, the Lenders or the Administrative Agent shall be required. Such Transfer Supplement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Lender and the resulting adjustment of *pro rata* Shares arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement and the Term Loans. Upon the consummation of any transfer to a Purchasing Lender pursuant to this paragraph (e), the transferor Lender, the Administrative Agent and the Borrower shall make appropriate arrangements so that, if requested, a replacement Note is issued to such transferor Lender and a new Note or, as appropriate, a replacement Note, if requested, issued to such Purchasing Lender, in each case in principal amounts reflecting their *pro rata* Shares or, as appropriate, their outstanding Term Loan, as adjusted pursuant to such Transfer Supplement. Notwithstanding anything to the contrary contained in this Agreement, neither the Borrower nor any of its Affiliates nor any Defaulting Lender may be a Purchasing Lender.

(f) Each Lender that sells a participation shall, acting solely for this purpose as a nonfiduciary agent of the Borrower, maintain a register on which it enters the name and address of each participant and the principal amounts (and stated interest) of each participant's interest in the Term Loans or other obligations under this Agreement (the " **Participant Register** "); *provided* that no Lender shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any participant or any information relating to a participant's interest in any commitments, loans or its other obligations under this Agreement) except to the extent that such disclosure is necessary to establish that such commitment, loan or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent clearly demonstrable error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

Section 9.02. *Expenses*. Whether or not the transactions contemplated hereby shall be consummated, the Borrower agrees to promptly pay (a) all the actual and reasonable out of pocket costs and expenses of the Agents in connection with the negotiation, preparation and execution of this Agreement; (b) the reasonable fees, expenses and disbursements of Davis, Polk & Wardwell LLP, special counsel to the Agents, in connection with the negotiation, preparation, execution and administration of this Agreement, the Term Loans and any amendments and waivers hereto or thereto; and (c) all costs and expenses (including attorneys' fees, expenses and disbursements, and costs of settlement) incurred by the Lenders in enforcing any obligations of or in collecting any payments due from the Borrower hereunder by reason of the occurrence of any Event of Default or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "work-out" or of any insolvency or bankruptcy proceedings or otherwise.

Section 9.03. *Indemnity*. In addition to the payment of expenses pursuant to Section 9.02 hereof, whether or not the transactions contemplated hereby shall be consummated, the Borrower agrees to indemnify, pay and hold each Agent and each Lender and the officers, directors, employees, agents, advisors and affiliates of each of them (collectively called the " **Indemnitees** ") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including, without limitation, the reasonable fees, expenses and disbursements of counsel for such Indemnitees in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not such Indemnitee shall be designated a party thereto), which may be imposed on, incurred by, or asserted against that Indemnitee, in any manner relating to or arising out of this Agreement, the Lenders' agreement to make the Term Loans or the use or intended use of the proceeds of any of the Term Loans hereunder (the " **indemnified liabilities** "); *provided* that, the Borrower shall have no obligation to any Indemnitee hereunder to the extent that such indemnified liabilities are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence or willful misconduct of that Indemnitee. To the extent that the undertaking to indemnify, pay and hold harmless set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy or otherwise, the Borrower shall contribute the maximum portion which it is permitted to pay and satisfy under applicable law, to the payment and satisfaction of all indemnified liabilities incurred by the Indemnitees or any of them.

Section 9.04. *Setoff* . Each Lender agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest then due with respect to the Term Loan held by it which is greater than the proportion received by any other Lender in respect of the aggregate amount of principal and interest then due with respect to the Term Loan held by such other Lender, the Lender receiving such proportionately greater payment shall purchase such participations in the Term Loans held by the other Lenders, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Term Loans held by the Lenders shall be shared by the Lenders pro rata; *provided* that nothing in this Section shall impair the right of any Lender to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Borrower other than its indebtedness under the Agreement. The Borrower agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Term Loan, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Borrower in the amount of such participation.

Section 9.05. *Amendments and Waivers.* No amendment, modification, termination or waiver of any provision of this Agreement or any Note or consent to any departure by the Borrower therefrom shall in any event be effective without the written concurrence of the Required Lenders; *provided* that (a) any amendment, modification, termination or waiver (i) of any provision that expressly requires the approval or concurrence of all Lenders, (ii) of any provision that affects the definition of “Required Lenders”, (iii) of any of the provisions contained in Section 7.01 hereof and this Section 9.05 or (iv) of any of the pro rata requirements of Section 2.04, Section 2.06, Section 2.07 or Section 9.04, shall be effective only if evidenced by a writing signed by or on behalf of all Lenders, and (b) any amendment, modification, termination or waiver (i) of any provision that increases the principal amount of the Commitments or the Term Loans, changes a Lender’s *pro rata* Share or affects the definition of “Maturity Date”, (ii) that decreases the amount or changes the due date of any amount payable in respect of the fees payable hereunder, (iii) of any of the provisions contained in Sections 2.09(b) and 2.09(c) hereof or (iv) that decreases the principal of or interest rates borne by the Term Loans or any interest thereon, or postpones the payment of principal or interest due on the Term Loans, shall be effective only if evidenced by a writing signed by or on behalf of each Lender affected thereby; *provided* that no consent of any Defaulting Lender shall be required pursuant to clause (a) above as to any modification that does not adversely affect such Defaulting Lender in a non-ratable manner. No amendment, modification, termination or waiver of any provision of Article 8 hereof or any of the rights, duties, indemnities or obligations of any Agent, as agent shall be effective without the written concurrence of such Agent. The Administrative Agent may, but shall have no obligation to, with the concurrence of any Lender, execute amendments, modifications, waivers or consents on behalf of that Lender. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given. No notice to or demand on the Borrower in any case shall entitle the Borrower to any further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this Section 9.05 shall be binding upon each present or future Lender and, if signed by the Borrower, on the Borrower.

Section 9.06. *Independence of Covenants.* All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitation of, another covenant shall not avoid the occurrence of an Event of Default or Potential Event of Default if such action is taken or condition exists.

Section 9.07. *Notices.* Unless otherwise provided herein, any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telecopied, telexed or sent by United States mail and shall be deemed to have been given when delivered in person, upon receipt of telecopy or telex or four Business Days after depositing it in the United States mail, registered or certified, with postage prepaid and properly addressed; *provided* that notices to the Administrative Agent shall not be effective until received by the Administrative Agent. For the purposes hereof, the addresses of the parties hereto (until notice of a change thereof is delivered as provided in this Section 9.07) shall be: (a) in the case of the Borrower, at its address or facsimile number set forth on the signature pages hereof, (b) in the case of the Administrative Agent, at its address, facsimile number or telex number in New York City set forth on the signature pages hereof, (c) in the case of any Lender, at its address, facsimile number or telex number set forth in its Administrative Questionnaire or (d) in the case of any party, at such other address, facsimile number or telex number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Borrower.

Section 9.08. *Survival of Warranties and Certain Agreements.* (a) All agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement and the making of the Term Loans hereunder.

(b) Notwithstanding anything in this Agreement or implied by law to the contrary, the agreements of the Borrower set forth in Sections 2.09(e), 2.09(h), 2.13, 9.02 and 9.03 and the agreements of Lenders set forth in Sections 8.02(c), 8.04, 9.04 and 9.05 shall survive the payment of the Term Loans and the termination of this Agreement.

Section 9.09. *USA PATRIOT Act Notice.* Each Lender that is subject to the USA PATRIOT Act and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that, pursuant to the requirements of the USA PATRIOT Act, it may be required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the USA PATRIOT Act.

Section 9.10. *Failure or Indulgence Not Waiver; Remedies Cumulative.* No failure or delay on the part of any Lender in the exercise of any power, right or privilege hereunder or the Term Loans shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. All rights and remedies existing under this Agreement or the Term Loans are cumulative to and not exclusive of any rights or remedies otherwise available.

Section 9.11. *Severability.* In case any provision in or obligation under this Agreement or Term Loan shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations thereof, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

Section 9.12. *Obligations Several; Independent Nature of Lenders' Rights.* The obligation of each Lender hereunder is several, and no Lender shall be responsible for the obligation or commitment of any other Lender hereunder. Nothing contained in this Agreement and no action taken by the Lenders pursuant hereto shall be deemed to constitute the Lenders to be a partnership, an association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt, and each Lender shall be entitled to protect and enforce its rights arising out of this Agreement and it shall not be necessary for any other Lender to be joined as an additional party in any proceeding for such purpose.

Section 9.13. *Headings.* Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

Section 9.14. *Applicable Law, Consent to Jurisdiction, Limitation of Liability* .

(a) THIS AGREEMENT, THE NOTES AND THE TERM LOANS SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES).

(b) ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST THE BORROWER WITH RESPECT TO THIS AGREEMENT OR THE NOTES MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE CITY OF NEW YORK, BOROUGH OF MANHATTAN, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT THE BORROWER ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS, AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS AGREEMENT. THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE TRIAL BY JURY, AND THE BORROWER HEREBY IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS.

(c) No Indemnitee shall be liable for any damages to the Borrower arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby, except to the extent the liability of such person is found in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such person's gross negligence or willful misconduct.

Section 9.15. *Successors and Assigns.* This Agreement shall be binding upon the parties hereto and their respective successors and assigns and shall inure to the benefit of the parties hereto (and Indemnitees) and the successors and assigns of the Lenders. The terms and provisions of this Agreement shall inure to the benefit of any assignee or transferee of the Term Loans and in the event of such transfer or assignment, the rights and privileges herein conferred upon the Lenders shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions hereof. The Borrower's rights hereunder may not be assigned without the written consent of all the Lenders except pursuant to a merger, consolidation or sale, lease or transfer of assets permitted by Section 6.01 hereof. The Lenders' rights of assignment are limited by and subject to Section 9.01 hereof. The Borrower may, in its sole discretion, upon ten (10) days' prior written notice, prior to the Funding Date, replace any of the Lenders with one or more Lenders *provided* that (i) the Lender being replaced has concurrently therewith been paid in full all amounts due to such Lender hereunder, (ii) the full amount of the Commitments remains unchanged and (iii) the percentages of the total Commitments allocated to each other Lender (or any successors thereto) remains unchanged unless the prior written consent from such Lender has been obtained. Any such Lender so replaced shall, upon written request of the Borrower, execute and deliver such instruments and agreements as are reasonably necessary to accomplish the same.

Section 9.16. *Counterparts; Effectiveness; Integration.* This Agreement and any amendments, waivers, consents or supplements may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. This Agreement shall become effective on such date (the " **Effective Date** ") as (i) a counterpart hereof shall be executed by each of the parties hereto and copies hereof shall be delivered to the Borrower and the Administrative Agent and (ii) the conditions set forth in Section 3.01 shall be satisfied. This Agreement and the Notes (and, as applicable, the fee letters entered into in connection herewith) constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof.

Section 9.17. *No Fiduciary Duty* . The Borrower agrees that in connection with all aspects of the Term Loans contemplated by this Agreement and any communications in connection therewith, the Borrower and its Subsidiaries, on the one hand, and the Agents, the Lenders and their Affiliates, on the other hand, will have a business relationship that does not create, by implication or otherwise, any fiduciary duty on the part of any Agent, Lender or Affiliate, and no such duty will be deemed to have arisen in connection with any such transactions or communications.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

Borrower:

TEXTRON INC.

By: /s/ Mary F. Lovejoy
Name: Mary F. Lovejoy
Title: VP & Treasurer

Notice Address:
Textron Inc.
40 Westminster Street
Providence, RI 02903
Attention: Treasurer

Telephone No. (401) 457-6009
Telecopy No. (401) 457-3533

with a copy to:
Textron Inc.
40 Westminster Street
Providence, RI 02903
Attention: General Counsel

Website for the delivery of information pursuant to Section 5.01(b)(iv):
http://www.textron.com

JPMORGAN CHASE BANK, N.A., as
Administrative Agent and as Lender

By: /s/ Gene R. Riego de Dios
Name: Gene R. Riego de Dios
Title: Vice President

Notice Address:
JPMorgan Chase Bank, N.A.
JPMorgan Chase Bank, N.A.
383 Madison Avenue
New York, New York 10179
Attention: Heshan Wanigasekera

Telephone No. (302) 634-4166
Telecopy No. (302) 634-8459
E-mail: heshan.s.wanigasekera@jpmorgan.com

[Signature Page to Credit Agreement]

BANK OF AMERICA, N.A., as a Lender

By: /s/ Lindsay Kim

Name: Lindsay Kim
Title: Assistant Vice President

[Signature Page to Credit Agreement]

CITIBANK, N.A., as a Lender

By: /s/ Andrew Sidford
Name: Andrew Sidford
Title: Vice President

[Signature Page to Credit Agreement]

The Bank of Tokyo-Mitsubishi UFJ,
Ltd., as a lender

By: /s/ Maria Iarriccio
Name: Maria Iarriccio
Title: Vice President

[Signature Page to Credit Agreement]

Sumitomo Mitsui Banking Corporation,
as a Lender

By: /s/ David W. Kee
Name: David W. Kee
Title: Managing Director

[Signature Page to Credit Agreement]

Fifth Third Bank, as a Lender

By: /s/ David B. Edwards
Name: David B. Edwards
Title: Managing Director

[Signature Page to Credit Agreement]

PNC Bank, National Association, as a Lender

By: /s/ Michael A. Richards
Name: Michael A. Richards
Title: Senior Vice President
PNC Bank, National Association

[Signature Page to Credit Agreement]

THE BANK OF NEW YORK MELLON,
as a Lender

By: /s/ Donald G. Cassidy, Jr.
Name: Donald G. Cassidy, Jr.
Title: Managing Director

[Signature Page to Credit Agreement]

US Bank, National Association, as a Lender

By: /s/ Steven L. Sawyer
Name: Steven L. Sawyer
Title: Senior Vice President

[Signature Page to Credit Agreement]

BANK OF CHINA, NEW YORK BRANCH, as a Lender

By: /s/ Haifeng Xu
Name: Haifeng Xu
Title: Assistant General Manager

[Signature Page to Credit Agreement]

DBS Bank Ltd., Los Angeles Agency,
as a Lender

By: /s/ James McWalters
Name: James McWalters
Title: General Manager

[Signature Page to Credit Agreement]

SunTrust Bank, as a Lender

By: /s/ David Simpson
Name: David Simpson
Title: Vice President

[Signature Page to Credit Agreement]

Synovus Bank, as a Lender

By: /s/ Aaron Hill
Name: Aaron Hill
Title: Corporate Banker

[Signature Page to Credit Agreement]

The Bank of East Asia, Ltd., New York Branch, as a Lender

By: /s/ James Hua
Name: James Hua
Title: SVP

By: /s/ Kitty Sin
Name: Kitty Sin
Title: SVP

[Signature Page to Credit Agreement]

THE NORTHERN TRUST
COMPANY, as a Lender

By : /s/ Charles R. Davis
Name: Charles R. Davis
Title: Officer

[Signature Page to Credit Agreement]

WELLS FARGO BANK, N.A.,
as a Lender

By: /s/ Eric Frandson
Name: Eric Frandson
Title: Managing Director

[Signature Page to Credit Agreement]

COMMITMENT SCHEDULE

Lender	Commitment
JPMorgan Chase Bank, N.A.	$40,000,000
Bank of America, N.A.	$40,000,000
Citibank, N.A.	$40,000,000
The Bank of Tokyo-Mitsubishi UFJ, LTD.	$40,000,000
Sumitomo Mitsui Banking Corporation	$75,000,000
Fifth Third Bank	$50,000,000
PNC Bank, National Association	$25,000,000
The Bank of New York Mellon	$25,000,000
U.S. Bank, National Association	$25,000,000
Bank of China, New York	$20,000,000
DBS Bank Ltd., Los Angeles Agency	$20,000,000
SunTrust Bank	$20,000,000
Synovus Bank	$20,000,000
The Bank of East Asia, Limited	$20,000,000
The Northern Trust Company	$20,000,000
Wells Fargo Bank, N.A.	$20,000,000
Total	**$500,000,000**

PRICING SCHEDULE

Each of “ **Undrawn Commitment Fee Rate** ”, “ **Eurodollar Margin** ” and “ **Base Rate Margin** ” means, for any date, the rate set forth below in the row opposite such term and under the column corresponding to the “ **Pricing Level** ” at such date:

	Level I	Level II	Level III	Level IV	Level V
Undrawn Commitment Fee Rate	0.125%	0.175%	0.225%	0.25%	0.30%
Eurodollar Margin	1.125%	1.25%	1.50%	1.75%	2.00%
Base Rate Margin	0.125%	0.25%	0.50%	0.75%	1.00%

For purposes of this Schedule, the following terms have the following meanings, subject to the concluding paragraph of this Schedule:

“ **Level I Pricing** ” applies at any date if, at such date, the Borrower’s long-term debt is rated BBB+ or higher by S&P, Baa1 or higher by Moody’s and BBB+ or higher by Fitch.

“ **Level II Pricing** ” applies at any date if, at such date, the Borrower’s long-term debt is rated BBB by S&P, Baa2 by Moody’s and BBB by Fitch.

“ **Level III Pricing** ” applies at any date if, at such date, the Borrower’s long-term debt is rated BBB- by S&P, Baa3 by Moody’s and BBB- by Fitch.

“ **Level IV Pricing** ” applies at any date, if at such date, the Borrower’s long-term debt is rated BB+ by S&P, Ba1 by Moody’s and BB+ by Fitch.

“ **Level V Pricing** ” applies at any date if, at such date, no other Pricing Level applies.

“ **Fitch** ” means Fitch Ratings Ltd.

“ **Moody’s** ” means Moody’s Investors Service, Inc.

“ **Pricing Level** ” refers to the determination of which of Level I, Level II, Level III, Level IV or Level V applies at any date.

“ **S&P** ” means Standard & Poor’s Ratings Services, a division of McGraw-Hill Financial, Inc.

The credit ratings to be utilized for purposes of this Schedule are those assigned to the senior unsecured long-term debt securities of the Borrower without third-party enhancement, and any rating assigned to any other debt security of the Borrower shall be disregarded. The rating in effect at any date is that in effect at the close of business of such date.

If the Borrower is split-rated, then for purposes of determining the applicable Pricing Level, (a) if the S&P and Moody’s ratings are the same, all three ratings will be deemed to be at that level, (b) if the S&P and Moody’s ratings are not the same, and the ratings differential is one level, all three ratings will be deemed to be at the higher level of S&P and Moody’s and (c) if the S&P and Moody’s ratings are not the same and the ratings differential is two levels or more, all three ratings will be deemed to be at a level one notch lower than the higher of S&P and Moody’s.

EXHIBIT A to
Credit Agreement

TEXTRON INC.

PROMISSORY NOTE

New York, New York
______ __, 20 _

FOR VALUE RECEIVED, the undersigned TEXTRON INC., a Delaware corporation (the " **Borrower** "), HEREBY PROMISES TO PAY to ____________or registered assigns (the " **Payee** ") for the account of its Applicable Lending Office, on the maturity date provided for in the Credit Agreement (as defined below), the unpaid principal amount of each Term Loan made by the Payee to the Borrower pursuant to the Credit Agreement referred to below.

The Borrower also promises to pay interest on the unpaid principal amount hereof from the date hereof until paid in full at the rates and at the times which shall be determined in accordance with the provisions of the Term Credit Agreement dated as of January 24, 2014 (such Agreement, as amended, amended and restated, supplemented or otherwise modified from time to time, being the " **Credit Agreement** ") among the Borrower, the Lenders listed therein, JPMorgan Chase Bank, N.A., as Administrative Agent, Citibank, N.A. and Bank of America, N.A., as Syndication Agents, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Documentation Agent.

This Note is one of the Borrower's " **Notes** " and is issued pursuant to and entitled to the benefits of the Credit Agreement to which reference is hereby made for a more complete statement of the terms and conditions under which the Term Loans evidenced hereby were made and are to be repaid. Capitalized terms used herein without definition shall have the meanings set forth in the Credit Agreement.

All payments of principal and interest in respect of this Note shall be made in Dollars in same day funds, in accordance with the terms of the Credit Agreement. Each of the Payee and any subsequent holder of this Note agrees, by its acceptance hereof, that before disposing of this Note or any part thereof it will make a notation on the Schedule attached hereto of all principal payments previously made hereunder and of the date to which interest hereon has been paid; *provided, however* , that the failure to make a notation of any payment made on this Note shall not limit or otherwise affect the obligation of the Borrower hereunder with respect to payments of principal or interest on this Note.

Whenever any payment on this Note shall be stated to be due on a day which is not a Business Day, such payment shall be made on the next succeeding

Business Day and such extension of time shall be included in the computation of the payment of interest on this Note; *provided*, *however* , that in the event that the day on which payment relating to a Eurodollar Rate Loan is due is not a Business Day but is a day of the month after which no further Business Day occurs in such month, then the due date thereof shall be the next preceding Business Day.

This Note is subject to prepayment at the option of the Borrower as provided in Section 2.07(b) of the Credit Agreement.

Upon the occurrence of an Event of Default, the unpaid balance of the principal amount of this Note, together with all accrued but unpaid interest thereon, may become, or may be declared to be (shall automatically become and be declared to be, in the case of certain Events of Default relating to bankruptcy matters), due and payable in the manner, upon the conditions and with the effect provided in the Credit Agreement.

The terms of this Note are subject to amendment only in the manner provided in the Credit Agreement.

The Borrower promises to pay all costs and expenses, including attorneys' fees, all as provided in Section 9.02 of the Credit Agreement, incurred in the collection and enforcement of this Note. The Borrower hereby consents to renewals and extensions of time at or after the maturity hereof, without notice, and hereby waives diligence, presentment, protest, demand and notice of every kind and, to the full extent permitted by law, the right to plead any statute of limitations as a defense to any demand hereunder.

The Credit Agreement and this Note shall be governed by, and shall be construed and enforced in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed and delivered by its duly authorized officer, as of the day and year and at the place first above written.

TEXTRON INC.

By: ______________________________
Name:
Title:

EXHIBIT A

LOANS AND PRINCIPAL PAYMENTS SCHEDULE

Date	Type of Loan Made This Date	Amount of Loan Made This Date	Amount of Principal Paid This Date	Outstanding Principal Balance This Date	Notation Made By

EXHIBIT B to
Credit Agreement

OPINION OF SPECIAL COUNSEL

FOR THE

BORROWER

[Letterhead of Gibson, Dunn & Crutcher LLP]

[DATE]

The Lenders listed on Schedule I hereto
and the Agent party to the
Credit Agreement referred to below
(collectively, the ***" Lender Parties "***)

c/o JPMorgan Chase Bank, N.A.,
as Agent
383 Madison Avenue
New York, New York 10179

Re: *Textron Inc. – Term Credit Agreement dated as of January 24, 2014*

Ladies and Gentlemen:

We have acted as counsel to Textron Inc., a Delaware corporation (the " ***Company*** ") in connection with the Term Credit Agreement dated as of January 24, 2014 (the " ***Credit Agreement*** ") by and among the Company, certain lenders (the " ***Lenders*** "), and JPMorgan Chase Bank, N.A., as agent (in such capacity the " ***Agent*** ") and a Lender. Each capitalized term used and not defined herein has the meaning assigned to that term in the Credit Agreement.

In rendering this opinion, we have examined the original or a copy, certified or otherwise identified to our satisfaction as being a true copy, of the Credit Agreement, including the Exhibits and Schedules thereto.

We have assumed without independent investigation that:

(a) The signatures on all documents examined by us are genuine, all individuals executing such documents had all requisite legal capacity and competency and were duly authorized, the documents submitted to us as originals are authentic and the documents submitted to us as certified or reproduction copies conform to the originals;

(b) (1) The Company is a validly existing corporation in good standing under the laws of the State of Delaware and has all requisite corporate power to execute and deliver the Credit Agreement and to perform its obligations thereunder, (2) the execution and delivery of the Credit Agreement by the Company and the performance of its obligations thereunder have been duly authorized by all necessary corporate action and except as specifically addressed in our opinions in paragraph 2 below, do not violate any law, rule, regulation, order, judgment or decree applicable to the Company, and (3) the Credit Agreement has been duly executed and delivered by the Company; and

(c) There are no agreements or understandings between or among any of the parties to the Credit Agreement or third parties that would expand, modify or otherwise affect the terms of the Credit Agreement or the respective rights or obligations of the parties thereunder.

In rendering this opinion, we have made such inquiries and examined, among other things, originals or copies, certified or otherwise identified to our satisfaction, of such records, agreements, certificates, instruments and other documents as we have considered necessary or appropriate for purposes of this opinion. As to certain factual matters, we have relied to the extent we deemed appropriate and without independent investigation upon the representations and warranties of the Company in the Credit Agreement, a certificate of an officer of the Company, a copy of which is attached hereto, or certificates obtained from public officials and others.

Based upon the foregoing and in reliance thereon, and subject to the qualifications, exceptions, assumptions and limitations herein contained, we are of the opinion that:

1. The Credit Agreement constitutes a legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms.

2. The execution and delivery by the Company of the Credit Agreement, and the performance of its obligations thereunder do not and will not violate, or require any filing with or approval of any governmental authority or regulatory body of the State of New York under, any law, rule or regulation of the State of New York applicable to the Company that, in our experience, is generally applicable to transactions in the nature of those contemplated by the Credit Agreement.

The opinions expressed above are subject to the following additional exceptions, qualifications, limitations and assumptions:

A. We render no opinion herein as to matters involving the laws of any jurisdiction other than the State of New York. This opinion is limited to the effect of the current state of the laws of the State of New York, and the facts as they currently exist. We assume no obligation to revise or supplement this opinion in the event of future changes in such laws or the interpretations thereof or such facts. We express no opinion regarding the Securities Act of 1933, as amended, the Investment Company Act of 1940, as amended, or any other federal or state securities laws, rules or regulations.

B. Our opinions are subject to (i) the effect of any bankruptcy, insolvency, reorganization, moratorium, arrangement or similar laws affecting the rights and remedies of creditors generally (including, without limitation, the effect of statutory or other laws regarding fraudulent transfers or preferential transfers) and (ii) general principles of equity, including without limitation concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance, injunctive relief or other equitable remedies regardless of whether enforceability is considered in a proceeding in equity or at law.

C. We express no opinion regarding (a) the effectiveness of (i) any waiver (whether or not stated as such) under the Credit Agreement of, or any consent thereunder relating to, unknown future rights or the rights of any party thereto existing, or duties owing to it, as a matter of law; (ii) any waiver (whether or not stated as such) contained in the Credit Agreement of rights of any party, or duties owing to it, that is broadly or vaguely stated or does not describe the right or duty purportedly waived with reasonable specificity; (iii) provisions relating to indemnification, exculpation or contribution, to the extent such provisions may be held unenforceable as contrary to public policy or federal or state securities laws or due to the negligence or willful misconduct of the indemnified party; (iv) any provision in the Credit Agreement waiving the right to object to venue in any court; (v) any agreement to submit to the jurisdiction of any Federal Court; (vi) any waiver of the right to jury trial; (vii) any provision purporting to establish evidentiary standards; (viii) any provision to the effect that every right or remedy is cumulative and may be exercised in addition to any other right or remedy or that the election of some particular remedy does not preclude recourse to one or more others; or (ix) any right of setoff to the extent asserted by a participant in the rights of a Lender under the Credit Agreement; or (b) the availability of damages or other remedies not specified in the Credit Agreement in respect of breach of any covenants (other than covenants relating to the payment of principal, interest, indemnities and expenses). In addition, we advise you that some of the provisions of the Credit Agreement may not be enforceable by a Lender acting individually (as opposed to the Lenders acting through the Agent).

This opinion is rendered as of the date hereof to the Lender Parties in connection with the Credit Agreement and may not be relied upon by any person other than the Lender Parties or by the Lender Parties in any other context. The Lender Parties may not furnish this opinion or copies hereof to any other person except (i) to bank examiners and other regulatory authorities should they so request in connection with their normal examinations, (ii) to the independent auditors and attorneys of the Lender Parties, (iii) pursuant to order or legal process of any court or governmental agency, (iv) in connection with any legal action to which any Lender Party is a party arising out of the transactions contemplated by the Credit Agreement, or (v) to any potential permitted assignee of or participant in the interest of any Lender Party under the Credit Agreement for its information. This opinion may not be quoted without the prior written consent of this Firm. Notwithstanding the foregoing, parties referred to in clause (v) of this paragraph who become Lenders after the date hereof may rely on this opinion as if it were addressed to them (provided that such delivery shall not constitute a re-issue or reaffirmation of this opinion as of any date after the date hereof).

Very truly yours,

SCHEDULE I – LENDER PARTIES

JPMorgan Chase Bank, N.A.

Bank of America, N.A.

Citibank, N.A.

The Bank of Tokyo-Mitsubishi UFJ, LTD.

Sumitomo Mitsui Banking Corporation

Fifth Third Bank

PNC Bank, National Association

The Bank of New York Mellon

U.S. Bank, National Association

Bank of China, New York

DBS Bank Ltd., Los Angeles Agency

SunTrust Bank

Synovus Bank

The Bank of East Asia, Limited

The Northern Trust Company

Wells Fargo Bank, N.A.

Textron Inc.

Officer's Certificate

[DATE]

The undersigned, Mary F. Lovejoy, does hereby certify to Gibson, Dunn & Crutcher LLP (***" Gibson Dunn"***), in her capacity as an officer of Textron Inc., a Delaware corporation (the ***"Company"***), in connection with the Term Credit Agreement dated as of January 24, 2014 (the ***"Credit Agreement"***) by and among the Company, certain lenders (the ***"Lenders"***), and JPMorgan Chase Bank, N.A., as Agent (the ***"Agent"***) and a Lender, as follows:

1. I am the duly elected and incumbent Vice President and Treasurer of the Company and am authorized to execute this Certificate on behalf of the Company.

2. I recognize and acknowledge that this Certificate is being furnished to Gibson Dunn in connection with their delivery of their legal opinion of even date herewith pursuant to Section 3.01(c) of the Credit Agreement (the ***"GDC Opinion"***). I further understand that Gibson Dunn is relying to a material degree on this Certificate in rendering that opinion. On behalf of the Company, I hereby authorize such reliance.

3. I have asked such questions regarding the meaning of any of the provisions of this Certificate as I have considered necessary.

4. To the best of my knowledge, each and all of the representations and warranties as to factual matters relating to the Company contained in the Credit Agreement are true and correct in all material respects as of the date of such agreement and as of the date hereof.

5. To the best of my knowledge, there are no agreements or understandings between or among the Agent, the Lenders, the Company, the Company's Subsidiaries or third parties that would expand, modify or otherwise affect the terms of the Credit Agreement referred to in the GDC Opinion or the respective rights or obligations of the parties thereunder.

Capitalized terms used herein and not defined herein have the meanings given to such terms in the Credit Agreement. This Certificate may be executed in two or more counterparts. A copy of this Certificate executed and delivered by facsimile or email transmission shall be valid for all purposes.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of the date first set forth above.

____

Name: Mary F. Lovejoy
Title: Vice President and Treasurer

EXHIBIT C to
Credit Agreement

OPINION OF COUNSEL

FOR THE

BORROWER

[Letterhead of Textron Inc.]

[DATE]

JPMorgan Chase Bank, N.A.
as Administrative Agent
383 Madison Avenue
New York, New York 10179
and
The Lenders Party to the
Credit Agreement Referenced Below

Re: Term Credit Agreement dated as of January 24, 2014 among Textron Inc., the Lenders named therein, JPMorgan Chase Bank, N.A., as Administrative Agent, Citibank, N.A. and Bank of America, N.A., as Syndication Agents, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Documentation Agent

---

Ladies and Gentlemen:

I am the Senior Associate General Counsel of Textron Inc., a Delaware corporation (the " **Borrower** "). This opinion is rendered to you pursuant to Section 3.01(c) of the Term Credit Agreement dated as of January 24, 2014 (the " **Credit Agreement** ") among the Borrower, the Lenders party thereto (the " **Lenders** "), JPMorgan Chase Bank, N.A., as Administrative Agent (" **Agent** "), Citibank, N.A. and Bank of America, N.A., as Syndication Agents, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Documentation Agent. The undersigned has prepared this opinion and delivered it to the Lenders for their benefit at the request of the Borrower. Unless otherwise defined herein, capitalized terms used herein have the meanings set forth in the Credit Agreement.

In my capacity as Senior Associate General Counsel I have examined originals, or copies identified to my satisfaction, of such records, documents or other instruments as in my judgment are necessary or appropriate to enable me to render the opinions expressed below. I am familiar, either directly or by inquiry of other officers or employees of the Borrower and its Subsidiaries or others, and/or through examination of the Borrower's and its Subsidiaries' books and records, with the business, affairs and records of the Borrower and its Subsidiaries requisite to giving this opinion. Where and as this opinion states conclusions based upon the absence of facts, I have received in the course of my employment no contrary information and would expect to receive such information if an officer of the Borrower had notice thereof.

I have been furnished with, and have obtained and relied without independent investigation upon, such certificates and assurances from public officials as I have deemed necessary or appropriate. In my examinations, I have assumed (a) the genuineness of all signatures as to all parties other than the Borrower, the conformity to original documents of all documents submitted to them as copies or drafts and the authenticity of such originals of such latter documents, (b) as to all Persons other than the Borrower, the due completion, execution, acknowledgment as indicated thereon and delivery of documents recited herein and therein and the validity and enforceability against all parties thereto, and (c) that each Person other than the Borrower which is a party to the Credit Agreement has full power, authority and legal right, under its charter and other governing documents, corporate legislation and the laws of its jurisdiction of incorporation, to perform its respective obligations under the Credit Agreement.

I have investigated such questions of law for the purpose of rendering this opinion as I have deemed necessary. I am opining herein only as to the United States federal laws and the corporate laws of the State of Delaware.

On the basis of the foregoing, and in reliance thereon, and subject to the limitations, qualifications and exceptions set forth herein, I am of the opinion that:

1. The Borrower is a corporation duly organized, validly existing and in good standing under the laws of Delaware. The Borrower has all requisite corporate power and authority to own and operate its properties, to carry on its business as now conducted and proposed to be conducted, to enter into the Credit Agreement and to carry out the transactions contemplated thereby.

2. The Borrower is in good standing wherever necessary to carry on its present business and operations, except in jurisdictions in which the failure to be in good standing has not had and will not have a Material Adverse Effect.

3. The execution, delivery and performance of the Credit Agreement and the borrowing of the Term Loans have been duly authorized by all necessary corporate action by the Borrower.

4. The execution, delivery and performance by the Borrower of the Credit Agreement and the borrowing of the Term Loans do not and will not (i) violate any provision of law applicable to the Borrower, except to the extent such violation would not reasonably be expected to result in a Material Adverse Effect, (ii) violate the Restated Certificate of Incorporation or Amended and Restated By-laws, each, as amended, of the Borrower, (iii) to my knowledge (after inquiry), violate any order, judgment or decree of any court or other agency of government binding on the Borrower, except to the extent such violation would not reasonably be expected to result in a Material Adverse Effect, (iv) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any Contractual Obligation of the Borrower or any of its Subsidiaries that is filed as an exhibit to the most recent Form 10-K filed by the Borrower with the Securities and Exchange Commission, except to the extent such violation would not reasonably be expected to result in a Material Adverse Effect, (v) result in or require the creation or imposition of any material Lien upon any of the material properties or assets of the Borrower or any of its Subsidiaries under any such Contractual Obligation or (vi) require any approval of stockholders or any approval or consent of any Person under any such Contractual Obligation.

5. The execution, delivery and performance by the Borrower of the Credit Agreement will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other Governmental Authority or regulatory body other than any such registration, consent, approval, notice or other action which (i) has been or, with respect to filings with the Securities and Exchange Commission, will be duly made, given or taken or (ii) the failure to make, obtain, give or take would not reasonably be expected to result in a Material Adverse Effect.

6. Except as disclosed in the Financial Statements delivered to the Lenders pursuant to Section 4.03 of the Credit Agreement, to my knowledge (after inquiry), there is no action, suit, proceeding, governmental investigation or arbitration (whether or not purportedly on behalf of the Borrower or any of its Subsidiaries) at law or in equity or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency, court or instrumentality, domestic or foreign, pending or, to my knowledge threatened against or affecting the Borrower or any of its Subsidiaries or any property of the Borrower or any of its Subsidiaries which is probable of being successful and which would have Material Adverse Effect.

7. The Borrower is not subject to any federal or state statute or regulation limiting its ability to incur Indebtedness for money borrowed as contemplated by the Credit Agreement.

8. Neither the Borrower nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock.

I am furnishing this opinion to you solely in connection with the entry by the Borrower into the Credit Agreement; the opinion is solely for your benefit and is not to be used, circulated, quoted or otherwise referred to for any other purpose without my express permission.

Very truly yours,

Exhibit D to
Credit Agreement

[Letterhead of
Davis Polk & Wardwell LLP]

[Date]

To the Lenders and the Agents Referred to Below
c/o JPMorgan Chase Bank, N.A.,
as Administrative Agent
383 Madison Avenue
New York, New York 10179

Ladies and Gentlemen:

We have participated in the preparation of the Term Credit Agreement dated as of January 24, 2014 (the " **Credit Agreement** ") among Textron Inc., a Delaware corporation (the " **Borrower** "), the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent (the " **Administrative Agent** "), Citibank, N.A. and Bank of America, N.A., as Syndication Agents (the " **Syndication Agents** "), and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Documentation Agents (the " **Documentation Agent** " and together with the Administrative Agent and the Syndication Agents, the " **Agents** "), and have acted as special counsel for the Agents for the purpose of rendering this opinion pursuant to Section 3.01(d) of the Credit Agreement. Terms defined in the Credit Agreement are used herein as therein defined.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials and other instruments and have conducted such other investigations of fact and law as we have deemed necessary or advisable for purposes of this opinion.

Upon the basis of the foregoing, we are of the opinion that:

1. The execution, delivery and performance by the Borrower of the Credit Agreement are within the Borrower's corporate powers and have been duly authorized by all necessary corporate action.

2. The Credit Agreement constitutes a valid and binding agreement of the Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and general principles of equity.

We are members of the Bar of the State of New York and the foregoing opinion is limited to the laws of the State of New York, the federal laws of the United States of America and the General Corporation Law of the State of Delaware. In giving the foregoing opinion, we express no opinion as to the effect (if any) of any law of any jurisdiction (except the State of New York) in which any Lender is located which limits the rate of interest that such Lender may charge or collect.

This opinion is rendered solely to you in connection with the above matter. This opinion may not be relied upon by you for any other purpose or relied upon by any other Person without our prior written consent.

Very truly yours,

Exhibit E-1 to
Credit Agreement

FORM OF NOTICE OF BORROWING

Pursuant to Section 2.01(b) of that certain Term Credit Agreement dated as of January 24, 2014 among Textron Inc., a Delaware corporation (the " **Borrower** "), the Lenders listed therein (the " **Lenders** "), JPMorgan Chase Bank, N.A., as Administrative Agent (the " **Agent** "), Citibank, N.A. and Bank of America, N.A., as Syndication Agents, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Documentation Agent (such Agreement as amended to the date hereof being the " **Credit Agreement** "), this represents the undersigned Borrower's request to borrow on ________, 20 __ from the Lenders in accordance with each Lender's Pro Rata share ____________as [Base Rate/Eurodollar Rate] Loans. [The initial Interest Period for such Term Loans is requested to be a ___________period.] The proceeds of such Term Loans are to be deposited in the Borrower's account designated below. Capitalized terms used herein without definition shall have the meanings set forth in the Credit Agreement.

Dated:

TEXTRON INC.

By: ______________________________
Name:
Title:

Account Designation
Name of Bank:
Account Number:

Exhibit E-2 to
Credit Agreement

FORM OF NOTICE OF CONVERSION/CONTINUATION

Pursuant to that certain Term Credit Agreement dated as of January 24, 2014 (as amended to the date hereof, the " **Credit Agreement** ") among Textron Inc. (the " **Borrower** "), the Lenders listed therein, JPMorgan Chase Bank, N.A., as Administrative Agent, Citibank, N.A. and Bank of America, N.A., as Syndication Agents, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Documentation Agent, this represents the undersigned Borrower's request [A: to convert $ ________in principal amount of presently outstanding Base Rate Loans with an Interest Payment Date of __________, 20 ___to Eurodollar Rate Loans on __________, 20 ___. The Interest Period for such Eurodollar Rate Loans commencing on such Interest Payment Date is requested to be a _________period.] [B: to continue as Eurodollar Rate Loans ________in principal amount of presently outstanding [Eurodollar Rate] Loans with an Interest Payment Date of ________, 20 ___.The Interest Period for such Eurodollar Rate Loans commencing on such Interest Payment Date is requested to be a ________period.] [1]

Dated:

TEXTRON INC.

By: ______________________________
Name:
Title:

---

[1] Insert A or B with appropriate insertions.

Exhibit F to
Credit Agreement

TEXTRON INC.

Compliance Certificate

With reference to the provisions of Section 5.01(b) of the Term Credit Agreement (the " **Agreement** ") dated as of January 24, 2014, as amended, among Textron Inc. (the " **Borrower** "), the Lenders listed therein, JPMorgan Chase Bank, N.A., as Administrative Agent, Citibank, N.A. and Bank of America, N.A., as Syndication Agents, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Documentation Agent, the undersigned, being the [Vice President and Controller (Principal Accounting Officer)] of the Borrower, hereby certifies that:

(a) the consolidated balance sheet at [insert date] and the related consolidated statements of income and cash flows for the year then ended which were included in the accompanying Annual Report on Form 10-K/10-Q for the [year/quarter] ended [insert date], present fairly the consolidated financial position of Textron Inc. at [insert date] and the consolidated results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles which have been applied on a consistent basis during the period except as noted in such Report;

(b) with respect to Section 6.03 of the Agreement, the Consolidated Indebtedness of Textron Manufacturing did not exceed an amount equal to 65% of Consolidated Capitalization (as such terms are defined in the Agreement) as at [insert date] (see Schedule A attached hereto);

(c) with respect to Section 6.05(b) of the Agreement, the Finance Company Leverage Ratio did not at any time exceed 9 to 1 as at [insert date] (see Schedule A attached hereto); and

(d) the undersigned has reviewed the terms of the Agreement and has made, or caused to be made under the undersigned's supervision, a review in reasonable detail of the transactions and condition of the Borrower and its consolidated subsidiaries during the accounting period covered by the above-referenced financial statements and the undersigned has no knowledge of the existence as at the date of this certificate of any condition or event which constitutes an Event of Default or a Potential Event of Default (as such terms are defined in the Agreement).

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this _____day of __________, _______.

____
[Vice President and Controller]

TEXTRON INC.
Financial Covenant
(in millions)

	[Insert Date]
Section 6.03 -	
Consolidated Indebtedness of Textron Manufacturing	$
Maximum permitted:	
Consolidated Capitalization, i.e., the sum of (without duplication):	
(a) Consolidated Indebtedness of Textron Manufacturing	$
(b) *Plus* Consolidated Net Worth	
(b) *Plus* preferred stock of the Borrower	
(c) *Plus* other securities of the Borrower convertible (whether mandatorily or at the option of the holder) into capital stock of the Borrower	
Equals : Consolidated Capitalization	$
X 65% *equals* maximum permitted as of [Insert Date]	$
	[Insert Date]
Section 6.05(b) -	
Finance Company Leverage Ratio	
(i) Finance Group debt (determined in a manner consistent with “Finance group debt” on the Borrower’s consolidated balance sheet included in the Financial Statements)	$
(ii) *Minus* Finance Group securitized debt (determined in a manner consistent with “Note 8. Debt and Credit Facilities” in the notes to the Financial Statements”)	
(A) *Equals* :	$
(iii) Total Finance Group assets	$
(iv) *Minus* Total Finance Group liabilities	
(B) *Equals* :	$
Ratio of (A) to (B):	________:1.00

Exhibit G to
Credit Agreement

FORM OF TRANSFER SUPPLEMENT

TRANSFER SUPPLEMENT, dated as of _________, 20___, among [NAME OF LENDER] (the " **Transferor Lender** ") and each Lender listed as a Purchasing Lender on the signature pages hereof (each, a " **Purchasing Lender** "), and JPMorgan Chase Bank, N.A., as Administrative Agent (the " **Agen** t") for the Lenders under the Term Credit Agreement described below and as agreed to by Textron Inc., a Delaware corporation (the " **Borrower** ").

W I T N E S S E T H

WHEREAS, this Transfer Supplement is being executed and delivered pursuant to Section 9.01(e) of the Term Credit Agreement dated as of January 24, 2014, among the Borrower, the Agent, the Lenders listed therein, Citibank, N.A. and Bank of America, N.A., as Syndication Agents, and The Bank of Tokyo- Mitsubishi UFJ, Ltd., as Documentation Agent (as such agreement may be amended, amended and restated, supplemented, or otherwise modified from time to time, the " **Credit Agreement** "); capitalized terms used and not otherwise defined herein being used herein as therein defined);

WHEREAS, each Purchasing Lender (if it is not already a Lender party to the Credit Agreement) wishes to become a Lender party to the Credit Agreement; and

WHEREAS, the Transferor Lender is selling and assigning to each Purchasing Lender certain rights, obligations and commitments of the Transferor Lender under the Credit Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

(a) Upon the execution and delivery of this Transfer Supplement by each Purchasing Lender, the Transferor Lender, the Agent and the Borrower, each such Purchasing Lender shall be a Lender party to the Credit Agreement for all purposes thereof.

(b) The Transferor Lender acknowledges receipt from each Purchasing Lender of an amount equal to the purchase price, as agreed between the Transferor Lender and such Purchasing Lender, of the portion being purchased by such Purchasing Lender (such Purchasing Lender's "Purchased Pro Rata Share") of the outstanding principal amount of, and accrued interest on, the Term Loans and all other amounts owing to the Transferor Lender under the Credit Agreement to the extent shown on Schedule I hereto. The Transferor Lender hereby irrevocably sells, assigns and transfers to each Purchasing Lender, without recourse, representation or warranty, and each Purchasing Lender hereby irrevocably purchases, takes and assumes from the Transferor Lender, such Purchasing Lender's Purchased Pro Rata Share of the Commitment of the Transferor Lender and the presently outstanding Term Loans and other amounts owing to the Transferor Lender under the Credit Agreement as shown on Schedule I, together with all the corresponding rights and obligations of the Transferor Lender in, to and under all instruments and documents pertaining thereto.

(c) The Transferor Lender has made arrangements with each Purchasing Lender with respect to the portion, if any, to be paid by the Transferor Lender to such Purchasing Lender of fees heretofore received by the Transferor Lender pursuant to the Credit Agreement.

(d) Each Purchasing Lender or the Transferor Lender (as they have mutually agreed) has paid to the Agent a non-refundable fee of $3,500 (per Purchasing Lender) to cover administrative and other expenses, as provided in Section 9.01(e) of the Credit Agreement.

(e) From and after the date hereof, principal, interest, fees, commissions and other amounts that would otherwise be payable to or for the account of the Transferor Lender pursuant to or in respect of the Credit Agreement shall, instead, be payable to or for the account of the Transferor Lender and each of the Purchasing Lenders, as the case may be, in accordance with their respective interests as reflected in this Transfer Supplement, whether such amounts have accrued prior to the date hereof or accrue subsequent to the date hereof.

(f) Concurrently with the execution and delivery hereof, the Borrower, the Transferor Lender and each Purchasing Lender shall make appropriate arrangements so that replacement Notes, if requested, are issued to the Transferor Lender, and new Notes or replacement Notes, if requested, are issued to each Purchasing Lender, in each case in principal amounts reflecting, in accordance with the Credit Agreement, outstanding Term Loans owing to them in which they participate and, as appropriate, their Commitment (as adjusted pursuant to this Transfer Supplement) as shown in Schedule I.

(g) Concurrently with the execution and delivery hereof, the Agent will, at the expense of the Transferor Lender, provide to each Purchasing Lender (if it is not already a Lender party to the Credit Agreement) conformed copies of all documents delivered to the Agent on the Effective Date in satisfaction of the conditions precedent set forth in the Credit Agreement.

(h) Each of the parties to this Transfer Supplement agrees that at any time and form time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Transfer Supplement.

(i) Schedule I hereto sets forth the revised Commitment, amount of outstanding Term Loans and the Pro Rata Shares of the Transferor Lender and each Purchasing Lender as well as administrative information with respect to each Purchasing Lender.

(j) THIS TRANSFER SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Transfer Supplement to be executed by their respective duly authorized officers as of the date first set forth above.

[NAME OF LENDER], as Transferor Lender

By: ______________________________
Name:
Title:

[NAME OF PURCHASING LENDER],
as Purchasing Lender

By: ______________________________
Name:
Title:

JPMORGAN CHASE BANK, N.A.
as Administrative Agent

By: ______________________________
Name:
Title:

[Agreed to as of this __
day of ______, 20__

TEXTRON INC.

By: ______________________________
Name:
Title:

SCHEDULE I

to

Transfer Supplement dated as of _______, 20__

[Transferor Lender]

Amount of Commitment, Outstanding Term Loans and Pro Rata share:

Prior to giving effect to transfer:

Amount of Commitment	$	
Amount of Outstanding Term Loans	$	
Pro Rata Share		%

After giving effect to transfer:

Amount of Commitment	$	
Amount of Outstanding Term Loans	$	
Pro Rata Share		%

[Purchasing Lender]

Offices : Notices

Address:
Attn:
Telephone:
Telecopy:

Commitment, Term Loans Transferred and Pro Rata Share:

Amount of Commitment	$	
Amount of Outstanding Term Loans	$	
Purchased Pro Rata Share		%

EXHIBIT 12.1

TEXTRON INC.
MANUFACTURING GROUP

COMPUTATION OF RATIO OF INCOME TO FIXED CHARGES
(Unaudited)
(In millions except ratios)

	Year 2013	2012	2011	2010	2009
Fixed charges:					
Interest expense*	$ 122	$ 150	$ 177	$ 176	$ 153
Estimated interest portion of rents	31	32	30	29	31
Total fixed charges	$ 153	$ 182	$ 207	$ 205	$ 184
Income:					
Income (loss) from continuing operations before income taxes	$ 674	$ 841	$ 337	$ 86	$ (149)
Fixed charges	153	182	207	205	184
Dividends received from Finance group	175	345	179	505	349
Capital contributions paid to Finance group under Support Agreement	—	(240)	(182)	(383)	(270)
Eliminate pretax loss (income) of Finance group	(49)	(64)	333	339	307
Adjusted income	$ 953	$ 1,064	$ 874	$ 752	$ 421
Ratio of income to fixed charges	6.23	5.85	4.22	3.67	2.29

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

EXHIBIT 12.2

TEXTRON INC. INCLUDING ALL MAJORITY-OWNED SUBSIDIARIES

COMPUTATION OF RATIO OF INCOME TO FIXED CHARGES
(Unaudited)
(In millions except ratios)

	Year				
	2013	2012	2011	2010	2009
Fixed charges:					
Interest expense*	$ 171	$ 207	$ 247	$ 270	$ 309
Estimated interest portion of rents	32	32	31	31	33
Total fixed charges	203	239	$ 278	$ 301	$ 342
Income:					
Income (loss) from continuing operations before income taxes	$ 674	$ 841	$ 337	$ 86	$ (149)
Fixed charges	203	239	278	301	342
Adjusted income	877	1,080	$ 615	$ 387	$ 193
Ratio of income to fixed charges	4.32	4.52	2.21	1.29	0.56

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

Exhibit 21

Certain Subsidiaries of Textron Inc.*

(Unless indicated otherwise, all entities listed are wholly-owned.)

* Other subsidiaries, which considered in the aggregate do not constitute a significant subsidiary, are omitted from this list.

Name	Jurisdiction
TEXTRON INC.	Delaware
Avco Corporation	Delaware
Avco Rhode Island (2002) Inc.	Delaware
Christine Realty Co., Inc.	Pennsylvania
Overwatch Systems, Ltd.	Delaware
Medical Numerics, Inc.	Virginia
Textron Systems Corporation	Delaware
Textron Systems Rhode Island (2001) Inc.	Delaware
United Industrial Corporation	Delaware
AAI Corporation	Maryland
AAI Aerosonde Pty Ltd.	Australia
Aerosonde Pty Ltd.	Australia
AAI Services Corporation	Maryland
ESL Defence (Holdings) Ltd.	England
ESL Defence Limited	England
Bell Helicopter Textron Inc.	Delaware
Aeronautical Accessories, LLC	Tennessee
Bell Helicopter Rhode Island Inc.	Delaware
Bell Helicopter Services Inc.	Delaware
Bell Helicopter Asia (Pte) Ltd.	Singapore
Bell Helicopter do Brasil Ltda. *(99.99%; 0.01% - Bell Helicopter Textron Inc.; inactive)*	Brazil
Bell Helicopter India Inc.	Delaware
Bell Helicopter Korea Inc.	Delaware
Bell Technical Services Inc.	Delaware
McTurbine Inc.	Texas
SkyBOOKS Inc.	Delaware
Cadillac Gage Textron Inc.	Michigan
Cessna Aircraft Company	Kansas
Cessna Aircraft Rhode Island Inc.	Delaware
Cessna ServiceDirect L.L.C.	Kansas
CitationShares Sales, Inc.	Delaware
CitationShares Management, L.L.C.	Delaware
Greenlee Textron Inc.	Delaware
Greenlee Plumbing Inc.	Delaware
Kautex Inc.	Delaware
McCord Corporation	Michigan
Kautex of Georgia Inc.	Massachusetts
Mechtronix Textron Canada Inc.	Ontario
Textron Airland, LLC (80%; 20%-Airland Enterprises, LLC)	Delaware
Textron Atlantic LLC	Delaware
E-Z-GO Canada Limited	Canada
Kautex Poland Sp. z.o.o	Poland
Kautex Textron India Pvt. Ltd. *(liquidation in process)*	India
Klauke Handelsgesellschaft m.b.H.	Austria
Textron Acquisition Limited	England
Ransomes Investment LLC	Delaware
Ransomes America Corporation	Delaware
Cushman Inc.	Delaware
Ransomes Inc.	Wisconsin
STE Holding Inc.	Wisconsin
Ransomes Limited	England
Ransomes Jacobsen Limited	England
Ransomes Pensions Trustee Company Limited	England
Ransomes Property Developments Limited	England

Name	Jurisdiction
Ransomes Limited *(continued from prior page)*	England
Ransomes Property Developments Limited *(continued from prior page)*	England
Textron Limited	England
Kautex Textron (UK) Limited	England
Textron UK Pension Trustee Ltd.	England
Textron International Holding, S.L.	Spain
Bell Helicopter Supply Center B.V.	Netherlands
Bell Helicopter Textron Canada Limited/Limitée	Canada
Bell Helicopter Canada International Inc.	Canada
Kautex Textron CVS Limited	England
Kautex Textron Ibérica, S.L.	Spain
Kautex Textron do Brasil Ltda. *(99.9%; 1 share - Textron International Holding, S.L.)*	Brazil
Kautex Textron Portugal – Produtos Plasticos, Ldas.	Portugal
Textron Capital B.V.	Netherlands
Kautex Textron GmbH & Co. K.G. *(94.82%; 5.18% - Textron International Holding, S.L.)*	Germany
Gustav Klauke GmbH *(94.9%; 5.1% - Textron International Holding, S.L.)*	Germany
Kautex (Changchun) Plastics Technology Co., Ltd.	PRC
Textron Germany Holding GmbH	Germany
Kautex Corporation	Nova Scotia
Kautex Textron Benelux B.V.B.A. *(99.9%; 1 share – Kautex Textron Ibérica, S.L.)*	Belgium
Kautex Textron Bohemia spol. s.r.o.	Czech Republic
Kautex Textron Italia S.r.l. *(95%; 5% - Kautex Textron Ibérica, S.L.)*	Italy
Kautex Japan KK	Japan
Kautex Shanghai GmbH	Germany
Kautex (Guangzhou) Plastic Technology Co., Ltd.	PRC
Kautex (Shanghai) Plastic Products Co. Ltd.	PRC
Kautex (Shanghai) Plastic Technology Co., Ltd.	PRC
Kautex Textron de Mexico, S. de R.L. de C.V. *(99.98%; 0.02% - Textron International Holding, S.L.)*	Mexico
Kautex Textron Management Services Company de Puebla, S. de R.L. de C.V. *(98%; 2% - Textron International Holding, S.L.)*	Mexico
Textron China Holdings S.R.L. *(99.9576%; 0.04244% - Textron International Holding, S.L.)*	Barbados
Textron Trading (Shanghai) Co., Ltd.	PRC
Textron France Holding S.A.R.L. *(99.9%; 1 share – Textron France E.U.R.L.)*	France
Cessna Citation European Service Center S.A.S. *(99.9%; 1 share – Textron France E.U.R.L.)*	France
Textron France E.U.R.L.	France
Ransomes Jacobsen France S.A.S.	France
Textron Verwaltungs-GmbH	Germany
Textron China Inc.	Delaware
Textron Communications Inc.	Delaware
Textron Far East Pte. Ltd.	Singapore
Textron India Private Limited *(99.9%; 1 share – Textron Inc.)*	India
Textron Fastening Systems Inc.	Delaware
Textron Financial Corporation	Delaware
Cessna Finance Corporation	Kansas
Textron Aviation Finance Corporation	Delaware
Cessna Finance Export Corporation	Delaware
Textron Financial Corporation Receivables Trust 2002-CP-2	Delaware
Textron Fluid and Power Inc.	Delaware
Textron Global Services Inc.	Delaware
Textron International Inc.	Delaware
Textron IPMP Inc.	Delaware
Textron Innovations Inc.	Delaware
Textron Management Services Inc.	Delaware
Textron Realty Corporation	Delaware
Textron Rhode Island Inc.	Delaware
Textron Systems Canada Inc.	Ontario
Opto- Electronics Inc.	Ontario
TRAK International, Inc.	Delaware
Turbine Engine Components Textron (Newington Operations) Inc.	Connecticut
Westminster Insurance Company	Vermont

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements: Form S-8 No. 333-160944 pertaining to the Textron Savings Plan and the Textron Canada Savings Plan, Form S-8 No. 333-124723 pertaining to the 1999 Long-Term Incentive Plan, Form S-8 No. 333-144977 pertaining to the 2007 Long-Term Incentive Plan, and Form S-3 No. 333-175886 pertaining to the automatic shelf registration of common stock, preferred stock, senior debt securities and subordinated debt securities of Textron Inc. of our reports dated February 14, 2014, with respect to the Consolidated Financial Statements and schedule of Textron Inc. and the effectiveness of internal control over financial reporting of Textron Inc. included in this Annual Report (Form 10-K) for the year ended December 28, 2013.

/s/ Ernst & Young LLP

Boston, Massachusetts
February 14, 2014

Exhibit 24

POWER OF ATTORNEY

The undersigned, Textron Inc. (“Textron”) a Delaware corporation, and the undersigned directors and officers of Textron, do hereby constitute and appoint E. Robert Lupone, Elizabeth C. Perkins, Jayne M. Donegan and Ann T. Willaman, and each of them, with full powers of substitution, their true and lawful attorneys and agents to do or cause to be done any and all acts and things and to execute and deliver any and all instruments and documents which said attorneys and agents, or any of them, may deem necessary or advisable in order to enable Textron to comply with the Securities and Exchange Act of 1934, as amended, and any requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing of Textron’s Annual Report on Form 10-K for the fiscal year ended December 28, 2013, 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, as of the 12th day of February, 2014.

TEXTRON INC.

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

ATTEST:

/s/ E. Robert Lupone
E. Robert Lupone
Executive Vice President, General Counsel,
Secretary and Chief Compliance Officer

/s/ Scott C. Donnelly
Scott C. Donnelly
Chairman, President, Chief Executive Officer and Director
(principal executive officer)

/s/ Kathleen M. Bader
Kathleen M. Bader
Director

/s/ R. Kerry Clark
R. Kerry Clark
Director

/s/ James T. Conway
James T. Conway
Director

/s/ Ivor J. Evans
Ivor J. Evans
Director

/s/ Lawrence K. Fish
Lawrence K. Fish
Director

/s/ Paul E. Gagné
Paul E. Gagné
Director

/s/ Dain M. Hancock
Dain M. Hancock
Director

/s/ Lord Powell of Bayswater KCMG
Lord Powell of Bayswater KCMG
Director

/s/ Lloyd G. Trotter
Lloyd G. Trotter
Director

/s/ James L. Ziemer
James L. Ziemer
Director

/s/ Frank T. Connor
Frank T. Connor
Executive Vice President and Chief Financial Officer
(principal financial officer)

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

Exhibit 31.1

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

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

1. I have reviewed this annual report on Form 10-K of Textron Inc.;

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

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

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

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

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

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

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

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

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

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

Date: February 14, 2014

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

Exhibit 31.2

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

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

1. I have reviewed this annual report on Form 10-K of Textron Inc.;

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

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

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

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

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

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

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

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

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

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

Date: February 14, 2014

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

Exhibit 32.1

TEXTRON INC.

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

In connection with the Annual Report of Textron Inc. (the “Company”) on Form 10-K for the period ended December 28, 2013 as filed with the Securities and Exchange Commission on the Date hereof (the “Report”), I, Scott C. Donnelly, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Date: February 14, 2014

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

Exhibit 32.2

TEXTRON INC.

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

In connection with the Annual Report of Textron Inc. (the "Company") on Form 10-K for the period ended December 28, 2013 as filed with the Securities and Exchange Commission on the Date hereof (the "Report"), I, Frank T. Connor, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Date: February 14, 2014

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