TEXTRON INC

FORM 10-Q
(Quarterly Report)

Filed 04/25/08 for the Period Ending 04/25/08

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Telephone	4014212800
CIK	0000217346
Symbol	TXT
SIC Code	6162 - Mortgage Bankers and Loan Correspondents
Fiscal Year	01/02

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

FORM 10-Q

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

For the fiscal quarter ended March 29, 2008

OR

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

Commission File Number: 1-5480

Textron Inc.

(Exact name of registrant as specified in its charter)

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

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

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 ü No

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

Large accelerated filer [✓] Accelerated filer [__]

Non-accelerated filer [__] Smaller reporting company [__]
(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 Exchange Act). Yes __ No ✓

Common stock outstanding at April 12, 2008 - 249,238,655 shares

TEXTRON INC.

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	Three Months Ended March 29, 2008	Three Months Ended March 31, 2007
Revenues		
Manufacturing	$ 3,304	$ 2,754
Finance	214	210
Total revenues	3,518	2,964
Costs, expenses and other		
Cost of sales	2,594	2,180
Selling and administrative	429	372
Interest expense, net	115	123
Provision for losses on finance receivables	27	5
Total costs, expenses and other	3,165	2,680
Income from continuing operations before income taxes	353	284
Income taxes	(117)	(86)
Income from continuing operations	236	198
Loss from discontinued operations, net of income taxes	(5)	(2)
Net income	$ 231	$ 196
Basic earnings per share		
Continuing operations	$ 0.95	$ 0.79
Discontinued operations	(0.02)	(0.01)
Basic earnings per share	$ 0.93	$ 0.78
Diluted earnings per share		
Continuing operations	$ 0.93	$ 0.78
Discontinued operations	(0.02)	(0.01)
Diluted earnings per share	$ 0.91	$ 0.77
Dividends per share		
$2.08 Preferred stock, Series A	$ 0.52	$ 0.52
$1.40 Preferred stock, Series B	$ 0.35	$ 0.35
Common stock	$ 0.23	$ 0.194

See Notes to the consolidated financial statements.

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

	March 29, 2008	December 29, 2007
Assets		
Manufacturing group		
Cash and cash equivalents	$ 314	$ 471
Accounts receivable, less allowance for doubtful accounts of $35 and $34	1,181	1,083
Inventories	3,074	2,724
Other current assets	483	568
Total current assets	5,052	4,846
Property, plant and equipment, less accumulated depreciation and amortization of $2,475 and $2,388	2,001	1,999
Goodwill	2,152	2,132
Other assets	1,598	1,596
Total Manufacturing group assets	10,803	10,573
Finance group		
Cash	47	60
Finance receivables, less allowance for losses of $105 and $89	8,634	8,514
Goodwill	169	169
Other assets	1,113	640
Total Finance group assets	9,963	9,383
Total assets	$ 20,766	$ 19,956
Liabilities and shareholders' equity		
Liabilities		
Manufacturing group		
Current portion of long-term debt and short-term debt	$ 385	$ 355
Accounts payable	1,082	927
Accrued liabilities	2,789	2,840
Total current liabilities	4,256	4,122
Other liabilities	2,165	2,289
Long-term debt	1,801	1,793
Total Manufacturing group liabilities	8,222	8,204
Finance group		
Other liabilities	540	462
Deferred income taxes	474	472
Debt	7,936	7,311
Total Finance group liabilities	8,950	8,245
Total liabilities	17,172	16,449
Shareholders' equity		
Capital stock:		
Preferred stock	2	2
Common stock	32	32
Capital surplus	1,201	1,193
Retained earnings	2,940	2,766
Accumulated other comprehensive loss	(424)	(400)
	3,751	3,593
Less cost of treasury shares	157	86
Total shareholders' equity	3,594	3,507
Total liabilities and shareholders' equity	$ 20,766	$ 19,956
Common shares outstanding (in thousands)	249,099	250,061

See Notes to the consolidated financial statements.

TEXTRON INC.
Consolidated Statements of Cash Flows (Unaudited)
For the Three Months Ended March 29, 2008 and March 31, 2007, respectively
(In millions)

	Consolidated	
	2008	2007
Cash flows from operating activities:		
Net income	$ 231	$ 196
Less: Loss from discontinued operations	(5)	(2)
Income from continuing operations	236	198
Adjustments to reconcile income from continuing operations to net cash provided by (used in) operating activities:		
Earnings of Finance group, net of distributions	-	-
Depreciation and amortization	103	74
Provision for losses on finance receivables	27	5
Share-based compensation	13	8
Deferred income taxes	2	-
Changes in assets and liabilities excluding those related to acquisitions and divestitures:		
Accounts receivable, net	(78)	(111)
Inventories	(349)	(288)
Other assets	86	33
Accounts payable	144	81
Accrued and other liabilities	(123)	(12)
Captive finance receivables, net	59	(74)
Other operating activities, net	5	21
Net cash provided by (used in) operating activities of continuing operations	125	(65)
Net cash used in operating activities of discontinued operations	(20)	(5)
Net cash provided by (used in) operating activities	105	(70)
Cash flows from investing activities:		
Finance receivables:		
Originated or purchased	(2,846)	(2,886)
Repaid	1,933	2,340
Proceeds on receivables sales and securitization sales	372	591
Net cash used in acquisitions	(100)	-
Capital expenditures	(84)	(61)
Proceeds from sale of property, plant and equipment	1	1
Other investing activities, net	8	14
Net cash used in investing activities of continuing operations	(716)	(1)
Net cash provided by investing activities of discontinued operations	-	17
Net cash (used in) provided by investing activities	(716)	16
Cash flows from financing activities:		
Increase (decrease) in short-term debt	718	(720)
Proceeds from issuance of long-term debt	424	874
Principal payments and retirements of long-term debt	(561)	(102)
Proceeds from option exercises	6	26
Purchases of Textron common stock	(96)	(171)
Dividends paid	(57)	(49)
Dividends paid to Manufacturing group	-	-
Net cash provided by (used in) financing activities of continuing operations	434	(142)
Effect of exchange rate changes on cash and cash equivalents	7	1
Net decrease in cash and cash equivalents	(170)	(195)
Cash and cash equivalents at beginning of period	531	780
Cash and cash equivalents at end of period	$ 361	$ 585

See Notes to the consolidated financial statements.

TEXTRON INC.
Consolidated Statements of Cash Flows (Unaudited) (Continued)
For the Three Months Ended March 29, 2008 and March 31, 2007, respectively
(In millions)

	Manufacturing Group*		Finance Group*	
	2008	2007	2008	2007
Cash flows from operating activities:				
Net income	$ 231	$ 196	$ 31	$ 35
Less: Loss from discontinued operations	(5)	(2)	-	-
Income from continuing operations	236	198	31	35
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:				
Earnings of Finance group, net of distributions	111	100	-	-
Depreciation and amortization	93	65	10	9
Provision for losses on finance receivables	-	-	27	5
Share-based compensation	13	8	-	-
Deferred income taxes	-	(2)	2	2
Changes in assets and liabilities excluding those related to acquisitions and divestitures:				
Accounts receivable, net	(78)	(111)	-	-
Inventories	(342)	(276)	-	-
Other assets	80	33	1	-
Accounts payable	144	81	-	-
Accrued and other liabilities	(111)	(21)	(12)	9
Captive finance receivables, net	-	-	-	-
Other operating activities, net	12	11	(7)	9
Net cash provided by operating activities of continuing operations	158	86	52	69
Net cash used in operating activities of discontinued operations	(20)	(5)	-	-
Net cash provided by operating activities	138	81	52	69
Cash flows from investing activities:				
Finance receivables:				
Originated or purchased	-	-	(3,033)	(3,111)
Repaid	-	-	2,092	2,469
Proceeds on receivables sales and securitization sales	-	-	459	613
Net cash used in acquisitions	(100)	-	-	-
Capital expenditures	(81)	(59)	(3)	(2)
Proceeds from sale of property, plant and equipment	1	1	-	-
Other investing activities, net	(2)	-	8	3
Net cash used in investing activities of continuing operations	(182)	(58)	(477)	(28)
Net cash provided by investing activities of discontinued operations	-	17	-	-
Net cash used in investing activities	(182)	(41)	(477)	(28)
Cash flows from financing activities:				
Increase (decrease) in short-term debt	75	(42)	643	(678)
Proceeds from issuance of long-term debt	-	-	424	874
Principal payments and retirements of long-term debt	(48)	(1)	(513)	(101)
Proceeds from option exercises	6	26	-	-
Purchases of Textron common stock	(96)	(171)	-	-
Dividends paid	(57)	(49)	-	-
Dividends paid to Manufacturing group	-	-	(142)	(135)
Net cash (used in) provided by financing activities of continuing operations	(120)	(237)	412	(40)
Effect of exchange rate changes on cash and cash equivalents	7	1	-	-
Net (decrease) increase in cash and cash equivalents	(157)	(196)	(13)	1
Cash and cash equivalents at beginning of period	471	733	60	47
Cash and cash equivalents at end of period	$ 314	$ 537	$ 47	$ 48

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

TEXTRON INC.
Notes to the Consolidated Financial Stateme nts (Unaudited)

Note 1: Basis of Presentation

The consolidated interim financial statements included in this quarterly report should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 29, 2007. In the opinion of management, the interim financial statements reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for the fair presentation of our consolidated financial position, results of operations and cash flows for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

As discussed in Note 10: Segment Information, we changed our segment structure effective as of the beginning of fiscal 2008. Our segments now include Cessna, Bell, Defense & Intelligence, Industrial and Finance. Prior periods have been recast to reflect the new segment reporting structure.

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

In July 2007, our Board of Directors approved a two-for-one split of our common stock which was effected in August 2007. The prior period financial statements have been restated to reflect the effect of the split on share and per share amounts.

Note 2: Inventories

(In millions)	March 29, 2008	December 29, 2007
Finished goods	$ 912	$ 762
Work in process	1,900	1,868
Raw materials	742	636
	3,554	3,266
Less progress/milestone payments	480	542
	$ 3,074	$ 2,724

Note 3: Comprehensive Income

Our comprehensive income for the periods is provided below:

(In millions)	Three Months Ended March 29, 2008	Three Months Ended March 31, 2007
Net income	$ 231	$ 196
Other comprehensive income (loss):		
Recognition of prior service cost and unrealized losses on pension and postretirement benefits	10	15
Deferred losses on hedge contracts	(16)	(4)
Other	(18)	2
Comprehensive income	$ 207	$ 209

Note 4: Earnings per Share

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

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

(In thousands)	Three Months Ended March 29, 2008	Three Months Ended March 31, 2007
Basic weighted-average shares outstanding	249,158	250,095
Dilutive effect of convertible preferred shares, stock options and restricted stock units	5,190	4,778
Diluted weighted-average shares outstanding	254,348	254,873

Note 5: Share-Based Compensation

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

(In millions)	Three Months Ended March 29, 2008	Three Months Ended March 31, 2007
Compensation expense, net of hedge income or expense	$ 6	$ 13
Income tax expense (benefit)	11	(2)
Total net compensation cost included in net income	$ 17	$ 11

Stock Options

The stock option compensation cost calculated under the fair value approach is recognized over the vesting period of the stock options. The weighted-average fair value of options granted per share was $14 in the first quarter of both 2008 and 2007. 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. We use historical data to estimate option exercise behavior, adjusted to reflect anticipated increases in expected life.

The weighted-average assumptions used in our Black-Scholes option-pricing model for awards issued during the respective periods are as follows:

	Three Months Ended	
	March 29, 2008	March 31, 2007
Dividend yield	2%	2%
Expected volatility	30%	30%
Risk-free interest rate	3%	5%
Expected lives (*In years*)	5. 0	5. 5

Stock option activity under the 2007 Long-Term Incentive Plan for the first quarter of 2008 is as follows:

	Number of Options *(In thousands)*	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life *(In years)*	Aggregate Intrinsic Value *(In millions)*
Outstanding at beginning of period	9,024	$ 35.37	6.3	$ 316
Granted	1,458	54.17		
Exercised	(178)	32.46		
Canceled, expired or forfeited	(39)	38.74		
Outstanding at end of period	10,265	$ 38.08	6.6	$ 168
Exercisable at end of period	7,014	$ 32.90	5.4	$ 151

Restricted Stock Units

The fair value of a restricted stock unit paid in stock that was granted in 2007 is based on the trading price of our common stock on the date of grant, less required adjustments to reflect the fair value of the award as dividends are not paid on these units until the restricted stock unit vests. Beginning with the 2008 grant, cash dividends will be paid on a quarterly basis prior to vesting. The fair value of a restricted stock unit paid in stock granted in 2008 is based on the trading price of our common stock on the date of grant. The weighted-average grant date fair value of restricted stock units paid in stock that were granted in the first quarter of 2008 and 2007 was approximately $54 and $43 per share, respectively.

Activity for restricted stock units paid in stock during the three months ended March 29, 2008 is as follows:

(Shares in thousands)	Number of Shares	Weighted-Average Grant Date Fair Value
Outstanding at beginning of period, nonvested	2,506	$ 37.40
Granted	593	54.38
Vested	(321)	32.04
Forfeited	(97)	37.24
Outstanding at end of period, nonvested	2,681	$ 41.80

Share-Based Compensation Awards

The value of the share-based compensation awards that vested and/or were paid during the respective periods is as follows:

(In millions)	Three Months Ended March 29, 2008	Three Months Ended March 31, 2007
Subject only to service conditions:		
Value of shares, options or units vested	$ 31	$ 25
Intrinsic value of cash awards paid	4	4
Subject to performance vesting conditions:		
Intrinsic value of cash awards paid	41	42
Intrinsic value of amounts paid under Deferred Income Plan	3	2

Note 6: Retirement Plans

We provide defined benefit pension plans and other postretirement benefits to eligible employees. The components of net periodic benefit cost for these plans for the three months ended March 29, 2008 and March 31, 2007 are as follows:

	Pension Benefits		Postretirement Benefits Other Than Pensions	
(In millions)	2008	2007	2008	2007
Service cost	$ 37	$ 33	$ 2	$ 2
Interest cost	82	73	11	10
Expected return on plan assets	(109)	(99)	-	-
Amortization of prior service cost (credit)	5	4	(1)	(1)
Amortization of net loss	6	13	4	6
Net periodic benefit cost	$ 21	$ 24	$ 16	$ 17

Note 7: Commitments and Contingencies

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

The Internal Revenue Service (IRS) has challenged both the ability to accelerate the timing of tax deductions and the amounts of those deductions related to certain leveraged lease transactions within the Finance segment. These transactions, along with other transactions with similar characteristics, have an initial investment of approximately $209 million. Resolution of these issues may result in an adjustment to the timing of taxable income and deductions that reduce the effective yield of the leveraged lease transactions. In addition, resolution of these issues could result in the acceleration of cash payments to the IRS. Deferred tax liabilities of $180 million are recorded on our consolidated balance sheet related to these leases at March 29, 2008. We believe that the proposed IRS adjustments are inconsistent with the tax law in existence at the time the leases were originated and intend to vigorously defend our position.

Armed Reconnaissance Helicopter (ARH) Program — The ARH program includes a development phase, covered by the System Development and Demonstration (SDD) contract, and a production phase. The SDD contract is a cost plus incentive fee contract under which our eligibility for fees is reduced as total contract costs increase. Since 2006, the costs of the SDD contract have exceeded the threshold at which we are eligible to earn profit. In December 2007, we agreed to expand the scope of the development contract efforts on a funded basis.

During 2007, we continued to restructure the production portion of this program through negotiations with the U.S. Government, which included reducing the number of units and modifying the pricing and delivery schedules. Based on the status of the negotiations during the year and contractual commitments with our vendors related to materials for the anticipated production units we procured at our risk, we established reserves in 2007 representing our best estimate of the expected loss for this program. At December 29, 2007, reserves for this program totaled $50 million.

In April 2008, we received a request for proposal from the U.S. Government for the restructured low-rate initial production (LRIP) program, and we expect that the contract for the initial lot will be finalized later this year. The $50 million reserve recorded in 2007 remains our best estimate of the expected loss at this time.

Note 8: Guarantees and Indemnifications

As disclosed under the caption "Guarantees and Indemnifications" in Note 17 to the Consolidated Financial Statements in Textron's 2007 Annual Report on Form 10-K, we have issued or are party to certain guarantees. As of March 29, 2008, there has been no material change to these guarantees.

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

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

	Three Months Ended	
(In millions)	March 29, 2008	March 31, 2007
Accrual at the beginning of period	$ 321	$ 315
Provision	46	45
Settlements	(50)	(46)
Adjustments to prior accrual estimates	(10)	6
Accrual at the end of period	$ 307	$ 320

Note 9: Fair Values of Assets and Liabilities

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements," effective for financial statements issued for fiscal years beginning after November 15, 2007. SFAS No. 157 replaces multiple existing definitions of fair value with a single definition, establishes a consistent framework for measuring fair value and expands financial statement disclosures regarding fair value measurements. This Statement applies only to fair value measurements that already are required or permitted by other accounting standards and does not require any new fair value measurements. In February 2008, the FASB issued FASB Staff Position (FSP) No. 157-2, which delayed until the first quarter of 2009 the effective date of SFAS No. 157 for nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis.

The adoption of SFAS No. 157 for our financial assets and liabilities in the first quarter of 2008 did not have a material impact on our financial position or results of operations. Our nonfinancial assets and liabilities that meet the deferral criteria set forth in FSP No. 157-2 include goodwill, intangible assets, property, plant and equipment and other long-term investments, which primarily represent collateral that is received by the Finance group in satisfaction of troubled loans. We do not expect that the adoption of SFAS No. 157 for these nonfinancial assets and liabilities will have a material impact on our financial position or results of operations.

In accordance with the provisions of SFAS No. 157, 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. The Statement prioritizes the assumptions that market participants would use in pricing the asset or liability (the “inputs”) 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 exists, requiring companies to develop their own assumptions. Observable inputs that do not meet the criteria of Level 1, and include quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets and liabilities in markets that are not active, are categorized as Level 2. Level 3 inputs are those that reflect our estimates about the assumptions market participants would use in pricing the asset or liability, based on the best information available in the circumstances. Valuation techniques for assets and liabilities measured using Level 3 inputs may include methodologies such as the market approach, the income approach or the cost approach, and may use unobservable inputs such as projections, estimates and management’s interpretation of current market data. These unobservable inputs are only utilized to the extent that observable inputs are not available or cost-effective to obtain.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The table below presents the assets and liabilities measured at fair value on a recurring basis at March 29, 2008 categorized by the level of inputs used in the valuation of each asset and liability.

(In millions)	Total	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Manufacturing group				
Foreign exchange rate forwardcontracts, net	$ 18	$ -	$ 18	$ -
Total Manufacturing group	18	-	18	-
Finance group				
Interest-only strips	52	-	-	52
Other marketable securities	18	-	18	-
Derivative financial instruments, net	64	-	64	-
Total Finance group	134	-	82	52
Total assets	$ 152	$ -	$ 100	$ 52
Liabilities				
Manufacturing group				
Cash settlement forward contract	$ 20	$ 20	$ -	$ -
Total Manufacturing group	20	20	-	-
Total liabilities	$ 20	$ 20	$ -	$ -

Valuation Techniques

Manufacturing Group

Foreign exchange rate forward contracts are measured at fair value using the market method valuation technique. The inputs to this technique utilize current foreign exchange forward market rates published by third-party leading financial news and data providers. This is observable data that represents 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. We record changes in the fair value of these contracts, to the extent they are effective as hedges, in other comprehensive income. If a contract does not qualify for hedge accounting or is designated as a fair value hedge, changes in the fair value of the contract are recorded in income.

Cash settlement forward contracts on our common stock are used to manage the expense related to stock-based compensation awards. The use of these forward contracts modifies compensation expense exposure to changes in the stock price with the intent of reducing potential variability. These contracts are measured at fair value using the market method valuation technique. Since the input to this technique is based on the quoted price of our common stock at the measurement date, it is classified as Level 1. Gains or losses on these instruments are recorded as an adjustment to compensation expense.

Finance Group

Interest-only strips are generally retained upon the sale of finance receivables to qualified special purpose trusts. These interest-only strips are initially recorded at the allocated carrying value, which is determined based on the relative fair values of the finance receivables sold and the interests retained. We estimate fair value upon the initial recognition of the retained interest based on the present value of expected future cash flows using our best estimates of key assumptions – credit losses, prepayment speeds, forward interest rate yield curves and discount rates commensurate with the risks involved. These inputs are classified as Level 3 since they reflect our own assumptions about the assumptions market participants would use in pricing these assets based on the best information available in the circumstances. We review the fair values of the interest-only strips quarterly using a discounted cash flow model and updated assumptions, and compare such amounts with the carrying value. When a change in fair value is deemed temporary, we record a corresponding credit or charge to other comprehensive income for any unrealized gains or losses. If a decline in the fair value is determined to be other than temporary, we record a corresponding charge to income.

Other marketable securities represent investments in notes receivable issued by securitization trusts that purchase timeshare notes receivable from resort developers. These notes are classified as available-for-sale securities and are held at fair value, which is based on observable inputs for similar securitization interests in markets that are currently inactive. Changes in fair value for these notes are recorded in other comprehensive income. If a decline in the fair value is determined to be other than temporary, we record a corresponding charge to income.

Derivative financial instruments are measured at fair value based on observable market inputs for various interest rates and foreign currency rates published by third-party leading financial news and data providers. This is observable data that represents the rates used by market participants for instruments entered into at that date; however, they are not based on actual transactions so they are classified as Level 2. Changes in fair value for these instruments are primarily recorded in interest expense.

Changes in Fair Value for Unobservable Inputs

The table below presents the change in fair value measurements that used significant unobservable inputs (Level 3) during the period ended March 29, 2008:

(In millions)		Interest-only Strips
Balance, beginning of period	$	43
Net gains for the period:		
Increase due to securitization gains on sale of finance receivables		21
Change in value recognized in Finance revenues		1
Change in value recognized in other comprehensive income		2
Collections		(15)
Balance, end of period	$	52

We also adopted the provisions of SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115" in the first quarter of 2008. This Statement allows us to choose to measure eligible assets and liabilities at fair value with changes in value recognized in earnings. Fair value treatment may be elected either upon initial recognition of an eligible asset or liability or, for an existing asset or liability, if an event triggers a new basis of accounting. We did not elect to re-measure any of our existing financial assets or liabilities under the provisions of this Statement.

Note 10: Segment Information

Prior to fiscal 2008, Textron reported segment financial results within four segments: Bell, Cessna, Industrial and Finance. The Bell segment consisted of Bell Helicopter and the Textron Systems division. With recent acquisitions and organic growth, the Textron Systems division now provides a significant portion of our consolidated revenues. As Textron Systems and Bell Helicopter both continue to grow, these businesses require autonomy from each other and dedicated management focus. Effective at the beginning of fiscal 2008, we changed our segment reporting by separating the former Bell segment into two segments: the Bell segment and the Defense & Intelligence segment. The Cessna, Industrial and Finance segments have not been changed. We now operate in, and will report financial information for, the following five business segments: Cessna, Bell, Defense & Intelligence, Industrial and Finance. These segments reflect the manner in which we now manage our operations. Prior periods have been restated to reflect the new segment reporting structure.

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. Provisions for losses on finance receivables involving the sale or lease of our products are recorded by the selling manufacturing division when our Finance group has recourse to the Manufacturing group.

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

(In millions)	Three Months Ended March 29, 2008	Three Months Ended March 31, 2007
REVENUES		
MANUFACTURING:		
Cessna	$ 1,246	$ 968
Bell	574	580
Defense & Intelligence	575	359
Industrial	909	847
	3,304	2,754
FINANCE	214	210
Total revenues	$ 3,518	$ 2,964
SEGMENT OPERATING PROFIT		
MANUFACTURING:		
Cessna	$ 207	$ 155
Bell	53	25
Defense & Intelligence	71	66
Industrial	50	60
	381	306
FINANCE	42	52
Segment profit	423	358
Corporate expenses and other, net	(40)	(50)
Interest expense, net	(30)	(24)
Income from continuing operations before income taxes	$ 353	$ 284

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

Consolidated Results of Operations

Revenues and Segment Profit

Revenues increased $554 million, or 19%, to $3.5 billion in the first quarter of 2008 compared with the first quarter of 2007. This increase is primarily due to revenues from newly acquired businesses of $263 million, higher manufacturing volume of $180 million, higher pricing of $83 million and favorable foreign exchange of $52 million in the Industrial segment. These increases were partially offset by the impact of last year's reimbursement of costs related to Hurricane Katrina of $28 million.

Segment profit increased $65 million, or 18%, to $423 million in the first quarter of 2008, compared with the first quarter of 2007. This increase is primarily due to higher pricing of $83 million, the benefit from higher volume and mix of $26 million, favorable cost performance of $20 million and the benefit from newly acquired businesses of $13 million. These increases were partially offset by inflation of $69 million and lower segment profit in the Finance segment of $10 million.

Backlog

Backlog in the aircraft and defense businesses grew by $3.3 billion to $22 billion at the end of first quarter of 2008, compared to the end of 2007. Approximately $1.9 billion of this increase was at Cessna and $1.4 billion at Bell. At Cessna, new business jet orders outpaced deliveries by 2.5 to 1, with 66% of these new orders from international customers, compared with approximately 47% in the first quarter of 2007. Bell's backlog increased as a result of a multi-year procurement contract entered into in March for the V-22 tiltrotor aircraft, which added $1.2 billion to backlog for the first funded lot and certain advanced procurement for additional lots. The remaining contract value of $4.7 billion will be reflected in backlog as each subsequent production lot is funded.

Corporate Expenses and Other, net

Corporate expenses and other, net decreased $10 million in the first quarter of 2008, compared with 2007, primarily due to $12 million of lower compensation expenses as a result of our stock price depreciation.

Income Taxes

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

	Three Months Ended	
	March 29, 2008	March 31, 2007
Federal statutory income tax rate	35.0%	35.0%
Increase (decrease) in taxes resulting from:		
State income taxes	1.8	0.7
Foreign tax rate differential	(6.0)	(2.1)
Manufacturing deduction	(1.3)	(1.4)
Equity hedge income	3.3	0.5
Canadian functional currency	-	(0.5)
Other, net	0.3	(1.9)
Effective income tax rate	33.1%	30.3%

Segment Analysis

Prior to fiscal 2008, we reported segment financial results within four segments: Bell, Cessna, Industrial and Finance. The Bell segment consisted of Bell Helicopter and the Textron Systems division. With recent acquisitions and organic growth, the Textron Systems division now provides a significant portion of our consolidated revenues. As Textron Systems and Bell Helicopter both continue to grow, these businesses require autonomy from each other and dedicated management focus. Effective at the beginning of fiscal 2008, we changed our segment reporting by separating the former Bell segment into two segments: the Bell segment and the Defense & Intelligence segment. The Cessna, Industrial and Finance segments have not been changed. We now operate in, and report financial information for, the following five business segments: Cessna, Bell, Defense & Intelligence, Industrial and Finance. These segments reflect the manner in which we now manage our operations. Prior periods have been recast to reflect the new segment reporting structure.

Segment profit is an important measure used to evaluate performance and for decision-making purposes. Segment profit for the manufacturing segments excludes interest expense and certain corporate expenses. The measurement for the Finance segment includes interest income and expense.

Cessna

	Three Months Ended	
(In millions)	March 29, 2008	March 31, 2007
Revenues	$ 1,246	$ 968
Segment profit	207	155

In the first quarter of 2008, Cessna's revenues and segment profit increased $278 million and $52 million, respectively, compared with 2007. Revenues increased largely due to higher volume of $212 million, reflecting higher Citation business jet deliveries, improved pricing of $58 million and an $8 million benefit from a newly acquired business. We delivered 95 jets in the first quarter of 2008, compared with 67 jets in the first quarter of 2007. Segment profit increased primarily due to improved pricing of $58 million, the $44 million impact from higher volume and favorable warranty performance of $12 million, partially offset by inflation of $32 million and increased engineering and product development expense of $18 million.

Bell

	Three Months Ended	
(In millions)	March 29, 2008	March 31, 2007
Revenues	$ 574	$ 580
Segment profit	53	25

U.S. Government Business
Revenues and segment profit for Bell's U.S. Government business increased $50 million and $27 million, respectively, in the first quarter of 2008, compared with 2007. The increase in revenues is mainly due to higher V-22 volume of $49 million and higher spares and service revenue of $7 million, partially offset by lower H-1 program revenue of $11 million. The increase in segment profit for this business is primarily due to improved cost performance of $19 million, largely due to the impact of a $25 million charge to the Armed Reconnaissance Helicopter (ARH) program in the first quarter of 2007 related to costs incurred and supplier obligations in excess of funding, and an $8 million contribution from higher volume and mix. During the first quarter of 2008, we recorded a net charge of $5 million for the H-1 program, which was consistent with a $5 million charge for the program in the first quarter of 2007. The 2008 charge is primarily related to the impact of a cabin supply issue on remaining Lot 3 and 4 deliveries.

ARH Program — The ARH program includes a development phase, covered by the System Development and Demonstration (SDD) contract, and a production phase. The SDD contract is a cost plus incentive fee contract under which our eligibility for fees is reduced as total contract costs increase. Since 2006, the costs of the SDD contract have exceeded the threshold at which we are eligible to earn profit. In December 2007, we agreed to expand the scope of the development contract efforts on a funded basis.

During 2007, we continued to restructure the production portion of this program through negotiations with the U.S. Government, which included reducing the number of units and modifying the pricing and delivery schedules. Based on the status of the negotiations during the year and contractual commitments with our vendors related to materials for the anticipated production units we procured at our risk, we established reserves in 2007 representing our best estimate of the expected loss for this program. At December 29, 2007, reserves for this program totaled $50 million.

In April 2008, we received a request for proposal from the U.S. Government for the restructured low-rate initial production (LRIP) program, and we expect that the contract for the initial lot will be finalized later this year. The $50 million reserve recorded in 2007 remains our best estimate of the expected loss at this time. Until the contract negotiations are finalized, including pricing, aircraft specifications and delivery schedules, losses related to future contract awards or recovery of our vendor obligations are uncertain.

Commercial Business
Revenues for Bell's commercial business decreased $56 million, while segment profit increased $1 million in the first quarter of 2008, compared with 2007. The decrease in revenues for this business is primarily due to lower helicopter volume of $76 million, partially offset by higher pricing of $13 million and $6 million in revenues from newly acquired businesses. Segment profit reflects favorable cost performance of $15 million and higher pricing of $13 million, which were essentially offset by the unfavorable impact from lower volume of $17 million and inflation of $10 million.

Defense & Intelligence

	Three Months Ended	
(In millions)	March 29, 2008	March 31, 2007
Revenues	$ 575	$ 359
Segment profit	71	66

Revenues and segment profit increased $216 million and $5 million, respectively, in the first quarter of 2008, compared with 2007. The increase in revenues is primarily due to the acquisition of AAI, which contributed $245 million, partially offset by the impact of a $28 million reimbursement of costs in the first quarter of 2007 related to Hurricane Katrina. Increased volume from higher intelligent battlefield systems revenue of $15 million and higher Lycoming sales of $8 million, was offset by lower Sensor Fused Weapon deliveries of $14 million and lower Joint Direct Attack Munitions volume of $11 million.

Segment profit increased primarily due to the benefit from the newly acquired AAI business of $18 million, partially offset by unfavorable cost performance of $6 million and a $6 million combined impact from inflation and pricing. Cost performance reflects the impact from a 2007 cost reimbursement related to Hurricane Katrina of $28 million, partially offset by net favorable program performance of $22 million, mainly related to $17 million for the Armored Security Vehicle (ASV). ASV performance reflects $5 million related to the favorable resolution of several customer and vendor claims during the quarter.

Industrial

	Three Months Ended	
(In millions)	March 29, 2008	March 31, 2007
Revenues	$ 909	$ 847
Segment profit	50	60

Revenues in the Industrial segment increased $62 million while segment profit decreased $10 million in the first quarter of 2008, compared with 2007. Revenues increased primarily due to a favorable foreign exchange impact of $52 million and higher pricing of $13 million. Volume decreased $7 million as lower revenue in the golf and turf businesses of $20 million was partially offset by a $15 million combined increase at Fluid & Power and Kautex. The decrease in segment profit was mainly due to inflation of $21 million, largely reflecting higher material costs of $16 million, partially offset by higher pricing of $13 million.

Finance

(In millions)	Three Months Ended March 29, 2008	Three Months Ended March 31, 2007
Revenues	$ 214	$ 210
Segment profit	42	52

Revenues in the Finance segment increased $4 million in the first quarter of 2008, compared with 2007, primarily due to a $14 million increase in securitization gains and other fee income, last year's $11 million reduction in revenues upon the recognition of a residual value impairment and $5 million in higher revenues resulting from $267 million in higher average finance receivables. These increases were largely offset by a $28 million decrease in revenues as a result of the decline in market interest rates. The increase in securitization gains was primarily attributable to the sale of an additional $180 million of receivables into the Aviation Finance securitization and the increase in other fee income was primarily the result of a gain on the sale of our remaining interest in a leveraged lease investment and increased syndication fees.

Profit in the Finance segment decreased $10 million in the first quarter of 2008, compared with 2007, primarily due to a $22 million increase in the provision for loan losses and a $10 million impact on net margin due to an increase in borrowing costs relative to various market rate indices, partially offset by the increase in securitization gains and other income of $14 million and the impact of last year's $11 million reduction in revenues upon the recognition of a residual value impairment. The increase in the provision for loan losses was primarily driven by a $15 million reserve established for one account in the asset-based lending portfolio and weakening portfolio quality in the distribution finance portfolio as general U.S. economic conditions have impacted borrowers in certain industries.

Borrowing costs increased relative to various market rate indices as credit market volatility continued during the quarter. The increase was primarily driven by two factors. The majority of our variable-rate term debt resets quarterly based on LIBOR and a substantial portion of our variable-rate assets reset monthly based on the Prime rate. Based on this mismatch, the Prime rate reductions in the quarter were reflected in our finance receivable portfolio yield in advance of being reflected in our borrowing costs. In addition, we experienced increased borrowing spreads on issuances of commercial paper and term debt in comparison with 2007.

The following table presents information about the Finance segment's credit performance:

(Dollars in millions)	March 29, 2008	December 29, 2007
Nonperforming assets	$ 179	$ 123
Nonaccrual finance receivables	$ 139	$ 79
Allowance for losses	$ 105	$ 89
Ratio of nonperforming assets to total finance assets	1.84%	1.34%
Ratio of allowance for losses on receivables to nonaccrual finance receivables	75.9%	111.7%
60+ days contractual delinquency as a percentage of finance receivables	0.33%	0.43%

Net charge-offs increased $7 million to $11 million in the first quarter of 2008, compared with the first quarter of 2007. This increase is primarily related to the distribution finance portfolio largely as a result of the weakening U.S. general economic conditions. Nonperforming assets increased $56 million primarily due to a $58 million increase in the asset-based lending and distribution finance portfolios, largely attributable to two accounts. Strong non-performing assets levels have continued in our resort, aviation and golf portfolios and 60+ day delinquency percentage performance has remained strong with improved collections in our golf and aviation finance term lending portfolios. For the remainder of 2008, we expect nonperforming assets and charge-offs to remain high relative to the strong portfolio quality performance of 2007.

Liquidity and Capital Resources

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

We assess liquidity for our Manufacturing group in terms of our ability to provide adequate cash to fund our operating, investing and financing activities. Our principal source of liquidity is operating cash flows. We also have liquidity available to us via the commercial paper market and committed bank lines of credit, as well as access to the public capital markets that provide us with long-term capital at satisfactory terms.

Our Finance group mitigates liquidity risk (i.e., the risk that we will be unable to fund maturing liabilities or the origination of new finance receivables) by developing and preserving reliable sources of capital. We use a variety of financial resources to meet these capital needs. Cash for the Finance group is provided from finance receivable collections, sales and securitizations, as well as the issuance of commercial paper and term debt in the public and private markets. This diversity of capital resources enhances its funding flexibility, limits dependence on any one source of funds, and results in cost-effective funding. The Finance group also can borrow from the Manufacturing group when the availability of such borrowings creates an economic advantage to Textron in comparison with borrowings from other sources. In making particular funding decisions, management considers market conditions, prevailing interest rates and credit spreads, and the maturity profile of its assets and liabilities.

Manufacturing Group Cash Flows of Continuing Operations

	Three Months Ended	
(In millions)	March 29, 2008	March 31, 2007
Operating activities	$ 158	$ 86
Investing activities	(182)	(58)
Financing activities	(120)	(237)

Operating cash flows increased primarily due to earnings growth. Changes in our working capital components resulted in a $307 million use of cash in the first quarter of 2008, compared to a $294 million use of cash in the first quarter of 2007. Cash used for inventories continues to be a significant use of operating cash due to increased production and inventory build-up primarily to support increasing sales at Bell and Cessna.

Cash used for investing activities increased primarily due to $100 million in cash payments made in 2008 largely related to the acquisition of AAI at the end of 2007.

We used less cash for financing activities in the first quarter of 2008, compared with the first quarter of 2007, primarily due to a $75 million reduction in cash used to repurchase our stock and due to a $70 million net increase in borrowings.

Finance Group Cash Flows of Continuing Operations

(In millions)	Three Months Ended March 29, 2008	Three Months Ended March 31, 2007
Operating activities	$ 52	$ 69
Investing activities	(477)	(28)
Financing activities	412	(40)

The decrease in cash flows provided by operating activities was primarily due to the timing of payments of accrued interest and other liabilities and a reduction in earnings largely driven by higher relative borrowing costs.

Cash flows used by investing activities increased $449 million during the first quarter of 2008, compared with the first quarter of 2007. While finance receivable originations of $3 billion in the first quarter of 2008 were comparable to $3.1 billion in the corresponding period in 2007, approximately $530 million less cash was received from repayments, sales and securitizations of finance receivables in the first quarter of 2008. The decrease in cash repayments is largely due to $388 million in cash collected in the distribution finance revolving securitization trust that has not yet been paid to us and is included as a receivable in other assets for the Finance group. In accordance with the trust agreements, this cash has been accumulated in the trust to repay debt that is maturing in May 2008. An equivalent amount of cash is expected to be paid to us in the second quarter of 2008 upon the issuance of additional debt by the trust.

The increase in financing cash flows during the first quarter of 2008 primarily reflects $1.3 billion of higher commercial paper issuances from the first quarter of 2007, partially offset by $450 million in lower proceeds from the issuance of long-term debt. This net increase in borrowings was primarily utilized to fund finance receivable originations, partially due to a decrease in cash repayments discussed above in investing activities.

Consolidated Cash Flows of Continuing Operations

(In millions)	Three Months Ended March 29, 2008	Three Months Ended March 31, 2007
Operating activities	$ 125	$ (65)
Investing activities	(716)	(1)
Financing activities	434	(142)

Operating cash flows increased primarily due to earnings growth in the Manufacturing group and a $74 million increase in cash received from its captive finance receivables, net of originations.

Cash used for investing activities increased as we continued to originate a similar level of finance receivables this quarter compared to the corresponding quarter of 2007, while we received approximately $625 million less cash from repayments, sales and securitizations of finance receivables, on a consolidated basis. In addition, cash used for other investing activities increased as we made $100 million in payments in 2008 largely related to the acquisition of AAI at the end of 2007.

We received more cash from financing activities during the first quarter of 2008, compared with the first quarter of 2007, largely related to the Finance group. This increase reflects $1.3 billion of higher commercial paper issuances, partially offset by $450 million in lower proceeds from the issuance of long-term debt in the Finance group. These commercial paper issuances were utilized to repay maturing long-term debt and to fund finance receivable originations. In addition, the Manufacturing group used less cash primarily due a $75 million reduction in cash used to repurchase our stock and due to a $70 million net increase in its borrowings.

Captive Financing

Through our Finance group, we provide diversified commercial financing to third parties. In addition, this group finances retail purchases and leases for new and used aircraft and equipment manufactured by our Manufacturing group, otherwise known as captive financing. In the Consolidated Statements of Cash Flows, cash received from customers or from securitizations is reflected as operating activities when received 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:

	Three Months Ended	
(In millions)	March 29, 2008	March 31, 2007
Reclassifications from investing activities:		
Finance receivable originations for Manufacturing group inventory sales	$ (187)	$ (225)
Cash received from customers, sale of receivables and securitizations	246	151
Other	(2)	(11)
Total reclassifications from investing activities	57	(85)
Dividends paid by Finance group to Manufacturing group	(142)	(135)
Total reclassifications and adjustments to operating activities	$ (85)	$ (220)

Capital Resources

The debt (net of cash)-to-capital ratio for our Manufacturing group as of March 29, 2008 was 34%, compared with 32% at December 29, 2007, and the gross debt-to-capital ratio at March 29, 2008 and December 29, 2007 was 38%.

Under separate shelf registration statements filed with the Securities and Exchange Commission, the Manufacturing group may issue public debt and other securities in one or more offerings up to a total maximum offering of $2.0 billion, and the Finance group may issue an unlimited amount of public debt securities. At March 29, 2008, we had $1.2 billion available under our registration statement. During the first quarter of 2008, the Finance group issued $275 million of term debt under its registration statement.

We have a policy of maintaining unused committed bank lines of credit in an amount not less than outstanding commercial paper balances. These facilities are in support of commercial paper and letters of credit issuances only, and neither of these lines of credit was drawn at March 29, 2008 or December 29, 2007.

Our primary committed credit facilities at March 29, 2008 include the following:

(In millions)	Facility Amount	Commercial Paper Outstanding	Letters of Credit Outstanding	Amount Not Reserved as Support for Commercial Paper and Letters of Credit
Manufacturing group — multi-year facility expiring in 2012*	$ 1,250	$ 77	$ 23	$ 1,150
Finance group — multi-year facility expiring in 2012	1,750	2,053	10	(313)
Total	$ 3,000	$ 2,130	$ 33	$ 837

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

At March 29, 2008, our Finance group had $3.1 billion in debt and $479 million in other liabilities that are payable within the next 12 months.

Foreign Exchange Risks

Our financial results are affected by changes in foreign currency exchange rates and economic conditions in the foreign markets in which our products are manufactured and/or sold. For the first quarter of 2008, the impact of foreign exchange rate changes from the first quarter of 2007 increased revenues by approximately $52 million (1.8%) and increased segment profit by approximately $2 million (0.6%).

Forward-Looking Information

Certain statements in this Quarterly Report on Form 10-Q and other oral and written statements made by us from time to time are forward-looking statements, including those that discuss strategies, goals, outlook or other non-historical matters, or project revenues, income, returns or other financial measures. These forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update or revise any forward-looking statements. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those contained in the statements, such as the Risk Factors contained in our 2007 Annual Report on Form 10-K and including the following: (a) changes in worldwide economic and political conditions that impact demand for our products, interest rates and foreign exchange rates; (b) the interruption of production at our facilities or our customers or suppliers; (c) performance issues with key suppliers, subcontractors and business partners; (d) our ability to perform as anticipated and to control costs under contracts with the U.S. Government; (e) 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, and, under certain circumstances, to suspend or debar us as a contractor eligible to receive future contract awards; (f) changing priorities or reductions in the U.S. Government defense budget, including those related to Operation Iraqi Freedom, Operation Enduring Freedom and the Global War on Terrorism; (g) changes in national or international funding priorities, U.S. and foreign military budget constraints and determinations, and government policies on the export and import of military and commercial products; (h) legislative or regulatory actions impacting defense operations; (i) the ability to control costs and successful implementation of various cost-reduction programs; (j) the timing of new product launches and certifications of new aircraft products; (k) the occurrence of slowdowns or downturns in customer markets in which our products are sold or supplied or where Textron Financial Corporation offers financing; (l) changes in aircraft delivery schedules or cancellation of orders; (m) the impact of changes in tax legislation; (n) the extent to which we are able to pass raw material price increases through to customers or offset such price increases by reducing other costs; (o) our ability to offset, through cost reductions, pricing pressure brought by original equipment manufacturer customers; (p) our ability to realize full value of receivables; (q) the availability and cost of insurance; (r) increases in pension expenses and other postretirement employee costs; (s) Textron Financial

Corporation's ability to maintain portfolio credit quality; (t) Textron Financial Corporation's access to financing, including securitizations, at competitive rates; (u) uncertainty in estimating contingent liabilities and establishing reserves to address such contingencies; (v) risks and uncertainties related to acquisitions and dispositions; (w) the efficacy of research and development investments to develop new products; (x) the launching of significant new products or programs which could result in unanticipated expenses; (y) bankruptcy or other financial problems at major suppliers or customers that could cause disruptions in our supply chain or difficulty in collecting amounts owed by such customers; and (z) difficulties or unanticipated expenses in connection with the consummation or integration of acquisitions, potential difficulties in employee retention following the acquisition and risks that the acquisition does not perform as planned or disrupts our current plans and operations or that anticipated synergies and opportunities will not be realized.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no significant change in our exposure to market risk during the first quarter of 2008. For discussion of our exposure to market risk, refer to Item 7A. Quantitative and Qualitative Disclosures about Market Risk contained in Textron's 2007 Annual Report on Form 10-K.

Item 4. CONTROLS AND PROCEDURES

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

There were no changes in our internal control over financial reporting during the fiscal quarter ended March 29, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

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

Issuer Repurchases of Equity Securities

	Total Number of Shares Purchased	Average Price Paid per Share (Excluding Commissions)	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan
Month 1 (December 30, 2007 - February 2, 2008)	1,596,000	$ 58.22	1,596,000	21,153,000
Month 2 (February 3, 2008 - March 1, 2008)	50,000	54.75	50,000	21,103,000
Month 3 (March 2, 2008 - March 29, 2008)	-	-	-	21,103,000
Total	1,646,000	$ 58.11	1,646,000	

On July 18, 2007, our Board of Directors approved a new share repurchase plan under which we are authorized to repurchase up to 24 million share of common stock. The new plan has no expiration date and supersedes the previous plan, which was cancelled.

Item 6. EXHIBITS

10.1 Amended and Restated Employment Agreement, entered in as of February 26, 2008, by and between Textron and Kenneth C. Bohlen

10.2 Form of Restricted Stock Unit Grant Agreement

12.1 Computation of ratio of income to fixed charges of Textron Inc. Manufacturing Group

12.2 Computation of ratio of income to fixed charges of Textron Inc. including all majority-owned subsidiaries

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

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

32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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

TEXTRON INC.

Date: April 25, 2008

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

LIST OF EXHIBITS

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

	Name of Exhibit
10.1	Amended and Restated Employment Agreement, entered in as of February 26, 2008, by and between Textron and Kenneth C. Bohlen
10.2	Form of Restricted Stock Unit Grant Agreement
12.1	Computation of ratio of income to fixed charges of Textron Inc. Manufacturing Group
12.2	Computation of ratio of income to fixed charges of Textron Inc. including all majority-owned subsidiaries
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

EXHIBIT 10.1

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT is entered into as of this 26th day of February, 2008, by and between Textron Inc. (the "Company"), a Delaware corporation having its principal office at 40 Westminster Street, Providence, Rhode Island 02903 and Kenneth C. Bohlen (the "Executive").

W I T N E S S E T H:

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

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

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

1. Term of Employment

The Company hereby agrees to employ the Executive and the Executive hereby accepts employment, in accordance with the terms and conditions set forth herein, for a term (the "Employment Term") commencing on July 18, 2000 (the "Effective Date") and terminating, unless otherwise terminated earlier in accordance with Section 5 hereof, on the third anniversary of the Effective Date, provided that the Employment Term shall be automatically extended, subject to earlier termination as provided in Section 5 hereof, for successive additional one (1) year periods (the "Additional Terms"), unless, at least ninety (90) days prior to the end of the then Additional Term, the Company or the Executive has notified the other in writing that the Employment Term shall terminate at the end of the then current term.

2. Position and Responsibilities

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

3. Compensation and Benefits

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

3.1 Base Salary. The Company shall pay the Executive an initial base salary (the "Base Salary") at a rate of $380,000. Base Salary shall be paid to the Executive in accordance with the Company's normal payroll practices for executives. Base Salary shall be reviewed at least annually by the O&C Committee (or as otherwise designated by the Board) to ascertain whether, in the judgment of the reviewing committee, such Base Salary should be increased. If so increased, Base Salary shall not be thereafter decreased and shall thereafter, as increased, be the Base Salary hereunder.

3.2 Annual Bonus. The Company shall provide the Executive with the opportunity to earn an annual cash bonus under the Company's current annual incentive compensation plan for executives or a replacement plan therefor at a level commensurate with his position, provided that the minimum annual target award payable upon the achievement of reasonably attainable objective performance goals shall be at least 55% of Base Salary.

3.3 Long-Term Incentives. The Company shall provide the Executive the opportunity to earn long-term incentive awards under the current equity and cash based plans and programs or replacements therefore; provided, however, that unless replaced with Executive's written consent, Executive shall be entitled to stock options and performance share units as previously granted.

3.4 Employee Benefits. The Executive shall, to the extent eligible, be entitled to participate at a level commensurate with his position in all employee benefit welfare and retirement plans and programs, as well as equity plans, generally provided by the Company to its senior executives in accordance with the terms thereof as in effect from time to time; provided, however, that unless replaced with Executive's written consent, Executive shall be entitled to the "Special Pension Arrangement" attached as Exhibit B.

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

3.6 Perquisites. The Executive may use the Company's aircraft for personal travel, including travel in which the Executive is accompanied by family or other persons traveling for non-business reasons. The Executive shall not be required to pay the cost of personal travel on Company aircraft by the Executive and members of the Executive's immediate family (although the cost shall be imputed as income to the Executive to the extent required by applicable tax laws). The Executive shall pay the cost (as reasonably determined by the Company) of any other person who travels with the Executive for non-business reasons. To the extent legally permissible, the Company shall not treat perquisites provided to the Executive as income to the Executive.

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

4. Expenses

Upon submission of appropriate documentation, in accordance with its policies in effect from time to time, the Company shall pay, or reimburse, the Executive for all ordinary and necessary expenses, in a reasonable amount, which the Executive incurs during the Employment Term in performing his duties under this Agreement including, but not limited to, travel, entertainment, and professional dues and subscriptions. To the extent that any reimbursement under this paragraph would be includable in the Executive's gross income for federal income tax purposes, the Executive shall submit the necessary documentation and shall receive the reimbursement no later than March 15 of the year following the year in which the expense is incurred.

5. Termination of Employment

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

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

(b) Except as provided in the following sentence, upon thirty (30) days written notice by the Company to the Executive of a termination due to Disability, provided such notice is delivered during the period of Disability. If the Executive's Disability results in a "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") (for example, because there is no reasonable expectation that the Executive will return to perform services for the Company, or because the permitted time period under Section 409A for a bona fide leave of absence expires), and if the Employment Term has not terminated pursuant to the preceding sentence on or before the date of the Executive's separation from service, the Employment Term shall terminate automatically when the separation from service occurs, without any requirement for written notice by the Company. The term “Disability” shall mean, for purposes of this Agreement, the inability of the Executive, due to any medically determinable physical or mental impairment, to engage in the performance of his material duties of employment with the Company as contemplated by Section 2 herein for a period of more than one hundred eighty (180) consecutive days or for a period that is reasonably expected to exist for a period of more than one hundred eighty (180) consecutive days, provided that interim returns to work of less than ten (10) consecutive business days in duration shall not be deemed to interfere with a determination of consecutive absent days if the reason for absence before and after the interim return are the same. The existence or non-existence of a Disability shall be determined by a physician agreed upon in good faith by the Executive (or his representatives) and the Company. It is expressly understood that the Disability of the Executive for a period of one hundred eighty (180) consecutive days or less shall not constitute a failure by him to perform his duties hereunder and shall not be deemed a breach or default; and, as long as the Executive’s employment has not been terminated pursuant to this paragraph, the Executive shall receive full compensation for any such period of Disability or for any other temporary illness or incapacity during the term of this Agreement.

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

(d) Immediately upon written notice by the Company to the Executive of a termination for Cause, provided such notice is given within ninety (90) days after the discovery by the Board or the Chief Executive Officer of the Cause event and has been approved by the O&C Committee at a meeting at which the Executive and his counsel had the right to appear and address such meeting after receiving at least five (5) business days written notice of the meeting and reasonable detail of the facts and circumstances claimed to provide a basis for such termination. The term “Cause” shall mean, for purposes of this Agreement: (i) an act or acts of willful misrepresentation, fraud or willful dishonesty (other than good faith expense account disputes) by the Executive which in any case is intended to result in his or another person or entity’s substantial personal enrichment at the expense of the Company; (ii) any willful misconduct by the Executive with regard to the Company, its business, assets or employees that has, or was intended to have, a material adverse impact (economic or otherwise) on the Company; (iii) any material, willful and knowing violation by the Executive of (x) the Company’s Business Conduct Guidelines, or (y) any of his fiduciary duties to the Company which in either case has, or was intended to have, a material adverse impact (economic or otherwise) on the Company; (iv) the willful or reckless behavior of the Executive with regard to a matter of a material nature which has a material adverse impact (economic or otherwise) on the Company; (v) the Executive’s willful failure to attempt to perform his duties under Section 2 hereof or his willful failure to attempt to follow the legal written direction of the Board, which in either case is not remedied within ten (10) days after receipt by the Executive of a written notice from the Company specifying the details thereof; (vi) the Executive's conviction of, or pleading nolo contendere or guilty to, a felony (other than (x) a traffic infraction or (y) vicarious liability solely as a result of his position provided the Executive did not have actual knowledge of the actions or inactions creating the violation of the law or the Executive relied in good faith on the advice of counsel with regard to the legality of such action or inaction (or the advice of other specifically qualified professionals as to the appropriate or proper action or inaction to take with regard to matters which are not matters of legal interpretation)); or (vii) any other material breach by the Executive of this Agreement that is not cured by the Executive within twenty (20) days after receipt by the Executive of a written notice from the Company of such breach specifying the details thereof. No action or inaction should be deemed willful if not demonstrably willful and if taken or not taken by the Executive in good faith as not being adverse to the best interests of the Company. Reference in this paragraph (d) to the Company shall also include direct and indirect subsidiaries of the Company, and materiality and material adverse impact shall be measured based on the action or inaction and the impact upon, and not the size of, the Company taken as a whole, provided that after a Change in Control, the size of the Company, taken as a whole, shall be a relevant factor in determining materiality and material adverse impact.

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

(f) Upon twenty (20) days written notice by the Executive to the Company of a termination for Good Reason (which notice sets forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination) unless the Good Reason event is cured within such twenty (20) day period. The term "Good Reason" shall mean, for purposes of this Agreement, without the Executive's express written consent, the occurrence of any one or more of the following: (i) the assignment to the Executive of duties materially inconsistent with the Executive's then authorities, duties, responsibilities, and status (including offices, titles, and reporting requirements), or any reduction in the Executive's then title, position, reporting lines or a material reduction (other than temporarily while Disabled or otherwise incapacitated) in his then status, authorities, duties, or responsibilities or, if then a director of the Company, failure to be nominated or reelected as a director of the Company or removal as such; (ii) relocation of the Executive from the principal office of the Company (excluding reasonable travel on the Company's business to an extent substantially consistent with the Executive's business obligations) or relocation of the principal office of the Company to a location which is at least fifty (50) miles from the Company's current headquarters, provided, however, if the Executive at the time of the relocation is not located at the principal office, such relocation provision shall apply based on his then location but shall not cover a relocation to the principal office prior to a Change in Control; (iii) a reduction by the Company in the Executive's Base Salary; (iv) a reduction in the Executive's aggregate level of participation in any of the Company's short and/or long-term incentive compensation plans, or employee benefit or retirement plans, policies, practices, or arrangements in which the Executive participated as of the Effective Date, or, after a Change in Control, participated immediately prior to the Change in Control; (v) the failure of the Company to obtain and deliver to the Executive a satisfactory written agreement from any successor to the Company to assume and agree to perform this Agreement; or (vi) any other material breach by the Company of this Agreement.

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

To the extent that any payment would be made or any benefit would be provided under this Agreement as a result of the Executive's termination of employment under paragraph (b), (c), (d), (e), (f), or (g) of this Section 5, the payment or benefit shall be provided only if the Executive has also incurred a "separation from service" within the meaning of Section 409A of the Code; and any timing requirements associated with the payment or benefit (such as, for example, a requirement that a payment be delayed for six months following the Executive's termination) shall be applied in relation to the date on which the "separation from service" occurs for purposes of Section 409A. The preceding sentence shall apply solely to determine the timing of payments under the Agreement in compliance with Section 409A. The Agreement is not intended, and shall not be construed, to require that the Executive incur a "separation from service" within the meaning of Section 409A before the Executive or the Company shall have grounds to terminate the Executive's employment under paragraph (b), (c), (d), (e), (f), or (g) of this Section 5.

6. Consequences of a Termination of Employment

6.1 Termination Due to Death or Retirement. If the Employment Term ends on account of the Executive's termination due to death pursuant to Section 5(a) above or retirement pursuant to Section 5(c) above, the Executive (or the Executive's surviving spouse, or other beneficiary as so designated by the Executive during his lifetime, or to the Executive's estate, as appropriate) shall be entitled, in lieu of any other payments or benefits, to (i) payment promptly of any unpaid Base Salary, unpaid annual incentive compensation (for the preceding fiscal year) and any accrued vacation, (ii) reimbursement for any unreimbursed business expenses incurred prior to the date of termination, and (iii) any amounts, benefits or fringes due under any equity, benefit or fringe plan, grant or program in accordance with the terms of said plan, grant or program but without duplication (collectively, the “Accrued Obligations”). The Accrued Obligations described in clauses (i) and (ii) of the preceding sentence shall be paid on the first regular payroll date after the Executive’s termination (or, if earlier, within 45 days after the Executive’s termination).

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

6.3 Involuntary Termination by the Company Without Cause or Termination by the Executive for Good Reason. If the Executive is involuntarily terminated by the Company without Cause in accordance with Section 5(e) above or the Executive terminates his employment for Good Reason in accordance with Section 5(f) above, the Executive shall be entitled, in lieu of any other payments or benefits, subject to Section 7(b) hereof, to any Accrued Obligations and the following:

(a) Payment in a lump sum of the Prorated Portion (as determined in the next sentence) of the earned annual incentive compensation award for the fiscal year in which the Executive’s termination occurs, payable on March 1 after the end of such fiscal year. “Prorated Portion” shall be determined by multiplying such amount by a fraction, the numerator of which is the number of days during the fiscal year of termination that the Executive is employed by the Company, and the denominator of which is, 365.

(b) An amount equal to two times the sum of (i) the Executive’s Base Salary and (ii) the higher of (x) the Executive’s target incentive compensation established for the fiscal year in which the Executive’s termination occurs or (y) a multiple thereof equal to the product of such target amount and the multiple of target earned by the Executive for the prior fiscal year (whether or not deferred) (the sum of (i) and (ii) being hereinafter referred to as “Final Annual Compensation”). An amount equal to one and one half (1½) times the Final Annual Compensation shall be paid in a lump sum on the first regular payroll date after the end of the six-month period following the Executive’s termination. An amount equal to the remaining one half (½) times Final Annual Compensation shall be calculated as equal monthly installments payable over a period of two (2) years; provided, however, that the monthly installments for the first six months following the Executive’s termination shall be paid in a lump sum, without interest, on the first regular payroll date after the end of the six-month period, and the remaining monthly installments shall commence on the first regular payroll date after the end of the sixth month following the Executive’s termination and shall be paid for the remainder of the two (2) year period.

(c) Immediate full vesting of the Executive’s accounts under the Deferred Income Plan.

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

(e) If the Executive dies after the Executive’s termination of employment and before the end of the six-month period following the Executive’s termination, any payment provided under this Section 6.3 that would have been made (in the case of a lump-sum payment) or that would have commenced (in the case of a periodic payment) on the first regular payroll date after the end of the six-month period shall instead be made or commence on the first regular payroll date following the Executive’s death, provided that the Executive’s beneficiary is otherwise entitled to receive the payment under this Section 6.3. To the extent that any payment under this Section 6.3 is made “on the first regular payroll date” following a date or event, the regular payroll date shall be determined based on the Company’s payroll cycle applicable to the Executive at the time of his separation from service (within the meaning of Section 409A of the Code), without regard to any change in the payroll cycle that becomes effective after the Executive’s separation from service.

6.4 Termination by the Company for Cause or Termination by the Executive without Good Reason. If the Executive is terminated by the Company for Cause or the Executive terminates his employment without Good Reason, the Executive shall be entitled to receive all Accrued Obligations.

6.5 Coordination With Other Plans. The rules set forth in this Section 6.5 shall apply to all amounts provided under the Agreement.

(a) To the extent that the Executive’s Base Salary, annual incentive compensation, or other amounts payable under this Agreement are subject to a valid deferral election (or are deferred pursuant to a plan provision) that had become irrevocable at the time of the Executive’s termination of employment, the deferred amounts shall be paid in accordance with the terms of the deferred compensation arrangement. Any amount payable under this Agreement that would be regarded as a substitute for an amount that was deferred as provided in the preceding sentence (for example, a payment made in lieu of deferred annual incentive compensation) also shall be paid in accordance with the terms of the deferred compensation arrangement. This Section 6.5(a) is intended, and shall be applied, solely to prevent the Executive’s deferral election or an automatic deferral provision from being revocable to the extent that its revocation would violate Section 409A of the Code.

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

Agreement shall be applied in a manner consistent with that intent. To the extent that a duplicative benefit is provided under this Agreement and under another employee benefit plan, policy, or program of the Company, the following rules shall apply:

(i) Any benefit provided under a retirement plan that is tax-qualified under Section 401(a) of the Code shall be paid exclusively as provided under the tax-qualified retirement plan, and the duplicative benefit provided under this Agreement shall be reduced by the value of the tax-qualified retirement benefit.

(ii) Any benefit provided under a disability pay plan, death benefit plan, bona fide vacation pay plan, or other plan or policy that is excluded from the definition of "nonqualified deferred compensation" under Treasury Regulations § 1.409A-1(a)(5) shall be paid exclusively as provided under the plan or policy, and the duplicative benefit provided under this Agreement shall be reduced by the value of the benefit provided under the plan or policy.

(iii) To the extent that a provision of this Agreement makes specific reference to another plan or program of the Company and states that the terms of the other plan or program shall govern with respect to the calculation, payment, or timing of payment of a particular benefit, that benefit shall be paid as provided in the other plan or program, as stated in this Agreement.

(iv) In all other circumstances in which any payment or benefit under this Agreement duplicates a payment or benefit provided under another employee benefit plan, policy, or program of the Company, or to the extent that the payment or benefit under this Agreement is or could be subject to offset by the benefit under another employee benefit plan, policy, or program of the Company, the duplicative benefit shall be paid exclusively as provided in this Agreement, and the duplicative benefit provided under the other employee benefit plan, policy, or program shall be reduced by the value of the benefit provided under this Agreement.

(v) The benefit coordination provisions in this Section 6.5(b) are intended, and shall be applied, to ensure that the payments made to the Executive are exempt from, or comply with, Section 409A of the Code, and that the coordination of benefits between this Agreement and the other employee benefit plans, policies, or programs in which the Executive participates will not result in any acceleration or re-deferral of deferred compensation that would violate Section 409A of the Code.

6.6 The Executive's right under this Section 6 to receive any payments in installments shall be treated as a right to a series of separate payments for purposes of Section 409A of the Code, as provided in Treas. Reg. § 1.409A-2(b)(2)(iii).

7. No Mitigation/No Offset/Release

(a) In the event of any termination of employment hereunder, the Executive shall be under no obligation to seek other employment and there shall be no offset against any amounts due the Executive under this Agreement on account of any remuneration attributable to any subsequent employment that the Executive may obtain. The amounts payable hereunder shall not be subject to setoff, counterclaim, recoupment, or defense. The preceding sentence shall not limit the Company's right to enforce the forfeiture provision in Section 9.6(b).

(b) Any amounts payable and benefits or additional rights provided pursuant to Section 6.3 or Section 8.2 beyond Accrued Obligations and beyond the sum of any amounts due (without execution of a release) under the Company severance program then in effect, or, if greater, three (3) months Base Salary as severance, shall only be payable if the Executive delivers to the Company a release of all claims of the Executive (other than those specifically payable or providable hereunder on or upon the applicable type of termination and any rights to indemnification, contribution, exculpation, advances, or directors and officers liability insurance under the Company's organizational documents, under any plan or agreement, or at law) with regard to the Company, its subsidiaries and related entities and their respective past or present officers, directors and employees, in the form attached to this Agreement as Exhibit C, that has become irrevocable before the date on which such payment or benefit is due to be paid or provided. To the extent that options and other equity awards are eligible for accelerated vesting pursuant to the last sentence of Section 8.2(i), the equity award shall not vest pursuant to Section 8.2(i) until the Executive's release has become irrevocable. The Company and the Executive shall execute the release of claims and shall deliver executed copies to one another within forty-five days following the Executive's separation from service.

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

8. Change in Control

8.1 Employment Termination in Connection with a Change in Control.

(a) In the event of a Qualifying Termination during the period commencing one-hundred eighty (180) days prior to the effective date of a Change in Control and terminating on the second anniversary of the effective date of a Change in

Control (the “Change in Control Protection Period”), then in lieu of the benefits provided to the Executive under Section 6.3 of this Agreement, the Company shall pay the Executive the amounts and provide the benefits described in Section 8.2, below. For purposes of this Section 8, a Qualifying Termination shall mean any termination of the Executive’s employment (i) by the Company without Cause, or (ii) by the Executive for Good Reason.

(b) If the Change in Control is a “Section 409A Change in Control,” as defined in Section 8.3, and if the Qualifying Termination occurs after the Section 409A Change in Control, all applicable payments shall be made in a lump sum on the first regular payroll date after the end of the six-month period following the Qualifying Termination), except as otherwise provided in Section 8.2(a) through (k), below.

(c) If the Change in Control is not a Section 409A Change in Control, or if the Qualifying Termination occurs before a Section 409A Change in Control, any payment or benefit that would have been provided under Section 6.3 or under a separate compensation plan in the absence of a Change in Control shall be paid exclusively as provided in Section 6.3 or in the separate compensation plan, without acceleration or other adjustment to reflect the Change in Control. Any incremental additional payment or benefit that is provided under this Section 8 solely upon an Executive’s Qualifying Termination during the Change in Control Protection Period shall be paid in a lump sum within 30 business days after the effective date of the Change in Control (or, if later, on the first regular payroll date after the end of the six-month period following the Qualifying Termination).

8.2 Payments Upon a Qualifying Termination. Subject to the provisions of Section 8.1(b) and (c) regarding the time and manner of payment, the payments and benefits payable upon a Qualifying Termination are as follows:

(a) Any Accrued Obligations.

(b) A lump-sum cash payment (subject to the distribution rules set forth later in this paragraph) equal to three (3) times the highest rate of the Executive’s Base Salary rate in effect at any time up to and including the date of the Executive’s termination. If the Qualifying Termination occurs after a Section 409A Change in Control, the entire amount shall be paid in a lump sum, without interest, on the first regular payroll date after the end of the sixth month following the Executive’s termination. If the Change in Control is not a Section 409A Change in Control, or if the Qualifying Termination precedes a Section 409A Change in Control, an amount equal to 2 times the Executive’s Base Salary (reduced by any payments attributable to Base Salary made under Section 6.3(b) before the Change in Control) shall be paid as provided in Section 6.3(b), and any incremental additional amount payable under this Section 8.2(b) solely as a result of the Change in Control shall be paid in a lump sum, without interest, on the later of (i) on the first regular payroll date after the end of the sixth month following the Executive's termination, or (ii) within 30 business days after the effective date of the Change in Control.

(c) A lump-sum cash payment equal to the Prorated Portion of the greater of: (i) the Executive's target annual incentive compensation award established for the fiscal year during which the Executive's award termination occurs, or (ii) the Executive's earned annual incentive award for the fiscal year prior to the fiscal year in which the earlier of the Change in Control or the Qualifying Termination occurs (whether or not deferred).

(d) A lump-sum cash payment (subject to the distribution rules set forth later in this paragraph) equal to three (3) times the greater of: (i) the Executive's highest annual incentive compensation earned over the three (3) fiscal years ending prior to the earlier of the Change in Control or the Qualifying Termination (whether or not deferred); or (ii) the Executive's target incentive compensation established for the fiscal year in which the Executive's date of termination occurs. If the Qualifying Termination occurs after a Section 409A Change in Control, the entire amount shall be paid in a lump sum, without interest, on the first regular payroll date after the end of the sixth month following the Executive's termination. If the Change in Control is not a Section 409A Change in Control, or if the Qualifying Termination precedes a Section 409A Change in Control, an amount equal to 2 times the bonus amount described in Section 6.3(b)(ii) (reduced by any installment payments attributable to the bonus amount made under Section 6.3(b) before the Change in Control) shall be paid as provided in Section 6.3(b), and any incremental additional amount payable under this Section 8.2(d) solely as a result of the Change in Control shall be paid in a lump sum, without interest, on the later of (i) on the first regular payroll date after the end of the sixth month following the Executive's termination, or (ii) within 30 business days after the effective date of the Change in Control.

(e) To the extent the Executive is eligible, was eligible prior or after the Change in Control (or, if earlier, the Qualifying Termination) or if the Executive would be eligible with credit for an additional three (3) years of age and service credit, coverage under applicable retiree health and retiree life insurance plans for the Executive and (in the case of retiree health coverage) the Executive's eligible dependents. If the Executive is eligible for retiree life insurance coverage only because of the additional age and service credit, the Executive shall pay the full cost of purchasing the coverage (under the Company's group insurance policy, or under an individual policy if coverage under the Company's policy is not available), and the Company shall reimburse the Executive for the cost (before tax) of the coverage. The Company shall reimburse the cost of coverage for the first six months following the Executive's termination in a lump sum, without interest, on the first regular payroll date after the end of the six-month period, and the Company shall reimburse the cost monthly thereafter.

(f) To the extent eligible prior or after the Change in Control (or, if earlier, the Qualifying Termination), continued participation, (coordinated with (e) above to the extent duplicative), at no additional cost (before tax) to the Executive than the Executive would have as an employee, in the Company's Survivor Benefit Plan for Textron Key Executives, accidental death and dismemberment insurance coverage, and dependent life insurance coverage, until three (3) years after the date of termination, provided, however, that in the event the Executive obtains other employment that offers substantially similar or improved benefits, as to any particular welfare plan, such continuation of coverage by the Company for such similar or improved benefit under such plan shall immediately cease. The Company shall also reimburse the Executive for the cost (before tax) of purchasing (under the Company's group insurance policy, or under an individual policy if coverage under the Company's policy is not available), for the continuation period described in the preceding sentence, the level of Company-paid term life insurance coverage and long-term disability insurance coverage that the Executive received on the date of termination. The Company shall reimburse the cost of coverage for the first six months following the Executive's termination in a lump sum, without interest, on the first regular payroll date after the end of the six-month period, and the Company shall reimburse the cost monthly thereafter for the remainder of the continuation period.

(g) A lump-sum cash payment (subject to the distribution rules set forth later in this paragraph) of the actuarial present value equivalent (as determined in accordance with the most favorable (to the Executive) overall actuarial assumptions and subsidies in any of the Company's tax-qualified or nonqualified type defined benefit pension plans in which the Executive then participates) of the accrued benefits accrued by the Executive as of the date of termination under the terms of any nonqualified defined benefit type retirement plan, including but not limited to, the Amended and Restated Supplemental Executive Retirement Plan for Textron Inc. Key Executives and the Spillover Pension Plan and assuming the benefit was fully vested without regard to any minimum age or service requirements. For this purpose, such benefits shall be calculated under the assumption that the Executive's employment continued following the date of termination for three (3) full years (i.e., three (3) additional years of age (including, but not limited to, for purposes of determining the actuarial present value), compensation and service credits shall be added). If the Qualifying Termination occurs after a Section 409A Change in Control, the present value of the amount that would have been payable under the nonqualified defined benefit type retirement plans if no Change in Control had occurred shall be paid in a lump sum, without interest, on the date when it would otherwise have been payable under the nonqualified plans if no Change in Control had occurred. If the Change in Control is not a Section 409A Change in Control, or if the Qualifying Termination precedes a Section 409A Change in Control, the amount that would have been payable under the nonqualified defined benefit type retirement plans if no Change in Control had occurred (reduced by any payments made under the plans before the Change in

Control) shall be paid as provided under the terms of the applicable nonqualified plans. In either case, any incremental additional amount payable under this Section 8.2(g) solely as a result of the Change in Control shall be paid in a lump sum, without interest, on the later of (i) on the first regular payroll date after the end of the sixth month following the Executive's termination, or (ii) within 30 business days after the effective date of the Change in Control.

(h) A lump-sum cash payment, on the later of (i) on the first regular payroll date after the end of the sixth month following the Executive's Qualifying Termination, or (ii) within 30 business days after the effective date of the Change in Control, equal to three (3) times the amount of the maximum Company contribution or match to any defined contribution type plan in which the Executive participates.

(i) Full vesting and payment of any outstanding performance share units, assuming performance at target levels for the full performance cycle. Subject to Section 8.1(c), the payment described in the preceding sentence shall be made in a lump sum, without interest, on the later of (i) on the first regular payroll date after the end of the sixth month following the Executive's Qualifying Termination, or (ii) within 30 business days after the effective date of the Change in Control. For equity awards other than performance share units, immediate full vesting of any outstanding stock options and other equity awards (and lapse of any forfeiture provisions).

(j) Outplacement services at a level commensurate with the Executive's position, including use of an executive office and secretary, for a period of one (1) year commencing on the date of termination but in no event extending beyond the date on which the Executive commences other full time employment. The only taxable payments or in-kind benefits provided under this paragraph during the first six months following the Executive's Qualifying Termination shall be (A) in-kind benefits that the Executive could otherwise deduct as business expenses under Sections 162 or 167 of the Code (disregarding limitations based on adjusted gross income), and (B) reasonable outplacement expenses actually incurred by the Executive and directly related to the Qualifying Termination. Any taxable outplacement expenses incurred during the first six months following the Executive's termination that are otherwise payable under this paragraph, but whose payment during the initial six-month period would result in additional tax under Section 409A of the Code, shall be paid by the Executive during the initial six-month period; and the Company shall reimburse the Executive for the payments in a lump sum, without interest, on the first regular payroll date after the end of the sixth month following the Executive's Qualifying Termination.

(k) If the Executive dies after the Executive's termination of employment and before the end of the six-month period following the Executive's termination, any payment provided under Section 8.1 or this Section 8.2 that would have been made (in the case of a lump-sum payment) or that would have commenced (in the case of a periodic payment) on the first regular payroll date after the end of the six-month period shall instead be made or commence on the first regular payroll date following the Executive's death, provided that the Executive's beneficiary is otherwise entitled to receive the payment under Section 8.1 or this Section 8.2. To the extent that any payment under Section 8.1 or this Section 8.2 is made "on the first regular payroll date" following a date or event, the regular payroll date shall be determined based on the Company's payroll cycle applicable to the Executive at the time of his separation from service (within the meaning of Section 409A of the Code), without regard to any change in the payroll cycle that becomes effective after the Executive's separation from service.

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

(a) Any "person" or "group" (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) other than the Company, any trustee or other fiduciary holding Company common stock under an employee benefit plan of the Company or a related company, or any corporation which is owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the Company's common stock, is or becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of more than thirty percent (30%) of the then outstanding voting stock;

(b) During any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two year period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board;

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

(d) The approval of the stockholders of the Company of a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of its assets.

A “Section 409A Change in Control” shall be deemed to have occurred as of the first day any one or more of the conditions in paragraphs (a) through (d), above, has been satisfied, if the event also constitutes a “change in ownership,” “change in effective control,” or “change in the ownership of a substantial portion of the Company’s assets” as defined in regulations or other guidance under Section 409A of the Code.

8.4 Excise Tax Equalization Payment. In the event that the Executive becomes entitled to payments and/or benefits which would constitute “parachute payments” within the meaning of Section 280G(b)(2) of the Code, the provisions of Exhibit A will apply.

8.5 The Executive’s right under this Section 8 to receive any payments in installments shall be treated as a right to a series of separate payments for purposes of Section 409A of the Code, as provided in Treas. Reg. § 1.409A-2(b)(2)(iii).

9. Noncompetition, Confidentiality and Nondisparagement

9.1 Agreement Not to Compete.

(a) The Executive agrees that for a period of two (2) years after the termination of the Executive’s employment, the Executive will not engage in Competition with the Company with the Listed Companies, provided that after the Executive’s termination of employment the Listed Companies shall be limited to those effectively listed at the time of his termination and still on such list at the time of any alleged activity of the Executive, including, but not limited to, (i) soliciting customers, business or orders for, or selling any products and services in, Competition with the Company for such Listed Companies or (ii) diverting, enticing, or otherwise taking away customers, business or orders of the Company, or attempting to do so, in either case in Competition with the Company for such Listed Companies.

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

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

9.2 Definitions.

(a) “Competition” shall mean engaging in, as an employee, director, partner, principal, shareholder, consultant, advisor, independent contractor or similar capacity, with (a) the Listed Companies or (b) in any business, activity or conduct which directly competes with the business of the Company, provided that, with regard to the period after termination of the Executive’s employment, Section 9.1(b)(ii) shall only apply to business lines in which the Company is engaged both at the time of termination of employment and at the time of the determination and which during the last fiscal year ending prior to the date of such termination represented at least five percent (5%) of the Company's revenues (the "Prohibited Lines"). Notwithstanding anything else in this Section 9, Competition shall not include: (A) (i) holding five percent (5%) or less of an interest in the equity or debt of any publicly traded company, (ii) engaging in any activity with the prior written approval of the Chief Executive Officer or the O&C Committee, (iii) the practice of law in a law firm that represents entities in Competition with the Company, provided that the Executive does not personally represent such entities, or (iv) the employment by, or provision of services to, an investment banking firm or consulting firm that provides services to entities that are in Competition with the Company provided that the Executive does not personally represent or provide services to such entities that are Listed Companies or otherwise with regard to businesses in Competition with the Prohibited Lines, or (B) with regard to Section 9.1(b)(ii), (i) being employed by, or consulting for, a non-Competitive division or business unit of an entity which is in Competition with the Company (and participating in such entity's employee equity plans), (ii) being employed by, or consulting for, an entity which had annual revenues in the last fiscal year prior to the Executive being employed by, or consulting for, the entity generated through business lines in Competition with the Prohibited Lines of the Company that do not exceed five percent (5%) of such entity's total annual revenues, provided that revenues within the Executive's area of responsibility or authority are not more than ten percent (10%) composed of the revenues from the businesses in Competition with the Prohibited Lines, or (iii) any activities conducted after a Change in Control of the Company.

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

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

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

9.3 Agreement Not to Engage in Certain Solicitation. The Executive agrees that the Executive will not, during the Executive's employment with the Company or during the two (2) year period thereafter, directly or indirectly, solicit or induce, or attempt to solicit or induce, any non-clerical employee(s), sales representative(s), agent(s), or consultant(s) of the Company to terminate such person's employment, representation or other association with the

Company for the purpose of affiliating with any entity with which the Executive is associated (“Solicitation”).

9.4 Confidential Information.

(a) The Executive specifically acknowledges that any trade secrets or confidential business and technical information of the Company or its vendors, suppliers or customers, whether reduced to writing, maintained on any form of electronic media, or maintained in mind or memory and whether compiled by the Executive or the Company (collectively, “Confidential Information”), derives independent economic value from not being readily known to or ascertainable by proper means by others; that reasonable efforts have been made by the Company to maintain the secrecy of such information; that such information is the sole property of the Company or its vendors, suppliers, or customers and that any retention, use or disclosure of such information by the Executive during the Employment Term (except in the course of performing duties and obligations of employment with the Company) or any time after termination thereof, shall constitute misappropriation of the trade secrets of the Company or its vendors, suppliers, or customers, provided that Confidential Information shall not include: (i) information that is at the time of disclosure public knowledge or generally known within the industry, (ii) information deemed in good faith by the Executive, while employed by the Company, desirable to disclose in the course of performing the Executive’s duties, (iii) information the disclosure of which the Executive in good faith deems necessary in defense of the Executive’s rights provided such disclosure by the Executive is limited to only disclose as necessary for such purpose, or (iv) information disclosed by the Executive to comply with a court, or other lawful compulsory, order compelling him to do so, provided the Executive gives the Company prompt notice of the receipt of such order and the disclosure by the Executive is limited to only disclosure necessary for such purpose.

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

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

9.6 Remedies.

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

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

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

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

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

9.9 Nondisparagement.

(a) During the Employment Term and thereafter, the Executive shall not with willful intent to damage economically or as to reputation or vindictively disparage the Company, its subsidiaries or their respective past or present officers, directors or employees (the "Protected Group"), provided that the foregoing shall not apply to (i) actions or statements taken or made by the

Executive while employed by the Company in good faith as fulfilling the Executive's duties with the Company or otherwise at the request of the Company, (ii) truthful statements made in compliance with legal process or governmental inquiry, (iii) as the Executive in good faith deems necessary to rebut any untrue or misleading public statements made about him or any other member of the Protected Group, (iv) statements made in good faith by the Executive to rebut untrue or misleading statements made about him or any other member of the Protected Group by any member of the Protected Group, and (v) normal commercial puffery in a competitive business situation. No member of the Protected Group shall be a third party beneficiary of this Section 9.9(a).

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

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

10. Liability Insurance

The Company shall cover the Executive under directors and officers liability insurance for bona fide (within the meaning of Treas. Reg. § 1.409A-1(b)(10)) claims based on the Executive's actions or failure to act in his capacity as a director, officer, employee, or fiduciary of the Company in the same amount and to the same extent, if any, as the Company covers its other officers and directors. The Company shall maintain the coverage both during and, while potential liability exists, after the Employment Term.

11. Assignment

11.1 Assignment by the Company. This Agreement may and shall be assigned or transferred to, and shall be binding upon and shall inure to the benefit of, any successor of the Company, and any such successor shall be deemed substituted for all purposes of the "Company" under the terms of this Agreement. As used in this Agreement, the term "successor" shall mean any person, firm, corporation or business entity which at any time, whether by merger, purchase, or otherwise, acquires all or substantially all of the assets of the Company.

Notwithstanding such assignment, the Company shall remain, with such successor, jointly and severally liable for all its obligations hereunder. Except as herein provided, this Agreement may not otherwise be assigned by the Company.

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

12. Legal Remedies

12.1 Payment of Legal Fees. The Company shall pay the Executive's reasonable legal fees and costs associated with entering into this Agreement. To the fullest extent permitted by law, the Company shall promptly pay upon submission of statements all legal and other professional fees, costs of litigation, prejudgment interest, and other expenses incurred during the Executive's lifetime or in the five-year period following the Executive's death in connection with any dispute arising hereunder and/or in connection with any release of claims executed or to be executed in connection herewith; provided, however, the Company shall be reimbursed by the Executive for (i) the fees and expenses advanced in the event the Executive's claim is in a material manner in bad faith or frivolous and the arbitrator or court, as applicable, determines that the reimbursement of such fees and expenses is appropriate, or (ii) to the extent that the arbitrator or court, as appropriate, determines that such legal and other professional fees are clearly and demonstrably unreasonable. Prejudgment interest shall be paid at the rate awarded by the arbitrator or court on any money award or judgment obtained by the Executive or by any person claiming by or through the Executive, payable at the same time as the underlying award or judgment is paid. The only taxable payments or reimbursements provided under this paragraph during the first six months following the Executive's Qualifying Termination shall be reimbursements that the Executive could otherwise deduct as business expenses under Sections 162 or 167 of the Code (disregarding limitations based on adjusted gross income). After the end of the sixth month following the Executive's Qualifying Termination, taxable reimbursements shall be provided under this paragraph subject to the following requirements: (A) all reimbursements shall be provided pursuant to a written policy that provides an objectively determinable nondiscretionary description of the reimbursements provided; (B) all reimbursements shall be paid no later than the end of the calendar year following the year in which the expense was incurred; (C) no reimbursement shall be subject to liquidation or exchange for another benefit; and (D) the amount of reimbursable expense incurred in one year shall not affect the amount of reimbursement available in another year. Any taxable expenses incurred during the first six months following the Executive's termination that are otherwise payable or reimbursable under this paragraph, but whose payment during the initial six-month period would result in additional tax under Section 409A of the Code, shall be paid or reimbursed in a lump sum, without interest, on the first regular payroll date after the end of the sixth month following the Executive's Qualifying Termination.

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

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

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

13. Miscellaneous

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

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

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

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

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

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

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

13.8 Section 409A.

(a) Although the payments and benefits provided under the Agreement are intended to be exempt from, or to comply with, Section 409A of the Code, the Company shall not be liable for any additional tax, interest, or penalty the Executive incurs as a result of the failure of any payment or benefit to satisfy the requirements of Section 409A, except as provided in subsection (c), below. The Company will promptly make any change in the Agreement that the Executive reasonably requests to ensure that the Agreement will comply with Section 409A, provided that the requested change does not alter any substantive provision of the Agreement in a manner that the Company, in its sole discretion, reasonably regards as being contrary to the Company's interest.

(b) The Company will consider in good faith any change in the Agreement that the Executive reasonably requests to ensure that the Agreement will comply with Section 409A. If the Company is not willing to accept the proposed change as written, the Company will promptly communicate to the Executive the reasons for the Company's refusal and any revisions that would make the proposed change acceptable to the Company.

(c) The Company shall indemnify the Executive, as provided in this subsection (c), if a violation of Section 409A occurs as a result of (1) the Company's clerical error,

(2) the Company's failure to administer this Agreement or any benefit plan or program in accordance with its written terms, or (3) a provision of any benefit plan or program of the Company (other than this Agreement) that fails to comply with Section 409A (each event described in clauses (1) through (3) is referred to as an "Indemnified Section 409A Violation"), and the Executive incurs additional tax under Section 409A as a result of the Indemnified Section 409A Violation. The Company shall reimburse the Executive for (i) the 20% additional income tax described in Section 409A(a)(1)(B)(i)(II) of the Code (to the extent that the Executive incurs the 20% additional income tax as a result of the Indemnified Section 409A Violation), and (ii) any interest or penalty that is assessed with respect to the Executive's failure to make a timely payment of the 20% additional income tax described in clause (i), provided that the Executive pays the 20% additional income tax promptly upon being notified that the tax is due (the amounts described in clause (i) and clause (ii) are referred to collectively as the "Section 409A Tax"). The Company shall make a payment (the "Gross-Up Payment") to the Executive such that the net amount the Executive retains, after paying any federal, state, or local income tax or FICA tax on the Gross-Up Payment, shall be equal to the Section 409A Tax. The Company and the Executive shall calculate, adjust (if necessary), and pay or repay the Gross-Up Payment in accordance with the procedures specified in subsections (c) through (g) of Exhibit A (but substituting "Section 409A Tax" for "Excise Tax" wherever the latter term appears in Exhibit A).

14.Governing Law

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

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

/s/ Kenneth C. Bohlen _________________
Kenneth C. Bohlen

TEXTRON INC.

By: /s/ Lewis B. Campbell ___________
Name: Lewis B. Campbell
Title: Chairman, President, and CEO

EXHIBIT A

Parachute Gross Up

(a) In the event that the Executive shall become entitled to payments and/or benefits provided by this Agreement or any other amounts in the "nature of compensation" (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any person whose actions result in a change of ownership or effective control covered by Section 280G(b)(2) of the Code or any person affiliated with the Company or such person) as a result of such change in ownership or effective control (collectively the "Company Payments"), and such Company Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code (and any similar tax that may hereafter be imposed by any taxing authority) the Company shall pay to the Executive at the time specified in subsection (d) below an additional amount (the "Gross-up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Company Payments and any U.S. federal, state, and for local income or payroll tax upon the Gross-up Payment provided for by this paragraph (a), but before deduction for any U.S. federal, state, and local income or payroll tax on the Company Payments, shall be equal to the Company Payments. Notwithstanding the foregoing, if the then present aggregate value of the Company Payments (calculated in accordance with the principles of Section 280G of the Code and the regulations promulgated thereunder) does not exceed 110% of the "Safe Harbor Amount" (which shall be 2.99 times the Executive's "base amount" within the meaning of Section 280G(b)(3) of the Code), then the Company shall not pay the Executive a Gross-up Payment, and the Company Payments (whether due pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company) shall be reduced so that the then present aggregate value of the Company Payments equals the Safe Harbor Amount. The reduction of the Company Payments, if applicable, shall be effected in the following order (unless the Executive elects another method of reduction by written notice to the Company prior to the Change in Control): (i) any cash severance benefits based on a multiple of Base Salary or annual incentive compensation; (ii) any other cash amounts payable to the Executive; (iii) any benefits valued as parachute payments; (iv) acceleration of vesting of any stock option for which the exercise price exceeds the then fair market value of the underlying stock; and (v) acceleration of vesting of any equity award not covered by subsection (iv).

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

(c) For purposes of determining the amount of the Gross-up Payment, the Executive shall be deemed to pay U.S. federal income taxes at the highest marginal rate of U.S. federal income taxation in the calendar year in which the Gross-up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence for the calendar year in which the Company Payment is to be made, net of the maximum reduction in U.S. federal income taxes which could be obtained from deduction of such state and local taxes if paid in such year. In the event that the Excise Tax is subsequently determined by the Accountants to be less than the amount taken into account hereunder at the time the Gross-up Payment is made, the Executive shall repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the prior Gross-up Payment attributable to such reduction (plus the portion of the Gross-up Payment attributable to the Excise Tax and U.S. federal, state and local income tax imposed on the portion of the Gross-up Payment being repaid by the Executive if such repayment results in a reduction in Excise Tax or a U.S. federal, state and local income tax deduction), plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. Notwithstanding the foregoing, in the event any portion of the Gross-up Payment to be refunded to the Company has been paid to any U.S. federal, state and local tax authority, repayment thereof (and related amounts) shall not be required until actual refund or credit of such portion has been made to the Executive, and interest payable to the Company shall not exceed the interest received or credited to the Executive by such tax authority for the period it held such portion. The Executive and the Company shall mutually agree upon the course of action to be pursued (and the method of allocating the expense thereof) if the Executive's claim for refund or credit is denied.

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

(d) The Gross-up Payment or portion thereof provided for in subsection (c) above shall be paid not later than the thirtieth (30th) day following an event occurring which subjects the Executive to the Excise Tax; provided, however, that if the amount of such Gross-up Payment or portion thereof cannot be finally determined on or before such day, the Company shall pay to the Executive on such day an estimate, as determined in good faith by the Accountant, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code), subject to further payments pursuant to subsection (c) hereof, as soon as the amount thereof can reasonably be determined, but in no event later than the ninetieth day after the occurrence of the event subjecting the Executive to the Excise Tax. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, the Company shall promptly notify the Executive of the excess payment, and the Executive shall repay the excess amount to the Company within fifteen days after the Executive receives the notice (together with interest at the rate provided in Section 1274 (b)(2)(B) of the Code).

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

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

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

EXHIBIT B

Kenneth C. Bohlen
Special Pension Arrangement:

- 2.5 years of credited service for each year employed for the first five years of employment provided he is employed for a minimum of five years.

- 2.0 years of credited service for each year of service thereafter through age 65.

- Minimum Pension Guarantee: If this special pension arrangement results in a lesser pension benefit than would result from the following arrangement, the credited service schedule described above will be adjusted upon retirement to provide a pension benefit equal to the following arrangement. A review of the two pension calculations will be made at the completion of 5 years of actual service and every year thereafter. Any adjustments to the credited service arrangement that may be necessary will be done at the time of retirement.

- Two years of credited service for each year employed for the first five years of employment provided he is employed for a minimum of five years.

- 50% of capped long-term incentive compensation will be treated as pensionable compensation.

- The special pension provisions described above shall apply for purposes of determining (i) the amount of the Executive's accrued benefit under the Spillover Pension Plan, and (ii) the extent to which the Executive's accrued benefit is vested. The time and form of payment of the Executive's benefit under the Spillover Pension Plan, the amount of any reduction for early retirement, and eligibility for death benefits shall be based on the Executive's actual age and service at the time of his retirement.

EXHIBIT C

Form of Release

NOTICE: YOU MAY CONSIDER THIS GENERAL RELEASE OF CLAIMS FOR UP TO TWENTY-ONE (21) DAYS FROM YOUR NOTICE OF TERMINATION. IF YOU DECIDE TO SIGN IT, YOU MAY REVOKE THIS GENERAL RELEASE OF CLAIMS WITHIN SEVEN (7) DAYS AFTER SIGNING IT. IF YOU REVOKE THE RELEASE WITHIN THIS PERIOD, YOUR REVOCATION MUST BE IMMEDIATELY SUBMITTED IN WRITING AS DESCRIBED IN THE RELEASE. YOU MIGHT WISH TO CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS DOCUMENT.

TEXTRON, INC.

GENERAL RELEASE OF CLAIMS

My Employment Agreement with Textron Inc. (" **Textron** ") states that I will receive certain payments and benefits in the event of the termination of my employment only if I execute a general release of claims and I do not revoke the general release during the applicable revocation period. In consideration of the payments and benefits that I will receive under my Employment Agreement, on behalf of myself and on behalf of any person acting by, through, or under me (collectively, the " **Executive Releasors** "), I hereby release, waive, and forever discharge Textron, Inc.; its current and former subsidiaries and related entities; its and their respective past or present officers and directors; its and their employees, fiduciaries, agents, and insurers (but only in their capacity as employees, fiduciaries, agents, or insurers of Textron and its current and former subsidiaries and related entities); and the successors and assigns of each of them (collectively, the " **Textron Releasees** ") from any and all liability, charges, causes of action, demands, damages, or claims for relief of any kind whatsoever, whether known or unknown at this time, arising out of, or connected with, my employment with Textron and/or the termination of my employment from the beginning of the world through the effective date of this Release. The claims waived by me under this General Release of Claims (the " **Release** ") include, but are not limited to, all matters in law, in equity, in contract, in tort, or pursuant to statute, including any claim for discrimination in employment on the basis of age, race, sex, national origin, disability, religion, or any other type of discrimination under the Age Discrimination in Employment Act (" **ADEA** "), Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, or other federal, state or local law or ordinance, to the fullest extent permitted under law.

This Release does not apply to any claims or rights that may arise after the date I signed this Release. I understand that Textron is not admitting to any violation of my rights or any duty or obligation owed to me.

Exclusions

Excluded from this Release are my claims that, by law, cannot be waived, including but not limited to (1) the right to file a charge with or participate in an investigation conducted by certain government agencies including, but not limited to, the United States Equal Employment Opportunity Commission, (2) any rights or claims to benefits accrued under benefit plans maintained by Textron under the Employee Retirement Income Security Act, and (3) any claims that cannot be waived under the Fair Labor Standards Act or the Family and Medical Leave Act. Also excluded from this Release are my claims for payments, benefits, indemnity, contribution, exculpation, advances, and insurance that are expressly excluded from the requirement that I execute a Release by specific reference in my Employment Agreement with Textron. Further, nothing set forth herein shall serve to release or waive Textron's obligations pursuant to and in accordance with the terms of Sections 6, 7(a), 8, 9.9(b), 9.9(c), 10, 11.1, 12, 13.6, and 13.8 of my Employment Agreement with Textron, each of which shall survive the execution of this Release, or serve to release or waive my right to enforce the terms of this Release.

Acknowledgements

I acknowledge and agree to the following:

1. The benefits I am receiving under the Employment Agreement constitute consideration over and above any benefits that I might be entitled to receive without executing this Release;

2. Textron advised me in writing to consult with an attorney prior to signing this Release;

3. I was given a period of at least twenty-one (21) days within which to consider this Release; and

4. Textron has advised me of my statutory right to revoke my agreement to this Release at any time within seven (7) days after my signing this Release.

Representations and Warranties

I warrant and represent that my decision to sign this Release was entirely voluntary on my part. My decision was not made in reliance on any inducement, promise, or representation, whether express or implied, other than the inducements, representations, and promises expressly set forth herein and in the Employment Agreement, and my decision did not result from any threats or other coercive activities to induce my agreement to this Release.

In addition, I warrant and represent that neither I nor any other Executive Releasor will sue Textron or any other Textron Releasee in any forum for any claim covered by this Release, except that I may bring a claim under ADEA to challenge this Release.

I further warrant and represent that I fully understand and appreciate the consequences of my signing this Release.

Textron further warrants and represents that it has obtained or will obtain any approvals that are necessary for Textron to enter into and abide by the terms of this Release.

Revocation

If I decide to exercise my right to revoke this Release within seven (7) days after my agreement to this Release, I warrant and represent that I will notify Textron in writing, in accordance with the notice provisions of my Employment Agreement, of my intent to revoke this Release, and that I will simultaneously return in full any consideration received from Textron that was subject to the condition that I execute a general release of claims.

Entire Agreement

This Release, except to the extent specifically provided otherwise herein, supersedes any prior agreements or understandings, oral or written, between the parties hereto with respect to the subject matter hereof and constitutes the entire agreement of the parties with respect to the subject matter hereof.

Modification

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

Successors and Assigns

This Release shall inure to the benefit of and be binding upon each of the parties and their respective successors and assigns; provided , however , that neither this Release nor any of the rights, interests, or obligations hereunder shall be assigned by either of the parties hereto without the prior written consent of the other party, and no assignment of any right, interest or obligation shall release any such assigning party therefrom unless the other party shall have consented to such release in writing specifically referring to the right, interest or obligation from which such assigning party is to be released. Any purported assignment in violation of this paragraph shall be void and of no force or effect. This paragraph shall not prevent any successor to a Textron Releasee from receiving the benefit of (and being bound by) the Release automatically, without the need for prior written consent by the Executive Releasors.

Governing Law

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

Counterparts

This Release may be executed in two (2) or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same agreement.

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

____
[EXECUTIVE]

TEXTRON INC.

By: ____________________________
Name:
Title:

EXHIBIT 10.2

TEXTRON

NOTICE OF GRANT OF RESTRICTED STOCK UNITS AND RESTRICTED STOCK UNIT AGREEMENT

<<Name>>		**RS No.:**	**<<Grant #>>**
<<Address>>		**Plan:**	**2007**
<<City>>, <<State>> <<ZIP>>		**ID:**	**<<Emp ID>>**
<<Country>>		**Location:**	**<<Business Unit>>**

Effective Febuary 29, 2008, pursuant to the 2007 Long-Term Incentive Plan (the "Plan") you have been granted <<Unit Total> Restricted Stock Units which constitute the right to receive <<Unit Total>> shares (the "Shares") of Common Stock of Textron Inc. This grant is governed by the Restricted Stock Unit Terms and Conditions (2/2008) and the Plan, both of which are available on the Textron Enterprise Intranet and is subject to the Restricted Stock Unit Non-Competition Agreement (5/2007 version) attached hereto.

The Shares will become vested and issuable to you on the dates shown below, subject to earlier expiration or termination of your Restricted Stock Units as provided in the Restricted Stock Unit Terms and Conditions (2/2008):

Shares	Vest Date
<<Units 1>>	March 1, 2011
<<Units 2>>	March 1, 2012
<<Units 3>>	March 1, 2013
<<Unit Total>>	

By your signature and the Company's signature below, you and the Company agree that this grant is governed by the attached Restricted Stock Unit Terms and Conditions (2/2008) and the Plan, both of which are available on the Textron Enterprise Intranet. In addition, you agree that this grant is subject to the Restricted Stock Unit Non-Competition Agreement (5/2007 version) attached hereto, the terms of which are fully incorporated herein.

TEXTRON INC.

By: Frederick K Butler ______ February 29, 2008
Date

Agreed by: ______________________ ______________
<<Name>> Date

Please retain a copy of this signed agreement and return the original to your Human Resources Department within 30 days of receipt of this document.

TEXTRON INC.
TEXTRON 2007 LONG-TERM INCENTIVE PLAN
RESTRICTED STOCK UNIT (WITH DIVIDEND EQUIVALENTS)
TERMS AND CONDITIONS
(2/2008)

- Pursuant to the 2007 Long-Term Incentive Plan (the "Plan"), Textron has awarded to executive the number of Restricted Stock Units set forth on the applicable Notice of Grant signed by Textron and Grantee on the terms and conditions herein set forth. Each Restricted Stock Unit constitutes the right to receive one share (a "Share") of Common Stock. As the applicable "Period of Restriction" lapses, Textron will issue to the executive that number of Shares less the number of Shares needed to satisfy required statutory withholding. Shares may be issued in the form of a certificate or a notification to the executive that the Shares are held in a book-entry account on the executive's behalf.

- If the executive's employment with Textron shall terminate for "Cause," all Shares which may be issued pursuant to the Restricted Stock Units awarded to the executive that are still subject to the applicable "Period of Restriction" shall be forfeited.

- Except as otherwise provided herein, the executive shall not be entitled to receive Shares if the executive's employment with Textron ends for any reason prior to the end of the Period of Restriction applicable to such Shares, provided that if the executive's employment ends prior to such date and at least six months after the date of grant because of "Disability," death or after the executive has become eligible for "Early or Normal Retirement," the executive or the executive's estate will receive a certificate for a "Pro-Rata Portion" of such Shares.

- Notwithstanding the above, the applicable Period of Restriction for the Shares which may be issued pursuant to this Award shall end immediately upon a "Change in Control" of Textron, as defined in the Plan. In such instance, Textron shall issue the Shares to the executive (or to the executive's estate in the event of the executive's death prior to payment) as soon as administratively practical after the Change in Control. Note: Sale of a business unit usually does not constitute a Change in Control as defined in the Plan. If executive's employment with Textron is involuntarily terminated due to the sale of a business that does not constitute a Change in Control as defined in the Plan, executive's then un-issued Shares will be forfeited.

- The number of Shares which may be issued pursuant to the Restricted Stock Units awarded to the executive hereunder shall be equitably adjusted in the event of a stock split, stock dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, or any other corporate event affecting the Common Stock, as provided in the Plan, in order to preserve the benefits or potential benefits intended to be made available to the Grantee.

- Nothing in this document shall confer upon the executive the right to continue in the employment of Textron or affect any right that Textron may have to terminate the employment of the executive.

- The Restricted Stock Units shall not be assignable or transferable by the executive. The Shares, once issued to the executive, shall be freely transferable.

- The executive shall not have voting rights during the period of restriction.

- The executive’s award of Restricted Stock Units with dividend equivalents shall entitle the executive to receive an amount equal to any cash dividend declared with respect to the number of Shares represented by those Restricted Stock Units, but only to the extent that the Restricted Stock Units have neither been converted to Shares nor been forfeited before the record date for such dividend. Dividend equivalents are paid at the same rate and same time that dividend on shares of common stock are paid to Textron shareholders. The dividend equivalent shall be reduced by the amount of any applicable tax withholding, and the net amount shall be paid in cash to the executive.

- The Restricted Stock Units shall be subject to the terms and conditions of the Plan in all respects.

DEFINITIONS

“Cause”

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

“Period of Restriction”

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

<u>"Early or Normal Retirement"</u>

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

<u>"Disability"</u>

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

"Pro-Rata Portion"

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

Example: On March 1, 2006, an executive was granted 2,500 Restricted Stock Units constituting the right to receive 2,500 Shares to be issued in accordance with the following vesting schedule:

Shares	Vest Dates
834	March 1, 2009
833	March 1, 2010
833	March 1, 2011

The executive terminates employment with Textron on April 5, 2009 after having attained age 55 with the completion of 10 years of vesting service.

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

Vest Date	Shares Issuable		Number of Complete or Partial Months Employed by Textron During the Period of Restriction (1)		Number of Months in the Period of Restriction	Pro-Rata Shares
3/1/09	834	X	38	÷	36 (2)	= 834 shares distributed March 1, 2006
3/1/10	833	X	38	÷	48 (3)	= 659.4583
3/1/11	833	X	38	÷	60 (4)	= 527.5666
					Pro-Rata Shares Earned:	1,187.0249*

(1) March 1,2006 – April 5, 2009 (37 completed plus 1 partial month)
(2) March 1,2006 – March 1, 2009
(3) March 1,2006 – March 1, 2010
(4) March 1,2006 – March 1, 2011

*Fractional Shares will be paid in cash. For instance, if the share price is $60 on the date that the Shares are issued, then Textron would pay the executive $1.49 (.0249 X $60 = $1.49)

TEXTRON INC.
RESTRICTED STOCK UNIT NON-COMPETITION AGREEMENT
(5/2007)

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

Agreement regarding Your Restricted Stock Units

1. <u>Forfeiture of RSU Shares and required repayment if you engage in certain competitive activities</u>

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

(a) engage in any business which competes with the Company's business (as defined in Paragraph 2) within the Restricted Territory (as defined in Paragraph 3); or

(b) solicit customers, business or orders or sell any products and services (i) in competition with the Company's business within the Restricted Territory or (ii) for any business, wherever located, that competes with the Company's business within the Restricted Territory; or

(c) divert, entice or otherwise take away customers, business or orders of the Company within the Restricted Territory, or attempt to do so; or

(d) promote or assist, financially or otherwise, any firm, corporation or other entity engaged in any business which competes with the Company's business within the Restricted Territory;

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

2. <u>Company's business</u> – Defined for the purpose of this Agreement:

(a) the Company shall include Textron and all subsidiary, affiliated or related companies or operations of Textron, and

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

3. **<u>Restricted Territory</u> –** Defined For the purpose of Paragraph 1, the Restricted Territory shall be defined as and limited to:

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

(b) all of the specific customer accounts, whether within or outside of the geographic area described in (a) above, with which you have had any contact or for which you have had any responsibility (either direct or supervisory), at the time of termination of your employment and at any time during the two-year period prior to such termination.

4. **<u>Forfeiture of RSU Shares and required repayment if you engage in certain solicitation activities</u>**

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

5. **<u>Forfeiture of RSU Shares and required repayment if you disclose confidential information</u>**

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

6. Organization and Compensation Committee Discretion

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

7. Severability

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

EXHIBIT 12.1

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

	Three Months Ended March 29, 2008
Fixed charges:	
Interest expense	$ 34
Estimated interest portion of rents	8
Total fixed charges	$ 42
Income:	
Income from continuing operations before income taxes	$ 353
Dividends in excess of pretax income of Textron Finance	100
Fixed charges	42
Adjusted income	$ 495
Ratio of income to fixed charges	11.79

EXHIBIT 12.2

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

	Three Months Ended March 29, 2008
Fixed charges:	
Interest expense	$ 119
Estimated interest portion of rents	9
Total fixed charges	$ 128
Income:	
Income from continuing operations before income taxes	$ 353
Fixed charges	128
Adjusted income	$ 481
Ratio of income to fixed charges	3.76

Exhibit 31.1

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

I, Lewis B. Campbell, Chairman, President and Chief Executive Officer of Textron Inc. certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: April 25, 2008

/s/ Lewis B. Campbell

Lewis B. Campbell
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, Ted R. French, Executive Vice President and Chief Financial Officer of Textron Inc. certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: April 25, 2008

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

Exhibit 32.1

TEXTRON INC.

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

In connection with the Quarterly Report of Textron Inc. (the "Company") on Form 10-Q for the period ended March 29, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lewis B. Campbell, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Date: April 25, 2008

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

Exhibit 32.2

TEXTRON INC.

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

In connection with the Quarterly Report of Textron Inc. (the "Company") on Form 10-Q for the period ended March 29, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ted R. French, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Date: April 25, 2008

/s/ Ted R. French

Ted R. French
Executive Vice President and Chief Financial Officer