

TEXTRON INC

FORM 10-Q (Quarterly Report)

Filed 08/14/00 for the Period Ending 07/01/00

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

TEXTRON INC

FORM 10-Q (Quarterly Report)

Filed 8/14/2000 For Period Ending 7/1/2000

Address	40 WESTMINSTER ST PROVIDENCE, Rhode Island 02903
Telephone	401-421-2800
CIK	0000217346
Industry	Conglomerates
Sector	Conglomerates
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal quarter ended July 1, 2000
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-5480

TEXTRON INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

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

Yes No

Common stock outstanding at July 29, 2000 - 143,425,000 shares

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

TEXTRON INC.
Condensed Consolidated Statements of Income (unaudited)
(Dollars in millions, except per share amounts)

	Three months ended		Six months ended	
	July 1, 2000	July 3, 1999	July 1, 2000	July 3, 1999
Revenues				
Manufacturing revenues	\$3,052	\$2,783	\$6,137	\$5,436
Finance revenues	170	104	322	200
Total revenues	3,222	2,887	6,459	5,636
Cost and expenses				
Cost of sales	2,459	2,221	4,992	4,457
Selling and administrative	340	346	672	573
Interest, net	123	46	232	84
Special charges	-	2	-	2
Provision for losses on collection of finance receivables	9	6	15	12
Total costs and expenses	2,931	2,621	5,911	5,128
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trusts	291	266	548	508
Income taxes	(105)	(97)	(197)	(188)
Distribution on preferred securities of subsidiary trusts, net of income taxes	(7)	(7)	(14)	(13)
Income from continuing operations	179	162	337	307
Gain on disposal of discontinued operations, net of income taxes	-	-	-	1,615

Income before extraordinary loss and cumulative effect of change in accounting principle	179	162	337	1,922
Extraordinary loss from debt retirement, net of income taxes	-	-	-	(43)
Cumulative effect of change in accounting principle, net of income taxes	-	-	(59)	-
Net income	\$179	\$162	\$278	\$1,879
Per common share:				
Basic:				
Income from continuing operations	\$1.25	\$1.08	\$2.32	\$2.03
Gain on disposal of discontinued operations, net of income taxes	-	-	-	10.64
Extraordinary loss from debt retirement, net of income taxes	-	-	-	(.28)
Cumulative effect of change in accounting principle, net of income taxes	-	-	(.41)	-
Net income	\$1.25	\$1.08	\$1.91	\$12.39
Diluted:				
Income from continuing operations	\$1.23	\$1.05	\$2.29	\$1.98
Gain on disposal of discontinued operations, net of income taxes	-	-	-	10.40
Extraordinary loss from debt retirement, net of income taxes	-	-	-	(.27)
Cumulative effect of change in accounting principle, net of income taxes	-	-	(.41)	-
Net income	\$1.23	\$1.05	\$1.88	\$12.11
Average shares outstanding:				
Basic	143,981,000	150,512,000	145,185,000	151,623,000
Diluted	146,304,000	154,096,000	147,630,000	155,230,000
Dividends per share:				
\$2.08 Preferred stock, Series A	\$.52	\$.52	\$1.04	\$1.04
\$1.40 Preferred stock, Series B	\$.35	\$.35	\$.70	\$.70
Common stock	\$.325	\$.325	\$.65	\$.65

See notes to the condensed consolidated financial statements.

Item 1. FINANCIAL STATEMENTS (Continued)

TEXTRON INC.
Condensed Consolidated Balance Sheets (unaudited)
(Dollars in millions)

	July 1, 2000	January 1, 2000
Assets		
Textron Manufacturing		
Cash and cash equivalents	\$202	\$192
Commercial and U.S. government receivables - net	1,484	1,363
Inventories	2,083	1,859
Other current assets	317	321
Total current assets	4,086	3,735
Property, plant, and equipment, less accumulated depreciation of \$2,178 and \$2,049	2,529	2,484
Goodwill, less accumulated amortization of \$504 and \$459	2,764	2,807

Other (including net deferred income taxes)	1,472	1,378
Total Textron Manufacturing assets	10,851	10,404
Textron Finance		
Cash	28	17
Finance receivables - net	6,015	5,465
Other assets (including net goodwill of \$220 and \$211)	519	507
Total Textron Finance assets	6,562	5,989
Total assets	\$17,413	\$16,393
Liabilities and shareholders' equity		
Liabilities		
Textron Manufacturing		
Current portion of long-term debt and short-term debt	\$862	\$688
Accounts payable	1,194	1,262
Income taxes payable	95	87
Other accrued liabilities	1,354	1,219
Total current liabilities	3,505	3,256
Accrued postretirement benefits other than pensions	728	741
Other liabilities	1,246	1,336
Long-term debt	1,526	1,079
Total Textron Manufacturing liabilities	7,005	6,412
Textron Finance		
Other liabilities	226	234
Deferred income taxes	285	307
Debt	5,111	4,551
Total Textron Finance liabilities	5,622	5,092
Total liabilities	12,627	11,504
Textron Finance - mandatorily redeemable preferred securities of Finance subsidiary holding debentures	28	29
Textron - obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Textron junior subordinated debt securities	484	483
Shareholders' equity		
Capital stock:		
Preferred stock	12	12
Common stock	24	24
Capital surplus	1,019	1,009
Retained earnings	6,001	5,817
Accumulated other comprehensive loss	(163)	(98)
	6,893	6,764
Less cost of treasury shares	2,619	2,387
Total shareholders' equity	4,274	4,377
Total liabilities and shareholders' equity	\$17,413	\$16,393
Common shares outstanding	143,399,000	147,002,000

See notes to condensed consolidated financial statements.

Item 1. FINANCIAL STATEMENTS (Continued)

TEXTRON INC.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	Six Months Ended	
	July 1, 2000	July 3, 1999
Cash flows from operating activities:		
Income from continuing operations	\$337	\$307
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation	192	167
Amortization	55	40
Special charges	-	2
Provision for losses on receivables	17	12
Deferred income taxes	(27)	35
Changes in assets and liabilities excluding those related to acquisitions and divestitures:		
Increase in commercial and U.S. government receivables	(102)	(83)
Increase in inventories	(220)	(101)
Increase in other assets	(17)	(151)
(Decrease) increase in accounts payable	(109)	14
Increase (decrease) in accrued liabilities	39	(110)
Other - net	(4)	5
Net cash provided by operating activities	161	137
Cash flows from investing activities:		
Finance receivables:		
Originated or purchased	(3,540)	(2,130)
Repaid or sold	2,960	1,838
Cash used in acquisitions	(55)	(295)
Investments in joint ventures	-	(41)
Net proceeds from dispositions	-	3,376
Capital expenditures	(246)	(222)
Cash used to purchase investments	(134)	-
Other investing activities - net	10	17
Net cash (used) provided by investing activities	(1,005)	2,543
Cash flows from financing activities:		
Increase (decrease) in short-term debt	52	(1,726)
Proceeds from issuance of long-term debt	1,796	660
Principal payments and retirements on long-term debt	(648)	(834)
Proceeds from exercise of stock options	8	43
Purchases of Textron common stock	(247)	(478)
Dividends paid	(96)	(140)
Net cash provided (used) by financing activities	865	(2,475)
Net increase in cash and cash equivalents	21	205
Cash and cash equivalents at beginning of period	209	53
Cash and cash equivalents at end of period	\$230	\$258

See notes to condensed consolidated financial statements.

TEXTRON INC.

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1: Basis of Presentation

The financial statements should be read in conjunction with the financial statements included in Textron's Annual Report on Form 10-K for the year ended January 1, 2000. The financial statements reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of Textron's consolidated financial position at July 1, 2000, and its consolidated results of operations and cash flows for each of the respective three and six month periods ended July 1, 2000 and July 3, 1999. Certain prior year balances have been reclassified to conform to the current year presentation. Consistent with prior periods, Textron Finance's second quarter ended on June 30, 2000.

Note 2: Earnings per Share

The dilutive effect of convertible preferred shares and stock options was 2,445,000 and 3,607,000 shares for the six month periods ending July 1, 2000 and July 3, 1999, respectively. Income available to common shareholders used to calculate both basic and diluted earnings per share approximated net income for both periods.

Note 3: Inventories

	July 1, 2000	January 1, 2000
	(In millions)	
Finished goods	\$727	\$608
Work in process	1,133	970
Raw materials	456	489
	2,316	2,067
Less progress payments and customer deposits	233	208
	\$2,083	\$1,859

Note 4: Investments in Marketable Securities

Investments in marketable securities, a component of other assets, are classified as available-for-sale and are recorded at their fair value. Unrealized gains and losses on these securities, net of related income taxes, are included in stockholders' equity as a component of accumulated other comprehensive income (loss). At July 1, 2000, the Company's investments consisted of equity securities, with a total tax effected net unrealized loss of \$17 million included in accumulated other comprehensive loss.

Note 5: Textron Finance Mandatorily Redeemable Preferred Securities of Finance Subsidiary Holding Debentures

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

The preferred securities accrue and pay cash distributions quarterly at a rate of 10% per annum. The trust's

obligation under the Series A Preferred Securities are fully and unconditionally guaranteed by Litchfield. The trust will redeem all of the outstanding Series A Preferred Securities when the Series A Debentures are paid at maturity on June 30, 2029, or otherwise become due. Litchfield will have the right to redeem 100% of the principal plus accrued and unpaid interest on or after June 30, 2004.

Note 6: **Textron-obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Textron Junior Subordinated Debt Securities**

In 1996, a trust sponsored and wholly-owned by Textron issued preferred securities to the public (for \$500 million) and shares of its common securities to Textron (for \$15.5 million), the proceeds of which were invested by the trust in \$515.5 million aggregate principal amount of Textron's newly issued 7.92% Junior Subordinated Deferrable Interest Debentures, due 2045. The debentures are the sole asset of the trust. The amounts due to the trust under the debentures and the related income statement amounts have been eliminated in Textron's consolidated financial statements. The preferred securities accrue and pay cash distributions quarterly at a rate of 7.92% per annum. Textron has guaranteed, on a subordinated basis, distributions and other payments due on the preferred securities. The guarantee, when taken together with Textron's obligations under the debentures and in the indenture pursuant to which the debentures were issued and Textron's obligations under the Amended and Restated Declaration of Trust governing the trust, provides a full and unconditional guarantee of amounts due on the preferred securities.

The preferred securities are mandatorily redeemable upon the maturity of the debentures on March 31, 2045, or earlier to the extent of any redemption by Textron of any debentures. The redemption price in either such case will be \$25 per share plus accrued and unpaid distributions to the date fixed for redemption.

Note 7: **Contingencies**

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

Note 8: **Comprehensive Income**

During the first six months of 2000 and 1999, total comprehensive income amounted to \$213 million and \$1,889 million, respectively. For the three month periods ended July 1, 2000 and July 3, 1999, total comprehensive income amounted to \$89 million and \$155 million, respectively.

Note 9: **Special Charges**

To enhance competitiveness and profitability of its core business, Textron recorded pre-tax charges related to certain restructuring activities in 1999 and 1998. The charges included asset impairments, severance costs, and other exit related costs associated with cost reduction programs. Textron continues to evaluate additional programs and expects cost reduction efforts to continue. Additional charges may be required in the future when such programs become finalized. As of July 1, 2000, approximately 2,200 employees had been terminated under these severance programs.

During the first six months of 2000, Textron utilized \$10 million of the \$22 million reserve for severance and other costs relating to restructuring. As of July 1, 2000, the remaining reserve for these programs is \$12 million.

Note 10: **Pre-production Costs**

Customer engineering and tooling project costs for which customer reimbursement is anticipated were capitalized and classified in other assets. Effective January 2, 2000, Textron adopted Emerging Issues Tax Force Issue 99-5 "Accounting for Pre-Production Costs Related to Long-Term Supply Arrangements" (EITF 99-5). This consensus requires that all design and development costs for products sold under long-term supply arrangements be expensed unless there is a contractual guarantee that provides for specific required payments for these costs. Textron has reported a Cumulative Effect of Change in Accounting Principle of \$59 million (net of tax), or approximately \$0.41 per diluted share in the first quarter of 2000 related to the adoption of this consensus.

Pro forma income from continuing operations, net income and related diluted earnings per common share

amounts as if the provisions of EITF 99-5 had been applied during the three and six month periods ended July 3, 1999 are as follows:

	Three Months Ended	Six Months Ended
	July 3, 1999	July 3, 1999
	(In millions, except per share data)	
Income from continuing operations		
As reported	\$162	\$307
Pro forma	159	302
Income from continuing operations per diluted share		
As reported	\$1.05	\$1.98
Pro forma	1.03	1.95
Net income		
As reported	\$162	\$1,879
Pro forma	159	1,874
Net income per diluted share		
As reported	\$1.05	\$12.11
Pro forma	1.03	12.08

Note 11: New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued FAS 133 "Accounting for Derivative Instruments and Hedging Activities." FAS 133 requires an entity to recognize all derivatives as either assets or liabilities and measure those instruments at fair value. In June 1999, the FASB issued FAS 137, which deferred the effective date of FAS 133 to all fiscal quarters of years beginning after June 15, 2000. In June 2000, the FASB issued FAS 138 which addressed issues causing implementation difficulties with FAS 133 and also amended the accounting and reporting standards of FAS 133 for certain derivative instruments and hedging activities. Textron is evaluating the potential impact of these pronouncements on future reporting.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) 101, "Revenue Recognition in Financial Statements," which summarizes the staff's views regarding the application of generally accepted accounting principles to selected revenue recognition issues. In June 2000, the SEC issued SAB 101B which delayed the implementation date of SAB 101 until no later than the fourth quarter of 2000. The Company is currently assessing the impact SAB 101 will have on the Company's results of operations.

Note 12: Financial Information by Borrowing Group

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

Item 1. FINANCIAL STATEMENTS (Continued)

Note 12: Financial Information by Borrowing Group (continued)

Textron Manufacturing
(unaudited) (In millions)

Condensed Statements of Cash Flows	Six Months Ended	
	July 1, 2000	July 3, 1999
Cash flows from operating activities:		
Income from continuing operations	\$337	\$307
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Earnings of Finance Group greater than distributions to Parent Group	(43)	(16)
Depreciation	184	161
Amortization	48	38
Special charges	-	2
Deferred income taxes	(7)	27
Changes in assets and liabilities excluding those related to acquisitions and divestitures:		
Increase in receivables	(102)	(83)
Increase in inventories	(220)	(101)
Increase in other assets	(24)	(144)
Decrease in accounts payable and accrued liabilities	(60)	(121)
Other - net	(1)	5
Net cash provided by operating activities	112	75
Cash flows from investing activities:		
Capital expenditures	(240)	(217)
Cash used in acquisitions	(55)	(242)
Investments in joint ventures	-	(41)
Net proceeds from dispositions	-	3,376
Cash used to purchase investments	(134)	-
Other investing activities - net	24	21
Net cash (used) provided by investing activities	(405)	2,897
Cash flows from financing activities:		
Increase (decrease) in short-term debt	168	(1,535)
Proceeds from issuance of long-term debt	516	-
Principal payments and retirements on long-term debt	(46)	(639)
Proceeds from exercise of stock options	8	43
Purchases of Textron common stock	(247)	(478)
Dividends paid	(96)	(140)
Contributions paid to Finance Group	-	(8)
Net cash (used) provided by financing activities	303	(2,757)
Net increase in cash and cash equivalents	10	215
Cash and cash equivalents at beginning of period	192	31
Cash and cash equivalents at end of period	\$202	\$246

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

TEXTRON INC.
Revenues and Income by Business Segment
(In millions)

	Three Months Ended		Six Months Ended	
	July 1, 2000	July 3, 1999	July 1, 2000	July 3, 1999
REVENUES				
MANUFACTURING:				
Aircraft	\$958	\$885	\$1,861	\$1,712
Automotive	777	757	1,625	1,491
Industrial	1,317	1,141	2,651	2,233
	3,052	2,783	6,137	5,436
FINANCE	170	104	322	200
Total revenues	\$3,222	\$2,887	\$6,459	\$5,636
SEGMENT OPERATING INCOME*				
MANUFACTURING:				
Aircraft	\$107	\$75	\$185	\$142
Automotive	73	62	155	124
Industrial	148	133	283	255
	328	270	623	521
FINANCE	44	30	85	56
Segment operating income	372	300	708	577
Special (charges)/credits	-	(2)	-	(2)
Segment income	372	298	708	575
Corporate expenses and other - net	(41)	(35)	(87)	(73)
Interest income	-	6	-	22
Interest expense	(41)	(3)	(74)	(16)
Income from continuing operations before income taxes and distributions on preferred securities of manufacturing subsidiary trust	\$290	\$266	\$547	\$508

*Segment operating income excludes Textron Manufacturing interest expense, corporate expenses, special (credits)/charges, and gains or losses from the disposition of businesses. The Finance segment includes interest income, interest expense and distributions on preferred securities of Finance subsidiary trust as part of operating income.

The July 3, 1999 special charges include special charges of \$26 million primarily for the Industrial segment and reversal of \$24 million of reserve no longer deemed necessary for the 1998 programs (\$8 million Automotive segment, \$16 million Industrial segment).

Liquidity and Capital Resources

The Statements of Cash Flows for Textron Inc. and Textron Manufacturing detailing the changes in cash balances are on pages 4 and 10, respectively. Textron Manufacturing's operating cash flow includes dividends received from Textron Finance of \$10 million and \$19 million during the first six months of 2000 and 1999, respectively. Dividend payments to shareholders for the first six months of 2000 include two payments as opposed to the first six months of 1999 when three payments were made. Dividend payments to shareholders for the first six months of 2000 amounted to \$96 million, a decrease of \$44 million over the first six months of 1999.

Textron Manufacturing's debt to total capital ratio was 33% at July 1, 2000 up from 27% at year end. The increase is consistent with Textron's financial target of maintaining its debt to capital ratio in the low to mid-30% range.

During the first six months of 2000, Textron Manufacturing reduced its multi-currency credit facility by approximately \$34 million. A summary of credit line facilities is as follows:

Credit Facilities

Textron Manufacturing		Textron Finance	
July 1,	January 1,	June 30,	January 1,

(in millions)	2000	2000	2000	2000
Total lines	\$1,277	\$1,346	\$1,200	\$1,200
Amount available	519	797	61	196

Historically, Textron has generally financed foreign acquisitions with domestic borrowings and utilized foreign currency exchange agreements to synthetically convert these into foreign currency borrowings. These synthetic foreign currency borrowings naturally offset exposures to foreign exchange risk for assets and earnings in the same foreign currency. At year-end 1999, Textron began to utilize actual foreign currency borrowings in addition to synthetically converted U.S. borrowings for these purposes. In the first quarter of 2000 Textron Manufacturing established a two billion Euro Medium-Term Note facility (EMTN), which provides for the issuance of debt securities denominated in the Euro or other currencies. In March 2000, Textron issued 300 million Euro-denominated (\$281 million U.S. dollar-equivalent as of July 1, 2000) 5 5/8% medium-term notes which mature in 2005. The proceeds from the sale of these notes were used to reduce existing short-term debt and for general corporate purposes. In the second quarter of 2000, Textron issued 150 million British Pound Sterling-denominated (\$227 million U.S. dollar-equivalent as of July 1, 2000) 6 5/8% notes under the EMTN which mature in 2020. The proceeds from the sale of these notes were used to reduce existing short-term debt. At July 1, 2000, Textron Manufacturing had \$1.5 billion available under its existing shelf registration statement filed with the Securities Exchange Commission and approximately \$1.4 billion U.S. dollar-equivalent available under the EMTN.

During the first six months of 2000, Textron Finance increased its medium-term note facility by \$300 million and issued \$415 million of one year variable rate notes. The related proceeds were used to refinance maturing commercial paper. The medium-term note facility was fully utilized as of July 1, 2000. Textron Finance also issued a \$40 million variable rate note through a private placement which matures in 2004. In April 2000, Textron Finance issued \$750 million in variable rate notes under its shelf registration statement facility of which \$275 million matures in 2001 and \$475 million matures in 2002. The proceeds from these notes were used to refinance maturing commercial paper and terminate \$220 million of other variable rate debt, which was prepaid at par. At July 1, 2000, \$1.3 billion was available under the shelf registration statement.

In April 2000, Textron Finance entered into interest rate exchange agreements with an aggregate notional amount of \$150 million to fix the interest rate on \$150 million of the new notes issued under the shelf registration statement. Further, Textron Finance entered into basis swaps against the remaining \$600 million of new debt to convert the related variable interest rate payments from LIBOR-based payments to Prime-based payments. The objective of these basis swaps is to lock in desired spreads between floating rate receivables indexed to the Prime rate and floating rate liabilities indexed to LIBOR.

Additionally, during the second quarter Textron Finance terminated fixed-pay interest rate exchange agreements with an aggregate notional amount of \$150 million that were hedging existing variable rate debt. Textron Finance also entered interest rate exchange agreements with an aggregate notional amount of \$200 million to fix interest rate payments on expected issuances of debt and \$400 million to fix expected cash flows associated with certain finance receivables.

On February 23, 2000, Textron announced that its Board of Directors had authorized a new ten-million share repurchase program. This program superceded the 4.8 million shares that remained under its previous authorization. During the first six months of 2000, Textron Inc. repurchased 3.9 million shares of common stock at an aggregate cost of \$233 million.

During the first six months of 2000, Textron Manufacturing acquired 9 companies at a total cost of \$93 million including debt assumed of \$36 million. Also in the first quarter of 2000, Textron purchased approximately \$100 million of Safeguard Scientifics Inc. common stock as part of a strategic alliance with this internet holding and operating company. Under the alliance, Textron will work with Safeguard partner companies to develop and execute global e-commerce strategies. As a result of this alliance, during the first six months of 2000 Textron has invested approximately \$8 million in the common stock of a Safeguard partner company, and could make similar investments in future periods. In June 2000, Textron purchased \$25 million of EqualFooting.com, Inc. convertible preferred stock in support of the Company's e-commerce initiative. Management believes that Textron will continue to have adequate access to credit markets and that its credit facilities and cash flows from operations will continue to be more than sufficient to meet its operating needs and to finance growth.

Quantitative Risk Measures

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

Presented below is a sensitivity analysis of the fair value of Textron's financial instruments for July 1, 2000 and January 1, 2000. The table illustrates the hypothetical change in the fair value of the Company's financial instruments at July 1, 2000 and year-end assuming a 10% decrease in interest rates, a 10% strengthening in exchange rates against the U.S. dollar and a 10% decrease in the quoted market prices of its investments in marketable equity securities. The estimated fair value of the financial instruments was determined by discounted cash flow analysis, by independent investment bankers and from quoted market prices for publicly traded equity securities. This sensitivity analysis is most likely not indicative of actual results in the future.

July 1, 2000

January 1, 2000

(In millions)	Hypothetical			Hypothetical		
	Carrying Value	Fair Value	Change In Fair Value	Carrying Value	Fair Value	Change In Fair Value
Interest Rate Risk						
Textron Manufacturing:						
Debt	\$2,388	\$2,415	\$38	\$1,745	\$1,740	\$22
Interest rate exchange agreements	-	9	(10)	-	7	(10)
Textron Finance:						
Finance receivables	5,223	5,249	53	4,647	4,665	57
Debt	5,111	5,091	35	4,551	4,535	38
Interest rate exchange agreements	-	3	18	-	(2)	1
Foreign Exchange Rate Risk						
Textron Manufacturing:						
Debt	1,142	1,180	96	285	286	23
Foreign exchange contracts	(2)	(3)	(17)	-	(6)	(22)
Currency swaps	-	-	2	(21)	(25)	88
Interest rate exchange agreements	-	-	-	-	1	-
Textron Finance:						
Foreign exchange contracts	-	-	5	-	-	-
Equity Price Risk						
Textron Manufacturing:						
Available for sale securities	86	86	(9)	-	-	-

Results of Operations - Three months ended July 1, 2000 vs. Three months ended July 3, 1999

Diluted earnings per share from continuing operations in the second quarter 2000 were \$1.23 per share, up 17% from the 1999 amount of \$1.05. Income from continuing operations in 2000 of \$179 million was up 10% from \$162 million in 1999. Revenues increased 12% to \$3.2 billion in 2000 from \$2.9 billion in 1999.

The **Aircraft segment's** revenues and income increased \$73 million (8%) and \$32 million (43%), respectively, achieving a 270 basis point improvement in operating margin.

Cessna's revenues increased \$86 million due to higher sales of business jets, primarily the Citation Excel and Citation Bravo, higher Caravan sales, and increased spares and service revenues. Income increased as a result of the higher sales and improved operating performance.

Bell Helicopter's revenues decreased \$13 million as higher revenues on the V-22 production contract and the Huey and Cobra upgrade contracts, higher foreign military sales and increased military spares sales were offset by lower sales of commercial and other military helicopters and lower V-22 spares sales. Bell's income increased due to improved margins and lower product development costs, primarily as a result of the contribution from a new supplier on the BA 609 fuselage. This favorable impact was partially offset by the impact of the lower revenues and a lower recognition into income (\$8 million in 2000 vs. \$10 million in 1999) of cash received in the fourth quarter of 1998 on the formation of a joint venture on the BA 609 program.

The **Automotive segment's** revenues increased \$20 million (3%), while income increased \$11 million (18%) and operating margin increased 120 basis points. The increase in revenues was driven by higher sales at Trim, due to the contribution from the Plaspar acquisition, the Breed Automotive S.r.l. joint venture and increased volume with General Motors, primarily the new GM Malibu cockpit program. The higher revenues were partially offset by lower builds on other platforms at Trim, customer price reductions and the unfavorable impact of foreign exchange at Kautex. Income increased due to the contribution from the higher revenues and improved operating performance.

The **Industrial segment's** revenues and income increased \$176 million (15%) and \$15 million (11%), respectively.

Textron Fastening Systems revenues increased \$12 million (2%), reflecting the contribution from acquisitions, primarily InteSys. This increase in revenues was partially offset by lower sales at Automotive Solutions, reflecting the unfavorable impact of foreign exchange in its European operations and customer price reductions, and reduced customer requirements related to the heavy truck business at Supply Chain Solutions. Income decreased as the benefit from acquisitions and improved operating performance in Commercial Solutions was more than offset by unfavorable operating performance at certain plants in North America, lower volume at Supply Chain Solutions and the foreign exchange impact.

Textron Industrial Products revenues increased \$164 million (28%) as a result of the contribution from acquisitions, primarily OmniQuip, and higher organic sales at Greenlee, Motion Control Products and Textron Lycoming. This increase in revenues was partially offset by lower revenues at Textron Systems due to a change in contract mix and reduced customer requirements, and lower demand at Fluid Handling Products, Turbine Engine Components and Power Transmission Products. Income increased primarily as a result of the contribution from acquisitions and improved margins at Motion Control Products and Textron Lycoming.

The **Finance segment's** revenues increased \$66 million (63%) due to a higher level of average receivables, reflecting both acquisitive and organic growth, a higher yield on receivables, and higher syndication and other income. Income increased \$14 million (47%) as the benefit of higher revenues was partially offset by higher expenses related to growth in managed receivables and a higher provision for loan losses related to the growth in receivables. Net interest margin was also adversely impacted by a delay in re-pricing short-term loans as a result of increases in the prime rate.

Corporate expenses and other - net increased \$6 million due primarily to the impact of costs associated with strategic and e-business initiatives.

Interest income and expense - net for Textron manufacturing increased \$44 million from the second quarter 1999, due to the re-leveraging that occurred following the divestiture of Avco Financial Services (AFS). Interest expense increased \$38 million due to a higher level of average debt as a result of acquisitions and share repurchases. In 1999, Textron realized interest income of \$6 million as a result of its net investment position.

Income taxes - the current quarter's effective income tax rate of 35.9% was lower than the corresponding prior year rate of 36.5%, which reflected the cumulative benefit of a reduction in the 1999 annual effective tax rate from 37.5% at the end of the first quarter to 37.0% for the six months. The decrease in the 2000 tax rate was primarily due to the benefit of tax planning initiatives that are being realized in 2000.

Results of Operations - Six months ended July 1, 2000 vs. Six months ended July 3, 1999

Diluted earnings per share from continuing operations in the first half 2000 were \$2.29 per share, up 16% from the 1999 amount of \$1.98. Income from continuing operations in 2000 of \$337 million was up 10% from \$307 million in 1999. Revenues increased 15% to \$6.5 billion in 2000 from \$5.6 billion in 1999.

As previously disclosed in the 1999 Annual Report of the Company, Textron implemented the Emerging Issues Task Force consensus on Issue 99-5 "Accounting for Pre-Production Costs Related to Long Term Supply Arrangements." As a result of this, in the first quarter 2000, Textron reported a Cumulative Effect of Change in Accounting Principle charge of \$59 million (net of tax) related to the adoption of this consensus. The effect of this change in accounting on future results will not have a significant impact on income from continuing operations in the affected segments, principally Automotive.

Textron completed the sale of AFS to Associates First Capital Corporation for \$3.9 billion in cash on January 6, 1999 and a gain of \$1.62 billion on the sale of AFS was recorded in the first quarter 1999. Textron also recorded an extraordinary loss of \$43 million (net of tax) on the early retirement of debt in the first quarter 1999. Net income, (including the cumulative effect (net of tax) of change in accounting principle in 2000) was \$278 million as compared to 1999 net income of \$1.879 billion, which included the gain on the sale of AFS and the extraordinary loss.

The **Aircraft segment's** The Aircraft segment's revenues and income increased \$149 million (9%) and \$43 million (30%), respectively, achieving a 160 basis point improvement in operating margin.

Cessna's revenues increased \$163 million due to higher sales of business jets, primarily the Citation Excel and Citation Bravo, higher Caravan sales and increased spares and service revenues. Income increased as a result of the higher sales and improved operating performance.

Bell Helicopter's revenues decreased \$14 million as higher revenues on the V-22 production contract and the Huey and Cobra upgrade contracts, higher foreign military sales and increased military spares sales, were offset by lower sales of commercial and other military helicopters and lower V-22 spares sales. Bell's income increased due to improved margins and lower selling and administrative expense. This favorable impact was partially offset by the impact of the lower revenues, higher product development expense related to the BA 609 commercial tiltrotor aircraft (net of the benefit of the contribution from a new supplier for the BA 609 fuselage in the second quarter) and the Bell 427 helicopter, and lower recognition into income (\$15 million in 2000 vs. \$19 million in 1999) of cash received in the fourth quarter of 1998 on the formation of a joint venture on the BA 609 program.

The **Automotive segment's** revenues increased \$134 million (9%), while income increased \$31 million (25%) and operating margin increased

120 basis points. The increase in revenues was driven by higher sales at Trim, due to the new GM Malibu cockpit program, and the benefit of the Textron Breed Automotive S.r.l. joint venture and the Plascar acquisition. The higher revenues were partially offset by customer price reductions and the unfavorable impact of foreign exchange at Kautex. Income increased due to the contribution from the higher revenues and improved operating performance.

The **Industrial segment's** revenues and income increased \$418 million (19%), and \$28 million (11%), respectively.

Textron Fastening Systems revenues increased \$95 million (9%), reflecting the contribution from acquisitions, primarily InteSys and Flexalloy. This increase in revenues was partially offset by lower sales at Automotive Solutions, reflecting the unfavorable impact of foreign exchange in its European operations and customer price reductions, and reduced customer requirements related to the heavy truck business at Supply Chain Solutions. Income decreased as the benefit from acquisitions was more than offset by unfavorable performance at certain plants in North America, lower volume at Supply Chain Solutions and the foreign exchange impact.

Textron Industrial Products revenues increased \$323 million (27%) as a result of the contribution from acquisitions, primarily OmniQuip, and higher organic sales at Motion Control Products, Greenlee, Golf, Turf Care And Specialty Products and Textron Lycoming. This increase in revenues was partially offset by lower revenues at Textron Systems due to a change in contract mix and reduced customer requirements, and lower demand at Fluid Handling Products, Turbine Engine Components and Power Transmission Products. Income increased primarily as a result of the contribution from acquisitions and improved margins at Motion Control Products and Textron Lycoming.

The **Finance segment's** revenues increased \$122 million (61%) due to a higher level of average receivables, reflecting both acquisitive and organic growth, a higher yield on receivables, and higher syndication and other income. Income increased \$29 million (52%) as the benefit of higher revenues was partially offset by higher expenses related to growth in managed receivables and a higher provision for loan losses related to the growth in receivables. Net interest margin was also adversely impacted by a delay in re-pricing short-term loans as a result of increases in the prime rate.

Corporate expenses and other - net increased \$14 million due primarily to the impact of organizational changes in the first quarter and costs associated with strategic and e-business initiatives in the first half.

Interest income and expense - net for Textron manufacturing increased \$80 million from the first half of 1999, due to the re-leveraging that occurred following the divestiture of AFS. Interest expense increased \$58 million due to a higher level of average debt as a result of acquisitions and share repurchases. In 1999, Textron realized interest income of \$22 million as a result of its net investment position.

Income taxes - the effective income tax rate of 36.0% for the first half 2000 was lower than the corresponding prior year rate of 37.0%, due primarily to the benefit of tax planning initiatives that are being realized in 2000.

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See the Company's Management Discussion and Analysis "Quantitative Risk Measures" section on page 13 for updated information.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

On May 12, 2000, the Massachusetts Water Resources Authority (MWRA) issued a Notice of Violation (NOV) to Textron Systems Corporation (TSC) relating to industrial discharges to the MWRA sewer system from TSC's Wilmington, Massachusetts facility. The NOV, which seeks a civil administrative penalty, alleges a failure to obtain a permit

for certain discharges, discharge reporting violations, and violations of discharge limits. The penalty assessed for the NOV may exceed \$100,000.

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

At Textron's annual meeting of shareholders held on April 26, 2000, the following items were voted upon:

- The following persons were elected to serve as directors in Class I for three year terms expiring in 2003 and received the votes listed.

<u>Name</u>	<u>For</u>	<u>Withheld</u>
Teresa Beck	127,538,248	2,179,523
Lewis B. Campbell	127,540,389	2,177,382
R. Stuart Dickson	127,613,452	2,104,319
Lawrence K. Fish	127,551,873	2,165,898
Joe T. Ford	127,563,550	2,154,221

The following directors have terms of office which continued after the meeting: H. Jesse Arnelle, Paul Gagné, John A. Janitz, John D. Macomber, Brian H. Rowe, Sam F. Segnar, Martin D. Walker, and Thomas B. Wheeler.

- The appointment of Ernst & Young LLP as Textron's independent auditors for 2000 was ratified by the following vote:

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
128,165,262	829,116	723,393	0

- A shareholder proposal regarding Textron's foreign military sales was rejected by the following vote:

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
7,143,557	102,766,670	6,261,712	13,545,832

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- | | |
|------|---|
| 4.1 | Indenture dated as of December 9, 1999, between Textron Financial Corporation and SunTrust Bank, Atlanta (including form of debt securities). Incorporated by reference to Exhibit 4.1 to Amendment No. 2 to Textron Financial Corporation's Registration Statement on Form S-3 (No. 333-88509) |
| 4.2 | Support Agreement dated as of May 25, 1994, between Textron Inc. and Textron Financial Corporation. Incorporated by reference to Exhibit 10.1 to Textron Financial Corporation's Registration Statement on Form 10 (No. 0-27559) |
| 10.1 | Employment Agreement between Textron and Terrence O'Donnell dated March 10, 2000. |
| 10.2 | Employment Agreement between Textron and Kenneth C. Bohlen dated July 18, 2000 |
| 12.1 | Computation of ratio of income to combined fixed charges and preferred securities dividends of Textron Manufacturing. |
| 12.2 | Computation of ratio of income to combined fixed charges and preferred securities dividends of Textron Inc. including all majority-owned subsidiaries. |
| 27 | Financial Data Schedule (filed electronically only) |

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the second quarter ended July 1, 2000.

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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: August 11, 2000

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

LIST OF EXHIBITS

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

Name of Exhibit

- 4.1 Indenture dated as of December 9, 1999, between Textron Financial Corporation and SunTrust Bank, Atlanta (including form of debt securities). Incorporated by reference to Exhibit 4.1 to Amendment No. 2 to Textron Financial Corporation's Registration Statement on Form S-3 (No. 333-88509)
- 4.2 Support Agreement dated as of May 25, 1994, between Textron Inc. and Textron Financial Corporation. Incorporated by reference to Exhibit 10.1 to Textron Financial Corporation's Registration Statement on Form 10 (No. 0-27559)
- 10.1 Employment Agreement between Textron and Terrence O'Donnell dated March 10, 2000
- 10.2 Employment Agreement between Textron and Kenneth C. Bohlen dated July 18, 2000
- 12.1 Computation of ratio of income to combined fixed charges and preferred securities dividends of Textron Manufacturing
- 12.2 Computation of ratio of income to combined fixed charges and preferred securities dividends of Textron Inc. including all majority-owned subsidiaries
- 27 Financial Data Schedule (filed electronically only)

EXHIBIT 10.1

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of this 10th day of March 2000 by and between Textron Inc. (the "Company"), a Delaware corporation having its principal office at 40 Westminister Street, Providence, Rhode Island 02903 and Terrence O'Donnell residing at 5133 Yuma Street, N.W., Washington, DC 20016 (the "Executive").

WITNESSETH:

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

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

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

1. Term of Employment

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

2. Position and Responsibilities

During the Employment Term, the Executive shall serve as the Executive Vice President and General Counsel of the Company or in such higher capacity as agreed by the Company and the Executive. The Executive shall also serve as a member of the Management Committee (or any equivalent committee or group as may replace the Management Committee from time to time). 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 and the organizational structure of the Company. Except as provided in the next succeeding sentence, 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 or as a partner in the law firm of Williams & Connolly LLP, provided in each case that these activities do not materially interfere with the performance of his duties hereunder or create a potential business conflict or the appearance thereof. In particular, Executive (a) may continue to serve as a part-time partner at Williams & Connolly LLP, and (b) may serve on the board of directors of each of (i) The Gerald R. Ford Foundation, (ii) the Air Force Academy Falcon Foundation, (iii) IGI, Inc. and (iv) ePlus, Inc., in each case retaining any compensation or emoluments therefrom.

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 \$425,000.00. 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 therefor.

3.4 Employee Benefits . The Executive shall, to the extent eligible, be entitled to participate at a level commensurate with his position in all employee benefit welfare and retirement plans and programs, as well as equity plans, generally provided by the Company to its

senior executives in accordance with the terms thereof as in effect from time to time. In particular, the Executive shall participate in (a) the Textron Key Executive Benefits Program (which shall include (i) the Deferred Income Plan, (ii) the Supplemental Benefits Plan, and (iii) the Survivor Benefit Plan), (b) the Supplemental Retirement Plan, and (c) the Executive Supplemental Retirement Plan.

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

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

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

3.8 Special Provisions . The Company shall provide to the Executive the special provisions set forth on Exhibit B hereto, which Exhibit B is incorporated herein.

4. Expenses

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

5. Termination of Employment

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

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

(b) Upon thirty (30) days written notice by the Company to the Executive of a termination due to Disability, provided such notice is delivered during the period of Disability. The term "Disability" shall mean, for purposes of this Agreement, the inability of the Executive, due to injury, illness, disease or bodily or mental infirmity, to engage in the performance of his material duties of employment with the Company as contemplated by Section 2 herein for a period of more than one hundred eighty (180) consecutive days or for a period that is reasonably expected to exist for a period of more than one hundred eighty (180) consecutive days, provided that interim returns to work of less than ten (10) consecutive business days in duration shall not be deemed to interfere with a determination of consecutive absent days if the reason for absence before and after the interim return are the same. The existence or non-existence of a Disability shall be determined by a physician agreed upon in good faith by the Executive (or his representatives) and the Company. It is expressly understood that the Disability of the Executive for a period of one hundred eighty (180) consecutive days or less shall not constitute a failure by him to perform his duties hereunder and shall not be deemed a breach or default and the Executive shall receive full compensation for any such period of Disability or for any other temporary illness or incapacity during the term of this Agreement. In no event shall compensation cease by reason of a termination for Disability prior to that date on which the Executive shall commence his eligibility for payments pursuant to the Company's disability benefits program.

(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 that with respect to such vicarious liability the Executive did not have actual knowledge of the actions or inactions creating the violation of the law or the Executive relied in good faith on the advice of counsel with regard to the legality of such action or inaction (or the advice of other specifically qualified professionals as to the appropriate or proper action or inaction to take with regard to matters which are not matters of legal interpretation)); or (vii) any other material breach by the Executive of this Agreement that is not cured by the Executive within twenty (20) days after receipt by the Executive of a written notice from the Company of such breach specifying the details thereof. No action or inaction should be deemed willful if not demonstrably willful and if taken or not taken by the Executive in good faith as not being adverse to the best interests of the Company. Reference in this paragraph (d) to the Company shall also include direct and indirect subsidiaries of the Company, and materiality and material adverse impact shall be measured based on the action or inaction and the impact upon, and not the size of, the Company taken as a whole, provided that after a Change in Control, the size of the Company, taken as a whole, shall be a relevant factor in determining materiality and material adverse impact.

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

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

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

Section 6. Consequences of a Termination of Employment

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

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

6.3 Involuntary Termination by the Company Without Cause or Termination by the Executive for Good Reason. If the Executive is involuntarily terminated by the Company without Cause in accordance with Section 5(e) above or the Executive terminates his

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

- (a) Payment of the Prorated Portion (as determined in the next sentence) of the earned annual incentive compensation award for the fiscal year in which the Executive's termination occurs, payable promptly after the end of such fiscal year. "Prorated Portion" shall be determined by multiplying such amount by a fraction, the numerator of which is the number of days during the fiscal year of termination that the Executive is employed by the Company, and the denominator of which is, 365.
- (b) Continued payment off payroll for two years (in approximately equal monthly installments) of an amount equal to two times the sum of (i) the Executive's Base Salary and (ii) the higher of (x) the Executive's target incentive compensation established for the fiscal year in which the Executive's termination occurs or (y) a multiple thereof equal to the product of such target amount and the multiple of target earned by the Executive for the prior fiscal year (whether or not deferred).
- (c) Payment of the premium for COBRA continuation health coverage (whether under the Company's health plans or those of Williams & Connolly LLP, but in no event at a premium rate higher than the premiums payable under COBRA to the Company for the continuation of such health care coverage as the Executive had in effect with respect to himself and his family immediately prior to his termination) for the Executive and the Executive's dependents until the earliest of (i) eighteen (18) months after such termination, (ii) until no longer eligible for COBRA continuation benefit coverage or (iii) the Executive commences other substantially full-time employment.

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

Section 7. No Mitigation/No Offset/Release

- (a) In the event of any termination of employment hereunder, the Executive shall be under no obligation to seek other employment and there shall be no offset against any amounts due the Executive under this Agreement on account of any remuneration attributable to any subsequent employment that the Executive may obtain. The amounts payable hereunder shall not be subject to setoff, counterclaim, recoupment, defense or other right which the Company may have against the Executive or others, except as specifically set forth in Section 9 hereof or upon obtaining by the Company of a final unappealable judgement against the Executive.
- (b) Any amounts payable and benefits or additional rights provided pursuant to Section 6.3 or Section 8.1 beyond any Accrued Obligations and beyond the sum of any amounts due (without execution of a release) under the Company severance program then in effect, or, if greater, three (3) months Base Salary as severance, shall only be payable if the Executive delivers to the Company a release of all claims of the Executive (other than those specifically payable or providable hereunder on or upon the applicable type of termination and any rights of indemnification under the Company's organizational documents) with regard to the Company, its subsidiaries and related entities and their respective past or present officers, directors and employees in such form as reasonably requested by the Company.
- (c) Upon any termination of employment, upon the request of the Company, the Executive shall deliver to the Company a resignation from all offices and directorships and fiduciary positions of the Executive in which the Executive is serving with, or at the request of, the Company or its subsidiaries, affiliates or benefit plans.
- (d) The amounts and benefits provided under Sections 6 and 8 hereof are intended to be inclusive and not duplicative of the amounts and benefits due under the Company's employee benefit plans and programs to the extent they are duplicative.

8. Change in Control

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

- (a) Any Accrued Obligations.
- (b) A lump-sum cash payment equal to three (3) times the highest rate of the Executive's Base Salary rate in

effect at any time up to and including the date of the Executive's termination.

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

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

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

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

(g) A lump-sum cash payment of the actuarial present value equivalent (as determined in accordance with the most favorable (to the Executive) overall actuarial assumptions and subsidies in any of the Company's tax-qualified or nonqualified type defined benefit pension plans in which the Executive then participates) of the accrued benefits accrued by the Executive as of the date of termination under the terms of any nonqualified defined benefit type retirement plan, including but not limited to, the Amended and Restated Supplemental Executive Retirement Plan for Textron Inc. Key Executives and the Supplemental Benefits Plan and assuming the benefit was fully vested without regard to any minimum age or service requirements. For this purpose, such benefits shall be calculated under the assumption that the Executive's employment continued following the date of termination for three (3) full years (i.e., three (3) additional years of age (including, but not limited to, for purposes of determining the actuarial present value), compensation and service credits shall be added).

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

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

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

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

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

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

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

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

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

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

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

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

9. Noncompetition, Confidentiality and Nondisparagement

9.1 Agreement Not to Compete .

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

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

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

9.2 Definitions.

(a) "Competition" shall mean engaging in, as an employee, director, partner, principal, shareholder, consultant, advisor, independent contractor or similar capacity, with (a) the Listed Companies or (b) in any business, activity or conduct which directly competes with the business of the Company, provided that, with regard to the period after termination of the Executive's employment, Section 9.1(b)(ii) shall only apply to business lines in which the Company is engaged both at the time of termination of employment and at the time of the determination and which during the last fiscal year ending prior to the date of such termination represented at least five percent (5%) of the Company's revenues (the "Prohibited Lines"). Notwithstanding anything else in this Section 9, Competition shall not include: (A) (i) holding five percent (5%) or less of an interest in the equity or debt of any publicly traded company, (ii) engaging in any activity with the prior written approval of the Chief Executive Officer or the O&C Committee, (iii) the practice of law in a law firm that represents entities in Competition with

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

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

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

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

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

9.4 Confidential Information .

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

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

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

9.6 Remedies .

(a) In the event of a material breach or threatened material breach of Section 9.1(a), Section 9.3, Section 9.4 or

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

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

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

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

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

9.9 Nondisparagement.

(a) During the Employment Term and thereafter, the Executive shall not with willful intent to damage economically or as to reputation or vindictively disparage the Company, its subsidiaries or their respective past or present officers, directors or employees (the "Protected Group"), provided that the foregoing shall not apply to (i) actions or statements taken or made by the Executive while employed by the Company in good faith as fulfilling the Executive's duties with the Company or otherwise at the request of the Company, (ii) truthful statements made in compliance with legal process or governmental inquiry, (iii) as the Executive in good faith deems necessary to rebut any untrue or misleading public statements made about him or any other member of the Protected Group, (iv) statements made in good faith by the Executive to rebut untrue or misleading statements made about him or any other member of the Protected Group by any member of the Protected Group, and (v) normal commercial puffery in a competitive business situation. No member of the Protected Group shall be a third party beneficiary of this Section 9.9(a).

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

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

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

10. Liability Insurance

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

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 in connection with any dispute arising hereunder; provided, however, the Company shall be reimbursed by the Executive for (i) the fees and expenses advanced in the event the Executive's claim is in a material manner in bad faith or frivolous and the arbitrator or court, as applicable, determines that the reimbursement of such fees and expenses is appropriate, or (ii) to the extent that the arbitrator or court, as appropriate, determines that such legal and other professional fees are clearly and demonstrably unreasonable.

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

12.3 Notice . Any notices, requests, demands, or other communications provided for by this Agreement shall be sufficient if in writing and if delivered personally, sent by telecopier, sent by an overnight service or sent by registered or certified mail. Notice to the Executive not delivered personally (or by telecopy where the Executive is known to be) shall be sent to the last address on the books of the Company, and notice to the Company not delivered personally (or by telecopy to the known personal telecopy of the person it is being sent to) shall be sent to it at its principal office. All notices to the Company shall be delivered to the Chief Executive Officer with a copy (not itself constituting notice) to the Executive Vice President, Human Relations. A copy (not itself constituting notice) of any notice to the Executive shall be delivered to Jerry L. Shulman, Williams & Connolly LLP, 725 12th Street, N.W., Washington, D.C. 20005. 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's 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 and each Exhibit hereto, except to the extent specifically provided otherwise herein or therein, 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. In the event of any discrepancy or conflict between this Agreement and either Exhibit, the provisions of the Exhibit shall prevail. 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 that are not duplicative, but shall otherwise not be eligible for such plan or program.

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

13.3 Severability . In the event that any provision or portion of this Agreement shall be determined to be invalid or

unenforceable for any reason, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect.

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

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

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

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

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\Terrence O'Donnell
TERRENCE O'DONNELL

TEXTRON INC.

By: s\John D. Butler
JOHN D. BUTLER
Executive Vice President & Chief Human
Resources Officer

Exhibit A

Parachute Gross Up

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

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

payment or benefit shall be determined by the Accountants in accordance with the principles of Section 280G of the Code.

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

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

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

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

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

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

EXHIBIT B TO EMPLOYMENT AGREEMENT

OF TERRENCE O'DONNELL

DATED AS OF MARCH 10, 2000 (the "Employment Agreement")

The following constitute special compensation provisions to be provided to the Executive by the Company. All initially capitalized terms not otherwise defined in this Exhibit B shall have the same meanings as in the Employment Agreement. This Exhibit B shall be deemed incorporated by reference into and to be part of the Employment Agreement, provided, however, that to the extent, if any, that there is a discrepancy or conflict between the text of the Employment Agreement and this Exhibit B, the provisions of this Exhibit B shall prevail.

1) Hiring Bonus:

The Executive shall receive a special hiring bonus in the amount of \$200,000, payable not later than April 1, 2000, subject to withholding and other deductions in accordance with the Company's usual compensation policies.

2) Performance Share Units:

The Executive is hereby granted initial Performance Share Units ("PSU's") as follows:

- a) Cycle 2000 4,000 PSU's
- b) Cycle 2000-01 6,000 PSU's
- c) Cycle 2000-02 7,500 PSU's

3) Stock Options :

The Executive is to receive an initial grant of non-qualified options to acquire 20,000 shares of voting common stock of the Company, such grant to be pursuant to an agreement in the form of the Company's normal non-qualified stock option agreement for key executives.

4) Special Pension Calculations

- a) All long term incentive compensation earned by the Executive (whether or not deferred) pursuant to any long term incentive plan (including without limitation the Performance Share Units) shall be included in measuring the Executive's compensation for purposes of any of the Company's pension plans.
- b) There shall be no deduction from or offset to any pension payment or death benefit otherwise due to the Executive from the Company or any affiliated entity (collectively, the "Textron Group") or pursuant to any employee benefit plan, program or policy provided by the Textron Group as a result of or in connection with any amounts available or paid to the Executive that are derived or paid from any defined benefit plan, defined contribution plan or unfunded retirement, withdrawal or death benefit plan of Williams & Connolly LLP ("W&C").
- c) In the event that the Executive is involuntarily terminated without Cause or terminates his employment with Good Reason (as such term is defined in the Employment Agreement), in either case prior to reaching age 60, the Executive shall nevertheless be entitled to payment of a pension pursuant to the Executive Supplemental Pension Plan equal to 25% of the pension to which he would have been entitled thereunder upon retirement at age 65.

5) Deferred Income Plan

In the event of (a) a Qualified Termination following a Change in Control, (b) an involuntary termination of the Executive by the Company without Cause or (c) a termination by the Executive for Good Reason, any otherwise unvested premium payable by the Company with respect to any deferred income under the Deferred Income Plan shall be fully vested as of such date.

6) Perquisites

The Executive shall be entitled to:

- a) An executive automobile and related expenses in accordance with normal Company policy for key executives
- b) Financial Planning and Tax Preparation services generally accorded key executives
- c) Club membership (both initiation fees and regular dues) in accordance with normal Company policy for key executives
- d) Payment of or reimbursement for all bar review course fees, bar examination fees, annual dues or similar fees or expenses incurred by the Executive for the purpose of becoming licensed or qualified as an attorney eligible to practice within the State of Rhode Island or in any other jurisdiction in which the Executive in good faith determines he should be so licensed or qualified
- e) Payment or reimbursement for (i) up to six (6) months temporary housing in a furnished "executive suites" or comparable housing in the Providence, Rhode Island metropolitan area, (ii) all local travel, food and entertainment expenses within such metropolitan area while the Executive is housed in such temporary housing, and (iii) reasonable travel, housing, food and other househunting expenses actually incurred by the Executive or members of his immediate family in traveling to, from and within the Providence, Rhode Island metropolitan area in search of long-term housing for the Executive and his family

7) Travel between Providence, Rhode Island and Washington, DC

The parties to the Employment Agreement acknowledge that (a) the Executive will maintain residences in each of the Providence, Rhode Island and Washington, DC metropolitan areas, and (b) the Executive will, in addition to his position with the Company, continue on a limited-time basis as a partner in W&C. The Executive will, therefore, travel frequently between such metropolitan areas. In recognition of such understandings, and in order to clarify the allocation of expenses for such travel, the parties have agreed to the following:

- a) To the extent that the Executive uses transportation equipment or facilities owned or operated by or for any member of the Textron Group, which equipment or facilities are not being diverted from another corporate use to accommodate the Executive, and without regard to the purpose of the Executive's travel, the Executive may utilize such equipment or facilities at no cost to him, provided, however, that to the extent required by any law, the Company shall report appropriate charges for any travel thereupon by the Executive as additional income to the Executive in accordance with such law and normal Company policy.
- b) The parties acknowledge and agree that the Executive will conduct Textron-Group related business in both Providence, Rhode Island and Washington, DC. To the extent that the Executive travels between such metropolitan areas on Textron Group-related business using commercial travel facilities, all such reasonable travel expenses shall be paid for or reimbursed by the Company in accordance with its normal policies for key executives.
- c) To the extent that such travel utilizes commercial travel facilities but is for non-Textron Group related purposes, the Executive shall be responsible for paying for or reimbursing the Company for all such expenses.

8) Special Relationship with W&C

In further recognition of (a) the Executive's continuing relationship with W&C, and (b) the attorney-client relationship between the Company and W&C, the parties have agreed as follows:

- a) The Executive may simultaneously serve the Company as provided for in Section 2 of the Employment Agreement and remain as a part-time partner in W&C, all as set forth in such Section 2.
- b) Any legal services performed by the Executive, whether directly or as a supervisor, on behalf of any member of the Textron Group, regardless of where it is performed, shall be considered as having been performed in his capacity as an officer and employee of the Company and not as a partner of W&C.
- c) Any legal services performed or supervised by any other partner, associate or staff at W&C for any member of the Textron Group, whether or not subject to supervision by the Executive, shall be considered as having been performed by the firm as outside counsel to the Textron Group.
- d) W&C shall not bill the Company for any time spent by the Executive with respect to any matter relating to any member of the Textron Group, nor will it bill the Company for any travel expenses incurred by the Executive in the course of such representation (all of which will be treated as employment-related expenses of the Executive subject to his Employment Agreement). W&C shall bill the Company, however, for all travel expenses of any other partner or employee of W&C, and for all messenger, photocopying and similar office services, all in accordance with its normal billing practices, without regard to whether the Executive directed the incurrence of such services on behalf of any member of the Textron Group or supervised the matter with respect to which such travel or services were ordered.
- e) W&C shall remain free to represent and to provide any services to or on behalf of any other clients to the same extent as if the Executive had no personal affiliation with the Company. The Executive shall timely inform W&C of any matter from which he should, in his good faith judgment, be screened, and W&C may rely in good faith on such determination by the Executive.
- f) The Company will indemnify, defend and hold harmless W&C and its partners, associates and staff from and against any liability, loss, cost or expense (a "Loss") incurred or suffered by any of them, in whatever capacity, in connection with or as a result of any investigation or proceeding of any sort to the extent relating to or arising out of any legal services performed by the Executive (including his supervision of any legal services provided by the firm for or on behalf of any member of the Textron Group) in his capacity as an employee of the Company, provided, however, no such indemnity shall apply if and to the extent that such Loss relates to or arises out of services deemed hereunder to have been performed by the firm for or on behalf of any member of the Textron Group (whether or not such services were supervised by the Executive).
- g) W&C and each other indemnified party under this Section 8 shall be a third party beneficiary thereof, with rights to enforce the provisions thereof to the extent related to such indemnified party.

9) Approvals

To the extent that any commitment or covenant of the Company contained in either the Employment Agreement or this Exhibit B, including without limitation the provisions of Sections 4 and 5 of this Exhibit B, shall constitute an exception to normal compensation or benefit policies of the Company for its key executives, the Organization and Compensation Committee of the Board of Directors of the Company shall promptly and expressly approve such exceptions.

THIS EMPLOYMENT AGREEMENT, is entered into as of this 18th day of July 2000 by and between Textron Inc. (the "Company"), a Delaware corporation having its principal office at 40 Westminister Street, Providence, Rhode Island 02903 and Kenneth C. Bohlen (the "Executive").

WITNESSETH:

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

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

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

1. Term of Employment

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

2. Position and Responsibilities

During the Employment Term, the Executive shall serve as the 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 (a) receive restricted stock equivalents of the company as set forth in the "Restricted Stock Equivalent Awards, November 15, 1999" attached as Exhibit B, and (b) 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 C.

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

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

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

4. Expenses

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

5. Termination of Employment

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

- (a) Automatically on the date of the Executive's death.
- (b) Upon thirty (30) days written notice by the Company to the Executive of a termination due to Disability, provided such notice is delivered during the period of Disability. The term "Disability" shall mean, for purposes of this Agreement, the inability of the Executive, due to injury, illness, disease or bodily or mental infirmity, to engage in the performance of his material duties of employment with the Company as contemplated by Section 2 herein for a period of more than one hundred eighty (180) consecutive days or for a period that is reasonably expected to exist for a period of more than one hundred eighty (180) consecutive days, provided that interim returns to work of less than ten (10) consecutive business days in duration shall not be deemed to interfere with a determination of consecutive absent days if the reason for absence before and after the interim return are the same. The existence or non-existence of a Disability shall be determined by a physician agreed upon in good faith by the Executive (or his representatives) and the Company. It is expressly understood that the Disability of the Executive for a period of one hundred eighty (180) consecutive days or less shall not constitute a failure by him to perform his duties hereunder and shall not be deemed a breach or default and the Executive shall receive full compensation for any such period of Disability or for any other temporary illness or incapacity during the term of this Agreement.
- (c) Immediately upon written notice by the Company to the Executive of a termination due to his retirement at or after the Executive's attainment of age sixty-five (65).
- (d) Immediately upon written notice by the Company to the Executive of a termination for Cause, provided such notice is given within ninety (90) days after the discovery by the Board or the Chief Executive Officer of the Cause event and has been approved by the O&C Committee at a meeting at which the Executive and his counsel had the right to appear and address such meeting after receiving at least five (5) business days written notice of the meeting and reasonable detail of the facts and circumstances claimed to provide a basis for such termination. The term "Cause" shall mean, for purposes of this Agreement: (i) an act or acts of willful misrepresentation, fraud or willful dishonesty (other than good faith expense account disputes) by the Executive which in any case is intended to result in his or another person or entity's substantial personal enrichment at the expense of the Company; (ii) any willful misconduct by the Executive with regard to the Company, its business, assets or employees that has, or was intended to have, a material adverse impact (economic or otherwise) on the Company; (iii) any material, willful and knowing violation by the Executive of (x) the Company's Business Conduct Guidelines, or (y) any of his fiduciary duties to the Company which in either case has, or was intended to have, a material adverse impact (economic or otherwise) on the Company; (iv) the willful or reckless behavior of the Executive with regard to a matter of a material nature which has a material adverse impact (economic or otherwise) on the Company; (v) the Executive's willful failure to attempt to perform his duties under Section 2 hereof or his willful failure to attempt to follow the legal written direction of the Board, which in either case is not remedied within ten (10) days after receipt by the Executive of a written notice from the Company specifying the details thereof; (vi) the Executive's conviction of, or pleading *nolo contendere* or guilty to, a felony (other than (x) a traffic infraction or (y) vicarious liability solely as a result of his position provided the Executive did not have actual

knowledge of the actions or inactions creating the violation of the law or the Executive relied in good faith on the advice of counsel with regard to the legality of such action or inaction (or the advice of other specifically qualified professionals as to the appropriate or proper action or inaction to take with regard to matters which are not matters of legal interpretation)); or (vii) any other material breach by the Executive of this Agreement that is not cured by the Executive within twenty (20) days after receipt by the Executive of a written notice from the Company of such breach specifying the details thereof. No action or inaction should be deemed willful if not demonstrably willful and if taken or not taken by the Executive in good faith as not being adverse to the best interests of the Company. Reference in this paragraph (d) to the Company shall also include direct and indirect subsidiaries of the Company, and materiality and material adverse impact shall be measured based on the action or inaction and the impact upon, and not the size of, the Company taken as a whole, provided that after a Change in Control, the size of the Company, taken as a whole, shall be a relevant factor in determining materiality and material adverse impact.

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

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

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

Section 6. Consequences of a Termination of Employment

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

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

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

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

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

(c) For the Executive's accounts that have not or will not fully vest under the Deferred Income Plan, a cash payment outside of the Plan equal to the value of the amount that would have vested under the 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.

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

Section 7. No Mitigation/No Offset/Release

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

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

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

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

8. Change in Control

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

(a) Any Accrued Obligations.

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

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

- (d) A lump-sum cash payment equal to three (3) times the greater of: (i) the Executive's highest annual incentive compensation earned over the three (3) fiscal years ending prior to the earlier of the Change in Control or the Qualifying Termination (whether or not deferred); or (ii) the Executive's target incentive compensation established for the fiscal year in which the Executive's date of termination occurs.
- (e) To the extent the Executive is eligible, was eligible prior or after the Change in Control (or, if earlier, the Qualifying Termination) or if the Executive would be eligible with credit for an additional three (3) years of age and service credit, coverage under all applicable retiree health and other retiree welfare plans for the Executive and the Executive's eligible dependents (including an adjustment to the extent necessary to put the Executive on the same after tax basis as if the Executive had been eligible for such coverage).
- (f) To the extent eligible prior or after the Change in Control (or, if earlier, the Qualifying Termination), continued participation, (coordinated with (e) above to the extent duplicative), at no additional after tax cost to the Executive than the Executive would have as an employee, in all welfare plans, until three (3) years after the date of termination, provided, however, that in the event the Executive obtains other employment that offers substantially similar or improved benefits, as to any particular welfare plan, such continuation of coverage by the Company for such similar or improved benefit under such plan shall immediately cease. To the extent such coverage cannot be provided under the Company's welfare benefit plans without jeopardizing the tax status of such plans, for underwriting reasons or because of the tax impact on the Executive, the Company shall pay the Executive an amount such that the Executive can purchase such benefits separately at no greater after tax cost to him than he would have had if the benefits were provided to him as an employee.
- (g) A lump-sum cash payment of the actuarial present value equivalent (as determined in accordance with the most favorable (to the Executive) overall actuarial assumptions and subsidies in any of the Company's tax-qualified or nonqualified type defined benefit pension plans in which the Executive then participates) of the accrued benefits accrued by the Executive as of the date of termination under the terms of any nonqualified defined benefit type retirement plan, including but not limited to, the Amended and Restated Supplemental Executive Retirement Plan for Textron Inc. Key Executives and the Supplemental Benefits Plan and assuming the benefit was fully vested without regard to any minimum age or service requirements. For this purpose, such benefits shall be calculated under the assumption that the Executive's employment continued following the date of termination for three (3) full years (i.e., three (3) additional years of age (including, but not limited to, for purposes of determining the actuarial present value), compensation and service credits shall be added).
- (h) Three (3) times the amount of the maximum Company contribution or match to any defined contribution type plan in which the Executive participates.
- (i) A lump-sum cash payment of the product of (i) the Interest Factor (as determined in the next sentence) multiplied by (ii) the Executive's entire account balance under the Deferred Income Plan (or any replacement therefor), plus an additional amount equal to three (3) times the match which the Company made for the Executive to such plan for the fiscal year ending immediately prior to the earlier of the Change in Control or the Qualifying Termination. The "Interest Factor" shall be equal to one (1) plus three (3) times the rate of earnings of the Executive's account under such plan for the fiscal year ending immediately prior to his termination.
- (j) Immediate full vesting of any outstanding stock options, performance share units and other equity awards (and lapse of any forfeiture provisions) to the extent permitted under the plan or grant, or if full vesting is not permitted with regard to stock options, a cash payment equal to the difference between the fair market value of the shares covered by the unvested options and the exercise price of such unvested options on such unvested options on the date of termination (or, if later, the date of the Change in Control).
- (k) Outplacement services at a level commensurate with the Executive's position, including use of an executive office and secretary, for a period of one (1) year commencing on the date of termination but in no event extending beyond the date on which the Executive commences other full time employment.
- (l) Continuation of participation for three (3) additional years in the Company's programs with regard to tax preparation assistance and financial planning assistance, club dues and automobile (but based on the automobile then being used and no new one), in accordance with the Company's programs in effect at the time of the Change in Control.

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

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

- (a) Any "person" or "group" (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange

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

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

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

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

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

9. Noncompetition, Confidentiality and Nondisparagement

9.1 Agreement Not to Compete.

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

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

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

9.2 Definitions.

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

for, the entity generated through business lines in Competition with the Prohibited Lines of the Company that do not exceed five percent (5%) of such entity's total annual revenues, provided that revenues within the Executive's area of responsibility or authority are not more than ten percent (10%) composed of the revenues from the businesses in Competition with the Prohibited Lines, or (iii) any activities conducted after a Change in Control of the Company.

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

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

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

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

9.4 Confidential Information.

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

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

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

9.6 Remedies.

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

(b) In the event Section 9.1(b) applies, the Company may immediately cease payment to the Executive of all

future amounts due under Sections 6.3(a) or (b) as well as otherwise specifically provided in any other plan, grant or program.

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

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

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

9.9 Nondisparagement.

(a) During the Employment Term and thereafter, the Executive shall not with willful intent to damage economically or as to reputation or vindictively disparage the Company, its subsidiaries or their respective past or present officers, directors or employees (the "Protected Group"), provided that the foregoing shall not apply to (i) actions or statements taken or made by the Executive while employed by the Company in good faith as fulfilling the Executive's duties with the Company or otherwise at the request of the Company, (ii) truthful statements made in compliance with legal process or governmental inquiry, (iii) as the Executive in good faith deems necessary to rebut any untrue or misleading public statements made about him or any other member of the Protected Group, (iv) statements made in good faith by the Executive to rebut untrue or misleading statements made about him or any other member of the Protected Group by any member of the Protected Group, and (v) normal commercial puffery in a competitive business situation. No member of the Protected Group shall be a third party beneficiary of this Section 9.9(a).

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

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

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

10. Liability Insurance

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

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 in connection with any dispute arising hereunder; provided, however, the Company shall be reimbursed by the Executive for (i) the fees and expenses advanced in the event the Executive's claim is in a material manner in bad faith or frivolous and the arbitrator or court, as applicable, determines that the reimbursement of such fees and expenses is appropriate, or (ii) to the extent that the arbitrator or court, as appropriate, determines that such legal and other professional fees are clearly and demonstrably unreasonable.

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

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

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

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, but shall otherwise not be eligible for such plan or program.

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

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

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

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

13.6 Beneficiaries . The Executive may designate one or more persons or entities as the primary and/or contingent

beneficiaries of any amounts to be received under this Agreement. Such designation must be in the form of a signed writing acceptable to the Board or the Board's designee. The Executive may make or change such designation at any time.

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

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\John D. Butler
John D. Butler
Executive Vice President Administration
and Chief Human Resources Officer

Exhibit A

Parachute Gross Up

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

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

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

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

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

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

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

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

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

Exhibit B

Kenneth C. Bohlen

Restricted Stock Equivalent Awards

November 15, 1999

The Organization and Compensation Committee approved an award of restricted stock equivalents to Kenneth C. Bohlen (the "Executive"). The terms of the award are as follows:

- The Executive will receive the cash equivalent of shares of Textron common stock provided he remains employed by Textron Inc. in accordance with the following schedule:

<u>Equivalents Shares</u>	<u>Vesting Date</u>
2,000	December 31, 2000
<u>3,000</u>	December 31, 2002
5,000	

- Each cash payment will equal the number of vested shares times the average of the composite closing prices (as reported on the New York Stock Exchange consolidated tape) of Textron's common stock for the first ten trading days following the respective vesting date. Such award shall be paid to the Executive in a lump sum within 30 days following the vesting date or in annual installments as may be determined by the Textron CEO.

- Except as otherwise provided herein, the Executive shall not be entitled to receive such award if his employment with Textron Inc. ends for any reason prior to the respective vesting date, provided that if the Executive's employment ends prior to such date because of his involuntary termination by Textron without "cause" (Attachment A), "disability" (Attachment A) or death, the Executive or the Executive's estate will receive a "pro-rata portion" (Attachment A) of the award. Such payment shall equal the number of pro-rata shares vested times the average of the composite closing prices (as reported on the New York Stock Exchange consolidated tape) of Textron's common stock for the first ten trading days following the date of termination. A lump sum payment will be made within 30 days following termination.
- Notwithstanding the above, if the Executive's employment terminates at any time after a "change in control" of Textron, Textron shall, in lieu of the above award, award to the Executive (or to the Executive's estate in the event of his death prior to payment) upon such termination of employment, a cash amount equal to the number of unvested shares times the highest closing price per share of Textron's common stock (as reported on the New York Stock Exchange consolidated tape) during the 30 day period ending on the date of such change in control. Payment shall be made in a lump sum within 30 days following such termination.
- The number of restricted stock equivalents awarded to the Executive hereunder shall be proportionately adjusted for any increase or decrease in the number of issued shares of Textron's common stock resulting from a stock split, stock divided or any other increase or decrease in such shares effective without receipt of consideration by Textron.

s\John D. Butler
John D. Butler

11/10/99
Date

Attachment A

Kenneth C. Bohlen

Restricted Stock Equivalent Awards

November 15, 1999

"Cause"

"Cause" shall mean: (i) an act or acts of willful misrepresentation, fraud or willful dishonesty (other than good faith expense account disputes) by the Executive which in any case is intended to result in his or another person or entity's substantial personal enrichment at the expense of the Company; (ii) any willful misconduct by the Executive with regard to the Company, its business, assets or employees that has, or was intended to have, a material adverse impact (economic or otherwise) on the Company; (iii) any material, willful and knowing violation by the Executive of (x) the Company's Business Conduct Guidelines, or (y) any of his fiduciary duties to the Company which in either case has, or was intended to have, a material adverse impact (economic or otherwise) on the Company; (iv) the willful or reckless behavior of the Executive with regard to a matter of a material nature which has a material adverse impact (economic or otherwise) on the Company; (v) the executive's willful failure to attempt to perform his duties or his willful failure to attempt to follow the legal written direction of the Board, which in either case is not remedied within ten (10) days after receipt by the Executive of a written notice from the Company specifying the details thereof; or (vi) the Executive's conviction of, or pleading nolo contendere or guilty to, a felony (other than (x) a traffic infraction or (y) vicarious liability solely as a result of his position provided the Executive did not have actual knowledge of the actions or 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 the Company. Reference in this paragraph to the Company shall also include direct and indirect subsidiaries of the Company, and materiality and material adverse impact shall be measured based on the action or inaction and the impact upon, and not the size of, the Company taken as a whole, provided that after a Change in Control, the size of the Company, taken as a whole, shall be a relevant factor in determining materiality and material adverse impact.

"Disability"

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

"Pro-rata Portion"

"Pro-rata portion" shall mean the number of complete or partial months employed by Textron Inc. beginning November 15, 1999 through the date of termination divided by 14 and 38 for the awards vesting on December 31, 2000 and 2002, respectively.

For example, a termination of employment on February 13, 2001 due to disability would result in a number of shares earned determined as follows:

2,000 shares vesting 12/31/00 - paid in full	= 2,000.0 shares
3,000 shares vesting 12/31/02	
3,000 shares x 16 (months) ÷ 38 (months)	= <u>1,263.2</u> shares
	3,263.2 shares

Notes:

- 16 equals the number of full or partial months from November 15, 1999 through February 13, 2001.
- 38 equals the number of full or partial months beginning November 15, 1999 through December 31, 2002, the vesting date.

Exhibit C

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.

EXHIBIT 12.1

TEXTRON MANUFACTURING

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

(unaudited)

(In millions except ratio)

	Six Months Ended July 1, 2000
Fixed charges:	
Interest expense	\$74
Distributions on preferred securities of manufacturing subsidiary trust,	13

net of income taxes	
Estimated interest portion of rents	15
Total fixed charges	\$102
Income:	
Income before income taxes and distributions on preferred securities of subsidiary trusts	\$548
Eliminate equity in undistributed pre-tax income of Textron Finance	(76)
Fixed charges *	89
Adjusted income	\$561
Ratio of income to fixed charges	5.50

* Adjusted to exclude distributions on preferred securities of manufacturing subsidiary trust, net of income taxes.

EXHIBIT 12.2

TEXTRON INC.
INCLUDING ALL MAJORITY-OWNED SUBSIDIARIES

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

(unaudited)

	Six Months Ended July 1, 2000
Fixed charges:	
Interest expense	\$232
Distributions on preferred securities of subsidiary trusts, net of income taxes	14
Estimated interest portion of rents	16
Total fixed charges	\$262
Income:	
Income before income taxes and distributions on preferred securities of subsidiary trusts	\$548
Fixed charges *	248
Adjusted income	\$796
Ratio of income to fixed charges	3.04

* Adjusted to exclude distributions on preferred securities of subsidiary trusts, net of income taxes.

ARTICLE 5

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 30 2000
PERIOD END	JUL 01 2000
CASH	230
SECURITIES	0
RECEIVABLES	1,484
ALLOWANCES	0
INVENTORY	2,083
CURRENT ASSETS	4,086
PP&E	2,529
DEPRECIATION	2,178
TOTAL ASSETS	17,413
CURRENT LIABILITIES	3,561
BONDS	7,499
PREFERRED MANDATORY	0
PREFERRED	12
COMMON	24
OTHER SE	4,238
TOTAL LIABILITY AND EQUITY	17,413
SALES	6,137
TOTAL REVENUES	6,459
CGS	4,992
TOTAL COSTS	4,992
OTHER EXPENSES	0
LOSS PROVISION	15
INTEREST EXPENSE	232
INCOME PRETAX	548
INCOME TAX	197
INCOME CONTINUING	337
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	(59)
NET INCOME	278
EPS BASIC	1.91
EPS DILUTED	1.88

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