

TEXTRON INC

FORM 10-Q (Quarterly Report)

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

Form 10-Q

(Mark One)

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

For the quarterly period ended April 2, 2011

OR

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

For the transition period from ____ to ____.

Commission File Number 1-5480

Textron Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

05-0315468

(I.R.S. Employer Identification No.)

40 Westminister Street, Providence, RI

(Address of principal executive offices)

02903

(Zip code)

(401) 421-2800

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

As of April 15, 2011, there were 276,619,984 shares of common stock outstanding.

TEXTRON INC.

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

TEXTRON INC.
Consolidated Statements of Operations (Unaudited)

	Three Months Ended	
	April 2, 2011	April 3, 2010
<i>(In millions, except per share amounts)</i>		
Revenues		
Manufacturing revenues	\$ 2,453	\$ 2,134
Finance revenues	26	76
Total revenues	<u>2,479</u>	<u>2,210</u>
Costs, expenses and other		
Cost of sales	2,055	1,776
Selling and administrative expense	304	285
Provision for losses on finance receivables	12	55
Interest expense	62	71
Special charges	—	12
Total costs, expenses and other	<u>2,433</u>	<u>2,199</u>
Income from continuing operations before income taxes	46	11
Income tax expense	15	15
Income (loss) from continuing operations	31	(4)
Loss from discontinued operations, net of income taxes	(2)	(4)
Net income (loss)	<u>\$ 29</u>	<u>\$ (8)</u>
Basic earnings per share		
Continuing operations	\$ 0.11	\$ (0.01)
Discontinued operations	(0.01)	(0.02)
Basic earnings per share	<u>\$ 0.10</u>	<u>\$ (0.03)</u>
Diluted earnings per share		
Continuing operations	\$ 0.10	\$ (0.01)
Discontinued operations	(0.01)	(0.02)
Diluted earnings per share	<u>\$ 0.09</u>	<u>\$ (0.03)</u>
Dividends per share		
Common stock	\$ 0.02	\$ 0.02

See Notes to the consolidated financial statements.

TEXTRON INC.
Consolidated Balance Sheets (Unaudited)

<i>(Dollars in millions)</i>	<u>April 2, 2011</u>	<u>January 1, 2011</u>
Assets		
Manufacturing group		
Cash and equivalents	\$ 986	\$ 898
Accounts receivable, net	910	892
Inventories	2,453	2,277
Other current assets	1,050	980
Total current assets	<u>5,399</u>	<u>5,047</u>
Property, plant and equipment, less accumulated depreciation and amortization of \$2,968 and \$2,869	1,950	1,932
Goodwill	1,643	1,632
Other assets	1,659	1,722
Total Manufacturing group assets	<u>10,651</u>	<u>10,333</u>
Finance group		
Cash and equivalents	36	33
Finance receivables held for investment, net	3,566	3,871
Finance receivables held for sale	237	413
Other assets	569	632
Total Finance group assets	<u>4,408</u>	<u>4,949</u>
Total assets	<u>\$ 15,059</u>	<u>\$ 15,282</u>
Liabilities and shareholders' equity		
Liabilities		
Manufacturing group		
Short-term debt and current portion of long-term debt	\$ 216	\$ 19
Accounts payable	748	622
Accrued liabilities	1,829	2,016
Total current liabilities	<u>2,793</u>	<u>2,657</u>
Other liabilities	2,986	2,993
Long-term debt	2,333	2,283
Total Manufacturing group liabilities	<u>8,112</u>	<u>7,933</u>
Finance group		
Other liabilities	352	391
Due to Manufacturing group	391	326
Debt	3,152	3,660
Total Finance group liabilities	<u>3,895</u>	<u>4,377</u>
Total liabilities	<u>12,007</u>	<u>12,310</u>
Shareholders' equity		
Common stock	35	35
Capital surplus	1,299	1,301
Retained earnings	3,061	3,037
Accumulated other comprehensive loss	(1,280)	(1,316)
	3,115	3,057
Less cost of treasury shares	63	85
Total shareholders' equity	<u>3,052</u>	<u>2,972</u>
Total liabilities and shareholders' equity	<u>\$ 15,059</u>	<u>\$ 15,282</u>
Common shares outstanding (in thousands)	276,520	275,739

See Notes to the consolidated financial statements.

TEXTRON INC.
Consolidated Statements of Cash Flows (Unaudited)
For the Three Months Ended April 2, 2011 and April 3, 2010, respectively

<i>(In millions)</i>	Consolidated	
	2011	2010
Cash flows from operating activities:		
Net income (loss)	\$ 29	\$ (8)
Loss from discontinued operations	(2)	(4)
Income (loss) from continuing operations	31	(4)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by (used in) operating activities:		
Non-cash items:		
Depreciation and amortization	95	90
Provision for losses on finance receivables held for investment	12	55
Portfolio losses on finance receivables	23	28
Deferred income taxes	79	(13)
Other, net	21	31
Changes in assets and liabilities:		
Accounts receivable, net	(4)	(76)
Inventories	(166)	(211)
Other assets	2	7
Accounts payable	119	184
Accrued and other liabilities	(229)	(259)
Captive finance receivables, net	72	78
Other operating activities, net	—	1
Net cash provided by (used in) operating activities of continuing operations	55	(89)
Net cash provided by (used in) operating activities of discontinued operations	(1)	1
Net cash provided by (used in) operating activities	54	(88)
Cash flows from investing activities:		
Finance receivables originated or purchased	(76)	(145)
Finance receivables repaid	290	501
Proceeds on receivables sales	168	277
Capital expenditures	(78)	(38)
Proceeds from sale of repossessed assets and properties	28	32
Other investing activities, net	23	12
Net cash provided by investing activities of continuing operations	355	639
Cash flows from financing activities:		
Increase in short-term debt	203	—
Payments on long-term lines of credit	(250)	—
Principal payments on long-term debt	(417)	(936)
Proceeds from issuance of long-term debt	144	20
Proceeds from option exercises	3	—
Dividends paid	(5)	(5)
Other financing activities, net	(5)	—
Net cash used in financing activities of continuing operations	(327)	(921)
Effect of exchange rate changes on cash and equivalents	9	(13)
Net increase (decrease) in cash and equivalents	91	(383)
Cash and equivalents at beginning of period	931	1,892
Cash and equivalents at end of period	\$ 1,022	\$ 1,509

See Notes to the consolidated financial statements.

TEXTRON INC.
Consolidated Statements of Cash Flows (Unaudited) (Continued)
For the Three Months Ended April 2, 2011 and April 3, 2010, respectively

<i>(In millions)</i>	Manufacturing Group		Finance Group	
	2011	2010	2011	2010
Cash flows from operating activities:				
Net income (loss)	\$ 60	\$ 31	\$ (31)	\$ (39)
Loss from discontinued operations	(2)	(4)	—	—
Income (loss) from continuing operations	62	35	(31)	(39)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by (used in) operating activities:				
Dividends received from TFC	130	125	—	—
Capital contribution paid to TFC	(63)	(75)	—	—
Non-cash items:				
Depreciation and amortization	87	82	8	8
Provision for losses on finance receivables held for investment	—	—	12	55
Portfolio losses on finance receivables	—	—	23	28
Deferred income taxes	66	16	13	(29)
Other, net	32	27	(11)	4
Changes in assets and liabilities:				
Accounts receivable, net	(4)	(76)	—	—
Inventories	(169)	(207)	—	—
Other assets	(1)	8	—	(4)
Accounts payable	119	184	—	—
Accrued and other liabilities	(186)	(186)	(43)	(73)
Other operating activities, net	—	1	—	—
Net cash provided by (used in) operating activities of continuing operations	73	(66)	(29)	(50)
Net cash provided by (used in) operating activities of discontinued operations	(1)	1	—	—
Net cash provided by (used in) operating activities	72	(65)	(29)	(50)
Cash flows from investing activities:				
Finance receivables originated or purchased	—	—	(125)	(226)
Finance receivables repaid	—	—	411	660
Proceeds on receivables sales	—	—	168	277
Capital expenditures	(78)	(38)	—	—
Proceeds from sale of repossessed assets and properties	—	—	28	32
Other investing activities, net	(43)	(37)	31	28
Net cash provided by (used in) investing activities of continuing operations	(121)	(75)	513	771
Cash flows from financing activities:				
Payments on long-term lines of credit	—	—	(250)	—
Increase in short-term debt	203	—	—	—
Intergroup financing	(60)	(150)	60	150
Principal payments on long-term debt	(7)	(11)	(410)	(925)
Proceeds from issuance of long-term debt	—	—	144	20
Proceeds from option exercises	3	—	—	—
Capital contributions paid to TFC under Support Agreement	—	—	63	75
Other capital contributions paid to Finance Group	—	—	40	20
Dividends paid	(5)	(5)	(130)	(125)
Other financing activities, net	(5)	—	1	—
Net cash provided by (used in) financing activities of continuing operations	129	(166)	(482)	(785)
Effect of exchange rate changes on cash and equivalents	8	(12)	1	(1)
Net increase (decrease) in cash and equivalents	88	(318)	3	(65)
Cash and equivalents at beginning of period	898	1,748	33	144
Cash and equivalents at end of period	<u>\$ 986</u>	<u>\$ 1,430</u>	<u>\$ 36</u>	<u>\$ 79</u>

See Notes to the consolidated financial statements.

TEXTRON INC.
Notes to the Consolidated Financial Statements (Unaudited)

Note 1: Basis of Presentation

Our consolidated financial statements include the accounts of Textron Inc. and its majority-owned subsidiaries. We have prepared these unaudited consolidated financial statements in accordance with accounting principles generally accepted in the U.S. for interim financial information. Accordingly, these interim financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the U.S. for complete financial statements. The consolidated interim financial statements included in this quarterly report should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the year ended January 1, 2011. In the opinion of management, the interim financial statements reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for the fair presentation of our consolidated financial position, results of operations and cash flows for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. Certain prior period amounts have been reclassified to conform with the current year presentation.

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

Note 2: Special Charges

In 2010, special charges included restructuring costs incurred under a restructuring program that was completed at the end of 2010. There were no special charges in the first quarter of 2011.

Restructuring costs by segment and type for the three months ended April 3, 2010 are as follows:

<i>(In millions)</i>	Severance Costs	Contract Terminations	Total
Cessna	\$ 8	\$ 2	\$ 10
Bell	1	—	1
Finance	3	—	3
Corporate	(2)	—	(2)
	<u>\$ 10</u>	<u>\$ 2</u>	<u>\$ 12</u>

An analysis of our restructuring reserve activity is summarized below:

<i>(In millions)</i>	Severance Costs	Contract Terminations	Total
Balance at January 1, 2011	\$ 57	\$ 5	\$ 62
Cash paid	(23)	(1)	(24)
Balance at April 2, 2011	<u>\$ 34</u>	<u>\$ 4</u>	<u>\$ 38</u>

Note 3: Retirement Plans

We provide defined benefit pension plans and other postretirement benefits to eligible employees. The components of net periodic benefit cost for these plans are as follows:

<i>(In millions)</i>	Pension Benefits		Postretirement Benefits Other Than Pensions	
	April 2, 2011	April 3, 2010	April 2, 2011	April 3, 2010
Three Months Ended				
Service cost	\$ 32	\$ 31	\$ 2	\$ 2
Interest cost	82	79	8	8
Expected return on plan assets	(98)	(92)	—	—
Amortization of prior service cost (credit)	4	4	(1)	(1)
Amortization of net loss	19	9	3	3
Net periodic benefit cost	<u>\$ 39</u>	<u>\$ 31</u>	<u>\$ 12</u>	<u>\$ 12</u>

Note 4: Share-Based Compensation

Share-based compensation expense includes restricted stock and stock option awards, as well as performance share units, restricted stock units, and deferred income plan stock unit awards which are payable in cash. The compensation expense we recorded in net income (loss) for our share-based compensation plans is as follows:

<i>(In millions)</i>	Three Months Ended	
	April 2, 2011	April 3, 2010
Compensation expense	\$ 36	\$ 23
Hedge income	—	(2)
Income tax benefit	(13)	(9)
Total net compensation cost included in net income (loss)	<u>\$ 23</u>	<u>\$ 12</u>

Stock Options

The stock option compensation cost calculated under the fair value approach is recognized over the vesting period of the stock options. The weighted-average fair value of options granted per share was \$10 and \$7 in the first quarter of 2011 and 2010, respectively. We estimate the fair value of options granted on the date of grant using the Black-Scholes option-pricing model. Expected volatilities consider implied volatilities from traded options on our common stock, historical volatilities and other factors. We use historical data to estimate option exercise behavior, adjusted to reflect anticipated changes in expected life. The weighted-average assumptions used in our Black-Scholes option-pricing model for awards issued during the respective periods are as follows:

	Three Months Ended	
	April 2, 2011	April 3, 2010
Dividend yield	0.3%	0.4%
Expected volatility	38.0%	37.0%
Risk-free interest rate	2.4%	2.6%
Expected lives <i>(In years)</i>	5.5	5.5

Stock option activity for the first quarter of 2011 is as follows:

	Shares Under Options <i>(In thousands)</i>	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life <i>(In years)</i>
Outstanding at beginning of period	6,926	\$ 28.15	5.0
Granted	2,656	26.25	
Exercised	(76)	18.59	
Canceled, expired or forfeited	(107)	28.69	
Outstanding at end of period	<u>9,399</u>	<u>\$ 27.68</u>	<u>7.0</u>
Exercisable at end of period	<u>4,719</u>	<u>\$ 31.48</u>	<u>4.7</u>

At April 2, 2011, our outstanding and exercisable options had an aggregate intrinsic value of \$40 million and \$20 million, respectively.

Restricted Stock Units

The 2011 activity for restricted stock units payable in stock and for restricted stock units payable in cash is provided below:

	Units Payable in Stock		Units Payable in Cash	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
<i>(Shares in thousands)</i>				
Outstanding at beginning of year, nonvested	762	\$ 47.55	3,472	\$ 14.60
Granted	278	26.25	663	26.25
Vested	(290)	(46.34)	(769)	(12.92)
Forfeited	(21)	(48.75)	(89)	(15.49)
Outstanding at end of period, nonvested	<u>729</u>	<u>\$ 39.87</u>	<u>3,277</u>	<u>\$ 17.32</u>

Performance Share Units

The fair value of share-based compensation awards accounted for as liabilities includes performance share units. The fair value of these awards is based on the trading price of our common stock, less adjustments to reflect the fair value of certain awards for which dividends are not paid or accrued until vested, and is remeasured at each reporting period date. The 2011 activity for our performance share units is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
<i>(Shares in thousands)</i>		
Outstanding at beginning of year, nonvested	1,897	\$ 9.59
Granted	411	26.25
Outstanding at end of period, nonvested	<u>2,308</u>	<u>\$ 12.56</u>

Share-Based Compensation Awards

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

	Three Months Ended	
	April 2, 2011	April 3, 2010
<i>(In millions)</i>		
Subject only to service conditions:		
Value of shares, options or units vested	\$ 34	\$ 36
Intrinsic value of cash awards paid	20	8
Subject to performance vesting conditions:		
Value of units vested	—	—
Intrinsic value of cash awards paid	1	5
Intrinsic value of amounts paid under Deferred Income Plan	—	8

Note 5: Comprehensive Income

Our comprehensive income, net of taxes, is provided below:

	Three Months Ended	
	April 2, 2011	April 3, 2010
<i>(In millions)</i>		
Net income (loss)	\$ 29	\$ (8)
Other comprehensive income (loss):		
Recognition of prior service cost and unrealized losses on pension and postretirement benefits	18	10
Deferred gains on hedge contracts	6	7
Foreign currency translation and other	12	(9)
Comprehensive income	<u>\$ 65</u>	<u>\$ —</u>

Note 6: Earnings Per Share and Shareholders' Equity

Earnings Per Share

We calculate basic and diluted earnings per share (EPS) based on net income, which approximates income available to common shareholders for each period. Basic earnings per share is calculated using the two-class method, which includes the weighted-average number of common shares outstanding during the period and restricted stock units to be paid in stock that are deemed participating securities as they provide nonforfeitable rights to dividends. Diluted earnings per share considers the dilutive effect of all potential future common stock, including stock options, restricted stock units and the shares that could be issued upon the conversion of our 4.50% Convertible Notes and upon the exercise of the related warrants. The convertible note call options purchased in connection with the issuance of the 4.50% Convertible Notes are excluded from the calculation of diluted EPS as their impact is always anti-dilutive.

Upon conversion of our 4.50% Convertible Notes, as described in Note 9, the principal amount would be settled in cash and the excess of the conversion value, as defined, over the principal amount may be settled in cash and/or shares of our common stock. Therefore, only the shares of our common stock potentially issuable with respect to the excess of the notes' conversion value over the principal amount, if any, are considered as dilutive potential common shares for purposes of calculating diluted EPS.

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

	Three Months Ended	
	April 2, 2011	April 3, 2010
<i>(In thousands)</i>		
Basic weighted-average shares outstanding	276,358	273,174
Dilutive effect of Convertible Notes, warrants, stock options and restricted stock units	42,761	—
Diluted weighted-average shares outstanding	<u>319,119</u>	<u>273,174</u>

Stock options to purchase 4 million and 7 million shares of common stock outstanding are excluded from our calculation of diluted weighted-average shares outstanding for the three months ended April 2, 2011 and April 3, 2010, respectively, as the exercise prices were greater than the average market price of our common stock for the periods. These securities could potentially dilute earnings per share in the future.

For the three months ended April 3, 2010, the potential dilutive effect of 28 million weighted-average shares of Convertible Notes, warrants, stock options and restricted stock units was excluded from the computation of diluted weighted-average shares outstanding as the shares would have an anti-dilutive effect on the loss from continuing operations.

Note 7: Accounts Receivable and Finance Receivables

Accounts Receivable

Accounts receivable is composed of the following:

	April 2, 2011	January 1, 2011
<i>(In millions)</i>		
Commercial	\$ 607	\$ 496
U.S. Government contracts	321	416
	928	912
Allowance for doubtful accounts	(18)	(20)
	<u>\$ 910</u>	<u>\$ 892</u>

We have unbillable receivables on U.S. Government contracts that arise when the revenues we have appropriately recognized based on performance cannot be billed yet under terms of the contract. Unbillable receivables within accounts receivable totaled \$155 million at April 2, 2011 and \$195 million at January 1, 2011.

Finance Receivables

Finance receivables by product line, which includes both finance receivables held for investment and finance receivables held for sale, are presented in the following table:

<i>(Dollars in millions)</i>	April 2, 2011		January 1, 2011	
Aviation	\$ 2,028	49%	\$ 2,120	46%
Golf equipment	192	4	212	5
Golf mortgage	818	20	876	19
Timeshare	622	15	894	19
Structured capital	317	8	317	7
Other liquidating	164	4	207	4
Total finance receivables	<u>4,141</u>	<u>100%</u>	<u>4,626</u>	<u>100%</u>
Less: Allowance for losses	338		342	
Less: Finance receivables held for sale	237		413	
Total finance receivables held for investment, net	<u>\$ 3,566</u>		<u>\$ 3,871</u>	

Credit Quality Indicators and Nonaccrual Finance Receivables

We internally assess the quality of our finance receivables held for investment portfolio based on a number of key credit quality indicators and statistics such as delinquency, loan balance to collateral value, the liquidity position of individual borrowers and guarantors, debt service coverage in the golf mortgage product line and default rates of our notes receivable collateral in the timeshare product line. Because many of these indicators are difficult to apply across an entire class of receivables, we evaluate individual loans on a quarterly basis and classify these loans/portfolios into three categories based on the key credit quality indicators for the individual loan. These three categories are performing, watchlist and nonaccrual.

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

Accounts are classified as watchlist when credit quality indicators have deteriorated as compared with typical underwriting criteria, and we believe collection of full principal and interest is probable but not certain. All other finance receivables held for investment that do not meet the watchlist or nonaccrual categories are classified as performing.

A summary of finance receivables held for investment categorized based on the internally assigned credit quality indicators discussed above is as follows:

<i>(In millions)</i>	April 2, 2011				January 1, 2011			
	Performing	Watchlist	Nonaccrual	Total	Performing	Watchlist	Nonaccrual	Total
Aviation	\$ 1,641	\$ 219	\$ 168	\$ 2,028	\$ 1,713	\$ 238	\$ 169	\$ 2,120
Golf equipment	122	46	24	192	138	51	23	212
Golf mortgage	205	200	235	640	163	303	219	685
Timeshare	166	40	357	563	222	77	382	681
Structured capital	290	27	—	317	290	27	—	317
Other liquidating	98	14	52	164	130	11	57	198
Total	<u>\$ 2,522</u>	<u>\$ 546</u>	<u>\$ 836</u>	<u>\$ 3,904</u>	<u>\$ 2,656</u>	<u>\$ 707</u>	<u>\$ 850</u>	<u>\$ 4,213</u>
% of Total	<u>64.6%</u>	<u>14.0%</u>	<u>21.4%</u>		<u>63.0%</u>	<u>16.8%</u>	<u>20.2%</u>	

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

Finance receivables held for investment by delinquency aging category is summarized in the tables below:

<i>(In millions)</i>	Less Than 31 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	Greater Than 90 Days Past Due	Total
April 2, 2011					
Aviation	\$ 1,857	\$ 101	\$ 28	\$ 42	\$ 2,028
Golf equipment	162	10	4	16	192
Golf mortgage	527	11	3	99	640
Timeshare	326	38	80	119	563
Structured capital	317	—	—	—	317
Other liquidating	135	2	1	26	164
Total	<u>\$ 3,324</u>	<u>\$ 162</u>	<u>\$ 116</u>	<u>\$ 302</u>	<u>\$ 3,904</u>
January 1, 2011					
Aviation	\$ 1,964	\$ 67	\$ 41	\$ 48	\$ 2,120
Golf equipment	171	13	9	19	212
Golf mortgage	543	12	7	123	685
Timeshare	533	14	6	128	681
Structured capital	317	—	—	—	317
Other liquidating	166	2	1	29	198
Total	<u>\$ 3,694</u>	<u>\$ 108</u>	<u>\$ 64</u>	<u>\$ 347</u>	<u>\$ 4,213</u>

At April 2, 2011, accrual status loans that were 90 days past due totaled \$8 million. We had no accrual status loans that were 90 days past due at January 1, 2011. At April 2, 2011, the 60+ days contractual delinquency as a percentage of finance receivables held for investment was 10.71%, compared with 9.77% at January 1, 2011.

Impaired Loans

We evaluate individual finance receivables held for investment in non-homogeneous portfolios and larger accounts in homogeneous loan portfolios for impairment on a quarterly basis. Finance receivables classified as held for sale are reflected at the lower of cost or fair value and are excluded from these evaluations.

A finance receivable is considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement based on our review of the credit quality indicators discussed above. Impaired finance receivables include both nonaccrual accounts and accounts for which full collection of principal and interest remains probable, but the account's original terms have been, or are expected to be, significantly modified. If the modification specifies an interest rate equal to or greater than a market rate for a finance receivable with comparable risk, the account is not considered impaired in years subsequent to the modification. No significant interest income was recognized on impaired loans in the first quarter of 2011 or 2010.

The average recorded investment in impaired loans for the first quarter of 2011 and 2010 are provided below:

<i>(In millions)</i>	Aviation	Golf Equipment	Golf Mortgage	Timeshare	Other Liquidating	Total
For the three months ended April 2, 2011						
Impaired loans with a related allowance for losses recorded	\$ 145	\$ 5	\$ 190	\$ 341	\$ 18	\$ 699
Impaired loans with no related allowance for losses recorded	19	—	90	33	22	164
Total	<u>\$ 164</u>	<u>\$ 5</u>	<u>\$ 280</u>	<u>\$ 374</u>	<u>\$ 40</u>	<u>\$ 863</u>
For the three months ended April 3, 2010						
Impaired loans with a related allowance for losses recorded	\$ 240	\$ 3	\$ 186	\$ 352	\$ 27	\$ 808
Impaired loans with no related allowance for losses recorded	12	1	111	54	63	241
Total	<u>\$ 252</u>	<u>\$ 4</u>	<u>\$ 297</u>	<u>\$ 406</u>	<u>\$ 90</u>	<u>\$ 1,049</u>

A summary of impaired finance receivables and related allowance for losses is provided below:

<i>(In millions)</i>	<u>Aviation</u>	<u>Golf Equipment</u>	<u>Golf Mortgage</u>	<u>Timeshare</u>	<u>Other Liquidating</u>	<u>Total</u>
April 2, 2011						
Impaired loans with a related allowance for losses recorded:						
Recorded investment	\$ 144	\$ 6	\$ 205	\$ 327	\$ 19	\$ 701
Unpaid principal balance	146	6	215	367	25	759
Related allowance	<u>50</u>	<u>1</u>	<u>45</u>	<u>102</u>	<u>4</u>	<u>202</u>
Impaired loans with no related allowance for losses recorded:						
Recorded investment	20	—	94	41	19	174
Unpaid principal balance	<u>20</u>	<u>—</u>	<u>98</u>	<u>41</u>	<u>75</u>	<u>234</u>
Total impaired loans:						
Recorded investment	164	6	299	368	38	875
Unpaid principal balance	166	6	313	408	100	993
Related allowance	<u>50</u>	<u>1</u>	<u>45</u>	<u>102</u>	<u>4</u>	<u>202</u>
January 1, 2011						
Impaired loans with a related allowance for losses recorded:						
Recorded investment	\$ 147	\$ 4	\$ 175	\$ 355	\$ 16	\$ 697
Unpaid principal balance	144	5	178	385	15	727
Related allowance	<u>45</u>	<u>2</u>	<u>39</u>	<u>102</u>	<u>3</u>	<u>191</u>
Impaired loans with no related allowance for losses recorded:						
Recorded investment	17	—	138	69	30	254
Unpaid principal balance	<u>21</u>	<u>—</u>	<u>146</u>	<u>74</u>	<u>89</u>	<u>330</u>
Total impaired loans:						
Recorded investment	164	4	313	424	46	951
Unpaid principal balance	165	5	324	459	104	1,057
Related allowance	<u>45</u>	<u>2</u>	<u>39</u>	<u>102</u>	<u>3</u>	<u>191</u>

Allowance for Losses We maintain the allowance for losses on finance receivables held for investment at a level considered adequate to cover inherent losses in the portfolio based on management's evaluation and analysis by product line. For larger balance accounts specifically identified as impaired, including large accounts in homogeneous portfolios, a reserve is established based on comparing the carrying value with either a) the expected future cash flows, discounted at the finance receivable's effective interest rate; or b) the fair value, if the finance receivable is collateral dependent. The expected future cash flows consider collateral value; financial performance and liquidity of our borrower; existence and financial strength of guarantors; estimated recovery costs, including legal expenses; and costs associated with the repossession/foreclosure and eventual disposal of collateral. When there is a range of potential outcomes, we perform multiple discounted cash flow analyses and weight the outcomes based on their relative likelihood of occurrence.

The evaluation of our portfolios is inherently subjective, as it requires estimates, including the amount and timing of future cash flows expected to be received on impaired finance receivables and the underlying collateral, which may differ from actual results. While our analysis is specific to each individual account, the most critical factors included in this analysis vary by product line. For the aviation product line, these factors include industry valuation guides, physical condition of the aircraft, payment history, and existence and financial strength of guarantors. For the golf equipment line, the critical factors are the age and condition of the collateral, while the factors for the golf mortgage line include historical golf course, hotel or marina cash flow performance; estimates of golf rounds and price per round or occupancy and room rates; market discount and capitalization rates; and existence and financial strength of guarantors. For the timeshare product line, the critical factors are the historical performance of consumer notes receivable collateral, real estate valuations, operating expenses of the borrower, the impact of bankruptcy court rulings on the value of the collateral, legal and other professional expenses and borrower's access to capital.

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

golf mortgage and timeshare product lines, the allowance is established as a percentage of watchlist balances, as defined on page 11, which represents a combination of assumed default likelihood and loss severity based on historical experience, industry trends and collateral values. In establishing our allowance for losses to cover accounts not specifically identified, the most critical factors for the aviation product line include the collateral value of the portfolio, historical default experience and delinquency trends; for golf equipment, factors considered include historical loss experience and delinquency trends; and for golf mortgage, factors include an evaluation of individual loan credit quality indicators such as delinquency, loan balance to collateral value, debt service coverage, existence and financial strength of guarantors, historical progression from watchlist to nonaccrual status and historical loss severity. For the timeshare product line, we evaluate individual loan credit quality indicators such as borrowing base shortfalls for revolving notes receivable facilities, default rates of our notes receivable collateral, borrower's access to capital, historical progression from watchlist to nonaccrual status and estimates of loss severity based on analysis of impaired loans in the product line.

Finance receivables held for investment are written down to the fair value (less estimated costs to sell) of the related collateral at the earlier of the date when the collateral is repossessed or when no payment has been received for six months unless management deems the receivable collectable. Finance receivables are charged off when the remaining balance is deemed to be uncollectable.

A rollforward of the allowance for losses on finance receivables held for investment and a summary of its composition, based on how the underlying finance receivables are evaluated for impairment, is presented below. The finance receivables reported in the following table specifically exclude \$279 million and \$283 million of leveraged leases at April 2, 2011 and April 3, 2010, respectively, in accordance with authoritative accounting standards.

<i>(In millions)</i>	<u>Aviation</u>	<u>Golf Equipment</u>	<u>Golf Mortgage</u>	<u>Timeshare</u>	<u>Structured Capital and Other Liquidating</u>	<u>Total</u>
For the three months ended April 2, 2011						
Allowance for losses						
Beginning balance	\$ 107	\$ 16	\$ 79	\$ 106	\$ 34	\$ 342
Provision for losses	11	—	(1)	—	2	12
Net charge-offs and transfers	(8)	(3)	(3)	(1)	(1)	(16)
Ending balance	<u>\$ 110</u>	<u>\$ 13</u>	<u>\$ 75</u>	<u>\$ 105</u>	<u>\$ 35</u>	<u>\$ 338</u>
Ending balance based on individual evaluations	50	1	45	102	4	202
Ending balance based on collective evaluation	<u>60</u>	<u>12</u>	<u>30</u>	<u>3</u>	<u>31</u>	<u>136</u>
Finance receivables						
Individually evaluated for impairment	\$ 164	\$ 6	\$ 299	\$ 368	\$ 38	\$ 875
Collectively evaluated for impairment	<u>1,864</u>	<u>186</u>	<u>341</u>	<u>195</u>	<u>164</u>	<u>2,750</u>
Balance at end of period	<u>\$ 2,028</u>	<u>\$ 192</u>	<u>\$ 640</u>	<u>\$ 563</u>	<u>\$ 202</u>	<u>\$ 3,625</u>
For the three months ended April 3, 2010						
Allowance for losses						
Beginning balance	\$ 114	\$ 9	\$ 65	\$ 79	\$ 74	\$ 341
Provision for losses	13	4	14	15	9	55
Net charge-offs and transfers	(10)	(2)	(11)	—	(8)	(31)
Ending balance	<u>\$ 117</u>	<u>\$ 11</u>	<u>\$ 68</u>	<u>\$ 94</u>	<u>\$ 75</u>	<u>\$ 365</u>
Ending balance based on individual evaluations	52	1	43	77	1	174
Ending balance based on collective evaluation	<u>65</u>	<u>10</u>	<u>25</u>	<u>17</u>	<u>74</u>	<u>191</u>
Finance receivables						
Individually evaluated for impairment	\$ 232	\$ 6	\$ 343	\$ 434	\$ 104	\$ 1,119
Collectively evaluated for impairment	<u>2,171</u>	<u>169</u>	<u>502</u>	<u>768</u>	<u>553</u>	<u>4,163</u>
Balance at end of period	<u>\$ 2,403</u>	<u>\$ 175</u>	<u>\$ 845</u>	<u>\$ 1,202</u>	<u>\$ 657</u>	<u>\$ 5,282</u>

Note 8: Inventories

<i>(In millions)</i>	April 2, 2011	January 1, 2011
Finished goods	\$ 922	\$ 784
Work in process	2,261	2,125
Raw materials	456	506
	<u>3,639</u>	<u>3,415</u>
Progress/milestone payments	(1,186)	(1,138)
	<u>\$ 2,453</u>	<u>\$ 2,277</u>

Note 9: Debt

On May 5, 2009, we issued \$600 million of 4.5% Convertible Notes with a maturity date of May 1, 2013 and concurrently purchased call options to acquire our common stock and sold warrants to purchase our common stock for the purpose of reducing the potential dilutive effect to our shareholders and/or our cash outflow upon the conversion of the Convertible Notes. For more information on these transactions, see Note 8 to the Consolidated Financial Statements in Textron's 2010 Annual Report on Form 10-K. For at least 20 trading days during the 30 consecutive trading days ended March 31, 2011, our common stock price exceeded the \$17.06 per share conversion threshold price set forth for these Convertible Notes. Accordingly, the notes are convertible at the holder's option through June 30, 2011. We may deliver shares of common stock, cash or a combination of cash and shares of common stock in satisfaction of our obligations upon conversion of the Convertible Notes. We intend to settle the face value of the Convertible Notes in cash. Based on an April 2, 2011 stock price of \$27.40, the "if converted value" exceeds the face amount of the notes by \$652.6 million; however, after giving effect to the exercise of the call options and warrants, the incremental cash or share settlement in excess of the face amount would result in either a 19 million net share issuance or a cash payment of \$532.6 million, or a combination of cash and stock, at our option. We have continued to classify these Convertible Notes as long-term based on our intent and ability to maintain the debt outstanding for at least one year through the use of various funding sources available to us.

Note 10: Accrued Liabilities

We provide limited warranty and product maintenance programs, including parts and labor, for certain products for periods ranging from one to five years. Changes in our warranty and product maintenance liabilities are as follows:

<i>(In millions)</i>	Three Months Ended	
	April 2, 2011	April 3, 2010
Accrual at the beginning of period	\$ 242	\$ 263
Provision	57	38
Settlements	(64)	(58)
Adjustments to prior accrual estimates	(6)	(3)
Accrual at the end of period	<u>\$ 229</u>	<u>\$ 240</u>

Note 11: Commitments and Contingencies

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

Note 12. Derivative Instruments and Fair Value Measurements

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

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The assets and liabilities that are recorded at fair value on a recurring basis consist primarily of our derivative financial instruments, which are categorized as Level 2 in the fair value hierarchy. The notional and fair value amounts of these instruments that are designated as hedging instruments are provided below:

(In millions)	Borrowing Group	Notional Amount		Asset (Liability)	
		April 2, 2011	January 1, 2011	April 2, 2011	January 1, 2011
Assets					
Interest rate exchange contracts*	Finance	\$ 473	\$ 628	\$ 28	\$ 34
Investment in other marketable securities	Finance	26	51	26	51
Foreign currency exchange contracts	Manufacturing	655	534	43	39
Total		\$ 1,154	\$ 1,213	\$ 97	\$ 124
Liabilities					
Interest rate exchange contracts*	Finance	\$ 469	\$ 451	\$ (3)	\$ (6)
Foreign currency exchange contracts	Manufacturing	86	101	(2)	(2)
Total		\$ 555	\$ 552	\$ (5)	\$ (8)

* Interest rate exchange contracts represent fair value hedges.

The fair values of derivative instruments for the Manufacturing group are included in either other current assets or accrued liabilities in our balance sheet. For the Finance group, these instruments are included in either other assets or other liabilities.

The Finance group's interest rate exchange contracts are not exchange traded and are measured at fair value utilizing widely accepted, third-party developed valuation models. The actual terms of each individual contract are entered into a valuation model, along with interest rate and foreign exchange rate data, which is based on readily observable market data published by third-party leading financial news and data providers. Credit risk is factored into the fair value of these assets and liabilities based on the differential between both our credit default swap spread for liabilities and the counterparty's credit default swap spread for assets as compared with a standard AA-rated counterparty; however, this had no significant impact on the valuation at April 2, 2011.

Foreign currency exchange contracts are measured at fair value using the market method valuation technique. The inputs to this technique utilize current foreign currency exchange forward market rates published by third-party leading financial news and data providers. These are observable data that represent the rates that the financial institution uses for contracts entered into at that date; however, they are not based on actual transactions so they are classified as Level 2.

Investments in other marketable securities represent investments in notes issued by securitization trusts that purchase timeshare notes receivables from timeshare developers and are classified as available for sale. Fair value for these notes was determined based on bids received from prospective purchasers and observable market inputs for similar securitization interests in markets that are relatively inactive compared with the market environment in which they were originally issued.

Fair Value Hedges

Our Finance group enters into interest rate exchange contracts to mitigate exposure to changes in the fair value of its fixed-rate receivables and debt due to fluctuations in interest rates. By using these contracts, we are able to convert our fixed-rate cash flows to floating-rate cash flows. The amount of ineffectiveness on our fair value hedges and the gain (loss) recorded in the Consolidated Statements of Operations were both insignificant in the first quarter of 2011 and 2010.

Cash Flow Hedges

We manufacture and sell our products in a number of countries throughout the world, and, therefore, we are exposed to movements in foreign currency exchange rates. The primary purpose of our foreign currency hedging activities is to manage the volatility associated with foreign currency purchases of materials, foreign currency sales of products, and other assets and liabilities in the normal course of business. We primarily utilize forward exchange contracts and purchased options with maturities of no more than 18 months that qualify as cash flow hedges. These are intended to offset the effect of exchange rate fluctuations on forecasted sales, inventory purchases and overhead expenses. At April 2, 2011, we had a net deferred gain of \$29 million in OCI related to these cash flow hedges. As the underlying transactions occur, we expect to reclassify \$15 million of after-tax gains into earnings in the next 12 months and \$14 million of after-tax gains into earnings in the following 12-month period.

We hedge our net investment position in major currencies and generate foreign currency interest payments that offset other transactional exposures in these currencies. To accomplish this, we borrow directly in foreign currency and designate a portion of foreign currency debt as a hedge of net investments. We also may utilize currency forwards as hedges of our related foreign net investments. We record changes in the fair value of these contracts in other comprehensive income to the extent they are effective as cash flow hedges. If a contract does not qualify for hedge accounting or is designated as a fair value hedge, changes in the fair value of the contract are recorded in earnings. Currency effects on the effective portion of these hedges, which are reflected in the cumulative translation adjustment account within OCI, produced a \$24 million after-tax gain in the first quarter of 2011, resulting in an accumulated net gain balance of \$38 million at April 2, 2011. The ineffective portion of these hedges was insignificant.

Activity within accumulated other comprehensive loss and OCI related to the Manufacturing group's foreign currency exchange contracts is provided in the following table:

(In millions)	Gain (Loss) Location	Three Months Ended	
		April 2, 2011	April 3, 2010
Amount of gain recognized in OCI		\$ 6	\$ 6
Effective portion of derivative reclassified from accumulated other comprehensive loss into income	Cost of sales	4	3

Assets Recorded at Fair Value on a Nonrecurring Basis

The table below presents those assets that are measured at fair value on a nonrecurring basis that had fair value measurement adjustments during the first quarter of 2011 and 2010. These assets were measured using significant unobservable inputs (Level 3) and include the following:

(In millions)	Balance at		Gain (Loss)	
	April 2, 2011	April 3, 2010	Three Months Ended April 2, 2011	Three Months Ended April 3, 2010
Finance group				
Impaired finance receivables	\$ 508	\$ 510	\$ (33)	\$ (46)
Finance receivables held for sale	237	598	(11)	(10)
Other assets	54	67	(6)	(18)

Impaired Finance Receivables — Impaired nonaccrual finance receivables are included in the table above since the measurement of required reserves on our impaired finance receivables is significantly dependent on the fair value of the underlying collateral. Fair values of collateral are determined based on the use of appraisals, industry pricing guides, input from market participants, our recent experience selling similar assets or internally developed discounted cash flow models. Fair value measurements recorded on impaired finance receivables resulted in charges to provision for loan losses and primarily were related to initial fair value adjustments.

Finance Receivables Held for Sale — Finance receivables held for sale are recorded at the lower of cost or fair value. As a result of our plan to exit the non-captive Finance business certain finance receivables are classified as held for sale. At April 2, 2011, the finance receivables held for sale are primarily assets in the golf mortgage and timeshare product lines. Timeshare finance receivables classified as held for sale were identified at the individual loan level; whereas the majority of golf course mortgages were identified as a portion of a larger portfolio with common characteristics based on the intention to balance the sale of certain loans with the collection of others to maximize economic value. In the first quarter of 2011, certain golf course mortgages were identified at the individual loan level as a result of their inclusion in a portfolio sale subsequent to the end of the quarter. These finance receivables are recorded at fair value on a nonrecurring basis during periods in which the fair value is lower than the cost value.

There are no active, quoted market prices for our finance receivables. The estimate of fair value was determined based on the use of discounted cash flow models to estimate the exit price we expect to receive in the principal market for each type of loan in an orderly transaction, which includes both the sale of pools of similar assets and the sale of individual loans. The models we used incorporate estimates of the rate of return, financing cost, capital structure and/or discount rate expectations of current market participants combined with estimated loan cash flows based on credit losses, payment rates and credit line utilization rates. Where available, assumptions related to the expectations of current market participants are compared with observable market inputs, including bids from prospective purchasers of similar loans and certain bond market indices for loans perceived to be of similar credit quality. Although we utilize and prioritize these market observable inputs in our discounted cash flow models, these inputs are not typically derived from markets with directly comparable loan structures, industries and collateral types. Therefore, all valuations of finance receivables held for sale involve significant management judgment, which can result in differences between our fair value estimates and those of other market participants.

Other assets — Other assets include repossessed assets and properties, operating assets received in satisfaction of troubled finance receivables and other investments, which are accounted for under the equity method of accounting and have no active, quoted market prices. The fair value of these assets is determined based on the use of appraisals, industry pricing guides, input from market participants, our recent experience selling similar assets or internally developed discounted cash flow models. For our other investments, the discounted cash flow models incorporate assumptions specific to the nature of the investments' business and underlying assets and include industry valuation benchmarks such as discount rates, capitalization rates and cash flow multiples.

Assets and Liabilities Not Recorded at Fair Value

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

	April 2, 2011		January 1, 2011	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
<i>(In millions)</i>				
Manufacturing group				
Long-term debt, excluding leases	\$ (2,211)	\$ (2,892)	\$ (2,172)	\$ (2,698)
Finance group				
Finance receivables held for investment, excluding leases	3,052	2,875	3,345	3,131
Debt	(3,152)	(3,070)	(3,660)	(3,528)

Fair value for the Manufacturing group debt is determined using market observable data for similar transactions. At April 2, 2011 and January 2, 2010, approximately 35% and 33%, respectively, of the fair value of term debt for the Finance group was determined based on observable market transactions. The remaining Finance group debt was determined based on discounted cash flow analyses using observable market inputs from debt with similar duration, subordination and credit default expectations. We utilize the same valuation methodologies to determine the fair value estimates for finance receivables held for investment as used for finance receivables held for sale.

Note 13: Income Tax Expense

Income tax expense for continuing operations of \$15 million for both the first quarter of 2011 and 2010 equated to an effective income tax rate of 32.6% and 136.4%, respectively. The decrease in the rate was primarily attributable to the write-off of an \$11 million deferred tax asset related to a change in the tax treatment of the Medicare Part D program due to U.S. health-care law enacted in the first quarter of 2010 which equated to an effective income tax rate impact of 98.2%.

Note 14: Segment Information

We operate in, and report financial information for, the following five business segments: Cessna, Bell, Textron Systems, Industrial and Finance. Segment profit is an important measure used for evaluating performance and for decision-making purposes. Segment profit for the manufacturing segments excludes interest expense, certain corporate expenses and special charges. The measurement for the Finance segment excludes special charges and includes interest income and expense, along with intercompany interest expense. Provisions for losses on finance receivables involving the sale or lease of our products are recorded by the selling manufacturing division when our Finance group has recourse to the Manufacturing group.

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

<i>(In millions)</i>	Three Months Ended	
	April 2, 2011	April 3, 2010
REVENUES		
<i>Manufacturing Group</i>		
Cessna	\$ 556	\$ 433
Bell	749	618
Textron Systems	445	458
Industrial	703	625
	<u>2,453</u>	<u>2,134</u>
<i>Finance Group</i>	26	76
Total revenues	<u>\$ 2,479</u>	<u>\$ 2,210</u>
SEGMENT OPERATING PROFIT		
<i>Manufacturing Group</i>		
Cessna	\$ (38)	\$ (24)
Bell	91	74
Textron Systems	53	55
Industrial	61	49
	<u>167</u>	<u>154</u>
<i>Finance Group</i>	(44)	(58)
Segment profit	123	96
Special charges	—	(12)
Corporate expenses and other, net	(39)	(37)
Interest expense, net for Manufacturing group	(38)	(36)
Income from continuing operations before income taxes	<u>\$ 46</u>	<u>\$ 11</u>

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

Consolidated Results of Operations

Revenues

<i>(Dollars in millions)</i>	Three Months Ended	
	April 2, 2011	April 3, 2010
Revenues	\$ 2,479	\$ 2,210
% change compared with prior period	12%	

Revenues increased \$269 million, 12%, in the first quarter of 2011, compared with the corresponding period of 2010. This increase was due to revenue increases in the Bell, Cessna and Industrial segments that were partially offset by lower revenue in the Finance and Textron Systems segments. The net revenue increase included the following factors:

- Higher revenues of \$131 million in the Bell segment, largely due to higher volume in the V-22 program;
- An increase in Cessna's revenue of \$123 million, primarily due to the mix of light- and mid-size Citation business jets sold during the quarter; and
- Higher Industrial segment revenues of \$78 million, largely due to higher volume reflecting improvements in the automotive industry;
- Partially offset by lower revenues at the Finance segment of \$50 million, primarily attributable to the lower average finance receivable portfolio balance resulting from the continued liquidation; and
- A decrease in Textron Systems' revenue of \$13 million, largely due to lower aftermarket volume in the Land and Marine Systems product line.

Cost of Sales and Gross Margin

<i>(Dollars in millions)</i>	Three Months Ended	
	April 2, 2011	April 3, 2010
Cost of sales	\$ 2,055	\$ 1,776
% change compared with prior period	16%	
Gross margin percentage of Manufacturing revenues	16.2%	16.8%

On a dollar basis, cost of sales increased \$279 million, 16%, in 2011, largely due to the higher sales volumes. Cost of sales as a percentage of Manufacturing revenues was 83.8% in the first quarter of 2011 and 83.2% in the first quarter of 2010, primarily due to \$17 million in higher research and development costs at Cessna and Bell in the first quarter of 2011, compared with the corresponding period of 2010.

Selling and Administrative Expense

<i>(Dollars in millions)</i>	Three Months Ended	
	April 2, 2011	April 3, 2010
Selling and administrative expenses	\$ 304	\$ 285
% change compared with prior period	7%	

Selling and administrative expense increased \$19 million, 7%, in the first quarter of 2011, compared with the corresponding period of 2010, with a \$29 million increase related to the Manufacturing businesses and Corporate, largely related to the impact of stock appreciation on compensation expense of \$10 million and higher marketing, bid and proposal costs. This increase was partially offset by \$10 million of lower expenses at the Finance segment reflecting lower compensation expense associated with a workforce reduction in the non-captive business.

Interest Expense

<i>(Dollars in millions)</i>	Three Months Ended	
	April 2, 2011	April 3, 2010
Interest expense	\$ 62	\$ 71
% change compared with prior period	(13)%	

Interest expense on the Consolidated Statement of Operations includes interest for both the Finance and Manufacturing borrowing groups with interest related to intercompany borrowings eliminated. Our consolidated interest expense decreased \$9 million, 13%, in the first quarter of 2011, compared with the corresponding period of 2010, primarily due to a \$6 million decrease for the Finance group, largely due to the reduction in its debt as it liquidates the non-captive commercial finance business.

Special Charges

Special charges of \$12 million in the first quarter of 2010 represent restructuring costs incurred under the program that was completed at the end of 2010 and primarily represent severance costs. There were no special charges in the first quarter of 2011.

Backlog

<i>(In millions)</i>	Three Months Ended	
	April 2, 2011	January 1, 2011
Bell	\$ 7,318	\$ 7,199
Cessna	2,635	2,928
Textron Systems	1,610	1,598

Backlog at Bell increased \$119 million in the first quarter of 2011, compared with the corresponding period of 2010, primarily reflecting higher commercial aircraft orders in excess of deliveries, partially offset by higher deliveries related to the V-22 and H-1 programs. Backlog declined \$293 million at Cessna primarily reflecting deliveries in excess of orders.

Segment Analysis

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

Cessna

<i>(Dollars in millions)</i>	Three Months Ended		
	April 2, 2011	April 3, 2010	% Change
Revenues	\$ 556	\$ 433	28%
Operating expenses	594	457	30%
Segment loss	(38)	(24)	(58)%
Profit margin	(7)%	(6)%	

Cessna Revenues and Operating Expenses

The following factors contributed to the change in revenue from the prior year quarter:

<i>(In millions)</i>	2011 versus
	2010
Volume and mix	\$ 124
Other	(1)
Total change	\$ 123

In the first quarter of 2011, Cessna's revenues increased \$123 million, 28%, compared with the corresponding period of

2010, primarily due to the mix of light- and mid-size Citation business jets sold during the quarter. We delivered 31 Citation business jets in both the first quarter of 2011 and 2010.

Operating expenses increased by \$137 million, 30%, in the first quarter of 2011, compared with the corresponding period of 2010, largely due to a change in product mix with more higher-cost business jets sold in the quarter. In addition, operating expenses were negatively impacted by lower forfeited deposits of \$9 million and higher engineering and development expenses of \$9 million, primarily due to new product development.

Cessna Segment Loss

The following factors contributed to the change in segment loss from the prior year quarter:

<i>(In millions)</i>	2011 versus 2010
Volume and mix	\$ 17
Inflation, net of pricing	(4)
Performance	(27)
Total change	<u>\$ (14)</u>

Cessna's segment loss increased \$14 million, 58%, in the first quarter of 2011, compared with the corresponding period of 2010, primarily due to unfavorable performance of \$27 million and inflation in excess of pricing of \$4 million. The unfavorable performance included lower forfeited deposits of \$9 million, as well as higher engineering and development expenses of \$9 million, primarily due to new product development. These factors were partially offset by a \$17 million favorable impact from mix and volume, primarily related to business jet mix.

Bell

<i>(Dollars in millions)</i>	Three Months Ended		
	April 2, 2011	April 3, 2010	% Change
Revenues:			
V-22 program	\$ 358	\$ 210	70%
Other military	170	198	(14)%
Commercial	<u>221</u>	<u>210</u>	<u>5%</u>
Total revenues	749	618	21%
Operating expenses	658	544	21%
Segment profit	91	74	23%
Profit margin	12%	12%	

Bell manufactures helicopters, tiltrotor aircraft, and related spare parts and provides services for military and/or commercial markets. Bell's major U.S. Government programs at this time are the V-22 tiltrotor aircraft and the H-1 helicopter platforms, which are both in the production stage and represent a significant portion of Bell's revenues from the U.S. Government. During 2011, we continued to ramp up production and deliveries to meet customer schedule requirements for these programs.

Bell Revenues and Operating Expenses

The following factors contributed to the change in revenue from the prior year quarter:

<i>(In millions)</i>	2011 versus 2010
Volume	\$ 124
Other	7
Total change	<u>\$ 131</u>

Bell's revenues increased \$131 million, 21%, in the first quarter of 2011, compared with the corresponding period of 2010, with volume representing 95% of the increase. Bell's V-22 program revenues increased \$148 million, 70%, in the first quarter of 2011 primarily reflecting higher aircraft deliveries. We delivered 9 V-22 aircraft during the first quarter of 2011, compared with 4 deliveries in the first quarter of 2010. Other military revenues decreased \$28 million, 14%, in 2011 largely due to a \$20 million decrease in aftermarket volume reflecting the completion of several non-recurring programs in 2010, along with timing of deliveries for other programs, partially offset by higher deliveries of H-1 aircraft. We delivered 4 H-1 aircraft in the first quarter of 2011, compared with 3 deliveries in the first quarter of 2010. Commercial revenues increased \$11 million, primarily due to higher aftermarket volume. Bell delivered 15 commercial aircraft in the quarter, flat with deliveries in the first quarter of 2010.

Bell's operating expenses increased \$114 million, 21%, in the first quarter of 2011, compared with the corresponding period of 2010, primarily due to higher net sales volume. In addition, research and development costs increased \$8 million in 2011 related to new product development.

Bell Segment Profit

The following factors contributed to the change in segment profit from the prior year quarter:

<i>(In millions)</i>	2011 versus 2010
Volume and mix	\$ 4
Pricing, net of inflation	3
Performance	10
Total change	<u>\$ 17</u>

Bell's segment profit increased \$17 million, 23%, in the first quarter of 2011, compared with the corresponding period of 2010, primarily due to improved performance, largely attributable to efficiencies achieved from higher production volume. Bell's improved performance included \$19 million related to the V-22 and H-1 programs, reflecting the impact from efficiencies realized in connection with the ramp-up of production lines and lower overhead and material costs, partially offset by higher research and development costs of \$8 million.

Textron Systems

<i>(Dollars in millions)</i>	Three Months Ended		% Change
	April 2, 2011	April 3, 2010	
Revenues	\$ 445	\$ 458	(3)%
Operating expenses	392	403	(3)%
Segment profit	53	55	(4)%
Profit margin	12%	12%	

Textron Systems Revenues and Operating Expenses

The following factors contributed to the change in revenue from the prior year quarter:

<i>(In millions)</i>	2011 versus 2010
Volume	\$ (16)
Other	3
Total change	<u>\$ (13)</u>

Revenues at Textron Systems decreased \$13 million, 3%, in the first quarter of 2011, compared with the corresponding period of 2010, primarily due to a \$12 million decrease in our Land and Marine Systems product line, largely due to lower armored security vehicle aftermarket volumes.

Textron System's operating expenses decreased \$11 million, 3%, in the first quarter of 2011, compared with the corresponding period of 2010, primarily due to lower net sales volume.

Textron Systems Segment Profit

The following factors contributed to the change in segment profit from the prior year quarter:

<i>(In millions)</i>	2011 versus 2010
Volume and mix	\$ (5)
Other	3
Total change	<u>\$ (2)</u>

Segment profit at Textron Systems decreased \$2 million, 4%, in the first quarter of 2011, compared with the corresponding period of 2010, primarily due to the impact of lower volume and mix.

Industrial

<i>(Dollars in millions)</i>	Three Months Ended		% Change
	April 2, 2011	April 3, 2010	
Revenues:			
Fuel systems and functional components	\$ 471	\$ 406	16%
Other industrial	232	219	6%
Total revenues	703	625	12%
Operating expenses	642	576	11%
Segment profit	61	49	24%
Profit margin	9%	8%	

Industrial Revenues and Operating Expenses

The following factors contributed to the change in revenue from the prior year quarter:

<i>(In millions)</i>	2011 versus 2010
Volume	\$ 63
Foreign exchange	7
Other	8
Total change	\$ 78

Revenues at the Industrial segment increased \$78 million, 12%, in the first quarter of 2011, compared with the corresponding period of 2010. Fuel systems and functional components revenue increased 16% in the first quarter of 2011, compared with the corresponding period of 2010, primarily due to higher volume of \$59 million reflecting improvements in the automotive industry and a favorable foreign exchange impact of \$8 million, largely due to fluctuations with the euro. Other industrial revenues also increased primarily due to higher volume in the powered tools, testing and measurement equipment product line.

The Industrial segment's operating expenses increased \$66 million, 11%, in the first quarter of 2011, compared with the corresponding period of 2010, primarily due to the cost of sales associated with the higher sales volumes and inflation, largely reflecting higher material and labor costs.

Industrial Segment Profit

The following factors contributed to the change in segment profit from the prior year quarter:

<i>(In millions)</i>	2011 versus 2010
Volume	\$ 16
Inflation, net of pricing Performance	(11)
Other	6
Total change	\$ 12

Segment profit for the Industrial segment increased \$12 million, 24%, in the first quarter of 2011, compared with the corresponding period of 2010, primarily due to a \$16 million impact from higher volume. Inflation in excess of pricing largely reflects higher material costs in all of the industrial businesses and higher labor cost in our fuel systems and functional components business. The improved cost performance largely reflects the timing of recoveries from customers related to engineering costs incurred in our fuel systems and functional components business.

Finance

<i>(Dollars in millions)</i>	Three Months Ended		% Change
	April 2, 2011	April 3, 2010	
Revenues	\$ 26	\$ 76	(66)%
Segment loss	(44)	(58)	24%

Our plan to exit the non-captive commercial finance business in our Finance segment is being effected through a combination of orderly liquidation and selected sales of the remaining non-captive finance receivables. The exit plan is expected to be substantially complete over the next three to five years.

Finance Revenues

Finance segment revenues decreased \$50 million, 66%, in the first quarter of 2011, compared with the corresponding period of 2010, primarily due to the following factors:

- \$31 million attributable to the lower average finance receivable portfolio balance of \$2.2 billion;
- \$9 million in higher portfolio losses, net of gains; and
- \$7 million of lower accretion of valuation allowance.

Portfolio losses, net of gains increased primarily as a result of a \$13 million gain on the sale of a distribution finance receivable portfolio in the first quarter of 2010 and higher portfolio losses in the timeshare portfolio in the first quarter of 2011, primarily the result of an early payoff of one significant notes receivable loan, partially offset by lower impairment charges in the structured capital portfolio.

Finance Segment Loss

Finance segment loss decreased \$14 million, 24%, in the first quarter of 2011, compared with the corresponding period of 2010, primarily due to the following factors:

- \$43 million in lower provision for loan losses, primarily the result of a decline in the accounts identified as nonaccrual during the quarter as compared to last year; and
- \$10 million in lower operating and administrative expenses, primarily due to lower compensation expense associated with a workforce reduction in the non-captive business;
- Partially offset by a \$20 million reduction in interest margin resulting from the lower average finance receivable portfolio balance of \$2.2 billion;
- \$9 million in higher portfolio losses, net of gains; and
- \$7 million of lower accretion of valuation allowance.

Finance Portfolio Quality

The following table reflects information about the Finance segment's credit performance related to finance receivables held for investment. Finance receivables held for sale are reflected at fair value on the Consolidated Balance Sheets. As a result, finance receivables held for sale are not included in the credit performance statistics below.

<i>(Dollars in millions)</i>	April 2, 2011	January 1, 2011
Finance receivables held for investment	\$ 3,904	\$ 4,213
Nonaccrual finance receivables	836	850
Allowance for losses	338	342
Ratio of nonaccrual finance receivables to finance receivables held for investment	21.40%	20.17%
Ratio of allowance for losses on impaired nonaccrual finance receivables to impaired nonaccrual finance receivables	25.55%	23.82%
Ratio of allowance for losses on finance receivables to nonaccrual finance receivables held for investment	40.41%	40.30%
Ratio of allowance for losses on finance receivables to finance receivables held for investment	8.65%	8.13%
60+ days contractual delinquency as a percentage of finance receivables	10.71%	9.77%
60+ days contractual delinquency	\$ 418	\$ 411
Repossessed assets and properties	147	157
Operating assets received in satisfaction of troubled finance receivables	100	107

At April 2, 2011, finance receivables held for investment included \$1.7 billion of non-captive finance receivables, compared with \$1.9 billion at the end of 2010. In addition, finance receivables held for sale by the non-captive business totaled \$237 million at April 2, 2011, compared with \$413 million at the end of 2010.

We believe that the percentage of nonaccrual finance receivables generally will remain high as we execute our non-captive liquidation plan. The liquidation plan is also likely to result in a slower rate of liquidation for nonaccrual finance receivables. See Note 7 to the Consolidated Financial Statements for more detailed information on the nonaccrual finance receivables by product line, along with a summary of finance receivables held for investment based on our internally assigned credit quality indicators.

Liquidity and Capital Resources

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

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

<i>(Dollars in millions)</i>	<u>April 2, 2011</u>	<u>January 1, 2011</u>
Manufacturing group		
Cash and equivalents	\$ 986	\$ 898
Debt	2,549	2,302
Shareholders' equity	3,052	2,972
Capital (debt plus shareholders' equity)	5,601	5,274
Net debt (net of cash and equivalents) to capital	33.9%	32.1%
Debt to capital	45.5%	43.6%
Finance group		
Cash and equivalents	\$ 36	\$ 33
Debt	3,152	3,660

We believe that our calculations of debt to capital and net debt to capital are useful measures as they provide a summary indication of the level of debt financing (i.e., leverage) that is in place to support our capital structure, as well as to provide an indication of the capacity to add further leverage. We believe that with our existing cash balances, coupled with the continued successful execution of the exit plan for the non-captive portion of the commercial finance business, and cash we expect to generate from our manufacturing operations, we will have sufficient cash to meet our future needs.

We maintain an effective shelf registration statement filed with the Securities and Exchange Commission that allows us to issue an unlimited amount of public debt and other securities.

On March 23, 2011, Textron Inc. entered into a senior unsecured revolving credit facility for an aggregate principal amount of \$1.0 billion. This facility agreement expires in March 2015 and replaces the \$1.25 billion 5-year facility that was scheduled to expire in April 2012. TFC also has a credit facility that expires in April 2012. During the first quarter of 2011, the borrowing capacity of TFC's facility was reduced to an aggregate principal amount of \$1.45 billion. At April 2, 2011, there were no amounts outstanding under the Textron Inc. facility and \$1.2 billion outstanding under TFC's facility.

In the first quarter of 2011, we liquidated \$485 million of the Finance group's finance receivables, net of originations. These finance receivable reductions occurred in both the non-captive and captive finance portfolios but were primarily driven by the non-captive portfolio in connection with our exit plan, including \$272 million in the timeshare product line. These reductions resulted from the combination of scheduled finance receivable collections, sales, discounted payoffs, repossession of collateral, charge-offs and impairment charges recorded as portfolio losses, net of gains in our Consolidated Statements of Operations. At April 2, 2011, \$1.9 billion of finance receivables remained in the non-captive portfolio.

In 2009, we issued \$600 million of 4.5% Convertible Senior Notes with a maturity date of May 1, 2013 as discussed in Note 8 to the Consolidated Financial Statements. For at least 20 trading days during the 30 consecutive trading days ended March 31, 2011, our common stock price exceeded the \$17.06 per share conversion threshold price set forth for these Convertible Notes. Accordingly, the notes are convertible at the holder's option through June 30, 2011. We may deliver shares of

common stock, cash or a combination of cash and shares of common stock in satisfaction of our obligations upon conversion of the Convertible Notes. We intend to settle the face value of the Convertible Notes in cash. We have continued to classify these Convertible Notes as long term based on our intent and ability to maintain the debt outstanding for at least one year through the use of various funding sources available to us.

Manufacturing Group Cash Flows

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

<i>(In millions)</i>	Three Months Ended	
	April 2, 2011	April 3, 2010
Operating activities	\$ 73	\$ (66)
Investing activities	(121)	(75)
Financing activities	129	(166)

Cash flow from operating activities improved in the first quarter of 2011, compared with the corresponding period of 2010 primarily due to higher earnings for the Manufacturing group, adjusted for non-cash items such as depreciation and amortization. Cash used for restructuring activities totaled \$22 million and \$16 million in the first quarter of 2011 and 2010, respectively.

We used more cash for investing activities largely due to higher capital expenditures, which totaled \$78 million and \$38 million in the first quarter of 2011 and 2010, respectively.

In the first quarter of 2011, we began to issue commercial paper again for our short-term financing needs, ending the quarter with \$203 million of outstanding borrowings. We also loaned \$60 million to the Finance group in the first quarter of 2011, compared with \$150 million in the first quarter of 2010.

Capital Contributions Paid To and Dividends Received From TFC

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

<i>(In millions)</i>	Three Months Ended	
	April 2, 2011	April 3, 2010
Dividends paid by TFC to Textron Inc.	\$ 130	\$ 125
Capital contributions paid to TFC under Support Agreement	(63)	(75)

An additional cash contribution of \$49 million was paid to TFC on April 11, 2011 as required by the Support Agreement.

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

Finance Group Cash Flows

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

<i>(In millions)</i>	Three Months Ended	
	April 2, 2011	April 3, 2010
Operating activities	\$ (29)	\$ (50)
Investing activities	513	771
Financing activities	(482)	(785)

The Finance group used less cash for operating activities largely due to a \$51 million payment made to the Manufacturing group in the first quarter of 2010 under the tax sharing agreement for which there were less than \$1 million in tax payments

in the first quarter of 2011. This was partially offset by lower earnings for the Finance group after adjusting for non-cash items such as provision for losses on finance receivables.

Cash receipts from the collection of finance receivables continued to outpace finance receivable originations, which resulted in net cash inflow from investing activities in both quarters. Finance receivables repaid and proceeds from sales totaled \$579 million and \$937 million in the first quarter of 2011 and 2010, respectively, while cash outflows for originations declined to \$125 million in the first quarter of 2011 from \$226 million in the first quarter of 2010. These decreases were largely driven by the wind down of the non-captive finance receivable portfolio.

In the first quarter of 2011, TFC made a discretionary payment of \$250 million against the outstanding balance on its bank line of credit; however, cash used for financing activities was lower in 2011 primarily due to \$410 million in long-term debt repayments in the first quarter of 2011, compared with \$925 million in the first quarter of 2010. In addition, the Finance group received \$144 million in proceeds from the issuance of long-term debt in the first quarter of 2011, compared with \$20 million in the first quarter of 2010.

TFC borrowed \$60 million and \$150 million from Textron Inc. with interest in the first quarter of 2011 and 2010, respectively, to pay down maturing debt. As of April 2, 2011 and January 1, 2011, the outstanding balance due to Textron Inc. for these borrowings was \$375 million and \$315 million, respectively.

Consolidated Cash Flows

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

<i>(In millions)</i>	Three Months Ended	
	April 2, 2011	April 3, 2010
Operating activities	\$ 55	\$ (89)
Investing activities	355	639
Financing activities	(327)	(921)

Cash flow from operating activities improved in the first quarter of 2011, compared with the corresponding period of 2010 primarily due to higher earnings for the Manufacturing group, adjusted for non-cash items such as depreciation and amortization.

Cash receipts from the collection of finance receivables continued to outpace finance receivable originations, which resulted in net cash inflow from investing activities in both quarters. Finance receivables repaid and proceeds from sales totaled \$458 million and \$778 million in the first quarter of 2011 and 2010, respectively, while cash outflows for originations declined to \$76 million in the first quarter of 2011 from \$145 million in the first quarter of 2010. These decreases were largely driven by the wind down of the non-captive finance receivable portfolio. We also had higher capital expenditures of \$78 million and \$38 million in the first quarter of 2011 and 2010, respectively.

In the first quarter of 2011, we began to issue commercial paper again for our short-term financing needs, ending the quarter with \$203 million of outstanding borrowings. The net proceeds from these borrowings were more than offset by a \$250 million discretionary payment made by TFC against the outstanding balance on its bank line of credit. Total cash used for financing activities was lower in 2011 primarily due to lower repayments of long-term debt of \$417 million in the first quarter of 2011, compared with \$936 million in the first quarter of 2010. In addition, we received proceeds of \$144 million in the first quarter of 2011 from the issuance of debt, compared with \$20 million in the first quarter of 2010.

Captive Financing and Other Intercompany Transactions

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

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

<i>(In millions)</i>	Three Months Ended	
	April 2, 2011	April 3, 2010
Reclassifications from investing activities:		
Finance receivable originations for Manufacturing group inventory sales	\$ (49)	\$ (81)
Cash received from customers and sale of receivables	121	159
Other capital contributions made to Finance group	(40)	(20)
Other	5	(1)
Total reclassifications from investing activities	37	57
Reclassifications from financing activities:		
Capital contribution paid by Manufacturing group to Finance group under Support Agreement	63	75
Dividends received by Manufacturing group from Finance group	(130)	(125)
Other capital contributions made to Finance group	40	20
Other	1	—
Total reclassifications from financing activities	(26)	(30)
Total reclassifications and adjustments to cash flow from operating activities	\$ 11	\$ 27

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no significant change in our exposure to market risk during the three months ended April 2, 2011. For discussion of our exposure to market risk, refer to Item 7A. Quantitative and Qualitative Disclosures about Market Risk contained in Textron's 2010 Annual Report on Form 10-K.

Item 4. CONTROLS AND PROCEDURES

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

There were no changes in our internal control over financial reporting during the fiscal quarter ended April 2, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 5. OTHER INFORMATION

- (a) The Annual Meeting of Shareholders of Textron Inc. was held on April 27, 2011 in Providence, Rhode Island. Of the 276,158,767 shares outstanding as of the record date, 240,389,315 shares (approximately 87%) were present or represented by proxy at the meeting.

The results of the voting on the matters submitted to the shareholders are as follows:

1. The following persons were elected to serve as directors until the next annual shareholders' meeting and received the votes listed:

	<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Vote</u>
James T. Conway	204,515,287	5,944,022	3,896,211	26,033,795
Paul E. Gagné	195,314,749	15,101,512	3,939,259	26,033,795
Dain M. Hancock	203,499,840	6,831,360	4,024,319	26,033,796
Lloyd G. Trotter	197,299,657	12,969,982	4,085,882	26,033,794

The following directors have terms of office which continued after the meeting: Class I expiring in 2012: Scott C. Donnelly, Lawrence K. Fish and Joe T. Ford and Class II expiring in 2013: Kathleen M. Bader, R. Kerry Clark, Ivor J. Evans, Lord Powell of Bayswater KCMG and James L. Ziemer.

2. The advisory vote on the compensation of our named executive officers, as disclosed in our proxy statement, was approved by the following vote:

For	Against	Abstain	Broker Non-Vote
173,787,999	33,876,953	5,431,267	27,293,096

3. The advisory vote on the frequency of advisory votes on executive compensation received the following votes:

One Year	Two Years	Three Years	Abstain	Broker Non-Vote
187,994,457	1,922,661	18,957,282	5,219,891	26,295,024

In light of these results, and consistent with the Board's recommendation, the Board has determined that Textron will include a shareholder vote on the compensation of its named executive officers in its proxy materials annually until the next required vote on the frequency of shareholder votes on the compensation of executives.

4. The amendment to our Restated Certificate of Incorporation to provide a right for holders that have owned continuously for a period of at least one year not less than 25% of our outstanding shares of common stock to call a special meeting of shareholders was approved by the following vote:

For	Against	Abstain	Broker Non-Vote
231,261,185	4,908,867	3,221,377	0

Also, the amendment to Section 2.03 of our Amended and Restated By-Laws, which was approved by the Board of Directors contingent upon shareholder approval of the special meeting amendment, has become effective; this amendment revises the By-Laws to establish procedures by which 25% shareholders may require our Corporate Secretary to call a special meeting. In addition, the By-Law amendment imposes certain procedural requirements on shareholders requesting such a meeting (including the provision of the same information required for shareholder proposals at annual meetings under our advance notice by-law provisions) and imposes qualifications designed to prevent duplicative and unnecessary meetings by eliminating proposals that:

- are not proper subjects for shareholder action under, or involve a violation of, applicable law;
- are received during the period beginning 90 days prior to the anniversary of the prior annual meeting of shareholders and ending on the date of the next annual meeting of shareholders;
- are substantially similar to another item, other than the election of directors, that was presented at a meeting of shareholders held within the prior 12 months, as determined in good faith by the Board; or
- are substantially similar to another item that is included in our notice as an item of business to be brought before a shareholder meeting that has been called but not yet held or that is called for a date within 90 days of the receipt of the request, as determined in good faith by the Board.

5. The appointment of Ernst & Young LLP by the Audit Committee as Textron's independent registered public accounting firm for 2011 was ratified by the following vote:

For	Against	Abstain	Broker Non-Vote
233,624,826	2,438,471	3,328,128	0

- (b) On April 25, 2011, we entered into a Hangar License and Services Agreement with our Chief Executive Officer's limited liability company under which Mr. Donnelly's LLC subleases a portion of Textron's leased hangar space for his personal airplane and may obtain certain aircraft maintenance and other services from Textron for his aircraft. Fees for hangar space, maintenance, fuel and all other services are set at market rates, and Mr. Donnelly fully reimburses us at such market rates and for any expenses incurred by the company. We also entered into a Hangar License and Services Agreement on the same date with our Chief Financial Officer's limited liability company under which Mr. Connor's LLC leases a portion of our hangar

space for his personal airplane at a market rate. No other services are currently provided with respect to Mr. Connor's aircraft

Item 6. EXHIBITS

- 3.1 Certificate of Amendment of Restated Certificate of Incorporation of Textron Inc., filed with the Secretary of State of Delaware on April 27, 2011
- 3.2 Amended and Restated By-Laws of Textron Inc., effective April 28, 2010 and as further amended April 27, 2011
- 10.1 Hangar License and Services Agreement made and entered into on April 25, 2011 to be effective as of December 5, 2010, between Textron Inc. and Mr. Donnelly's limited liability company
- 10.2 Hangar License and Services Agreement made and entered into on April 25, 2011 to be effective as of December 5, 2010, between Textron Inc. and Mr. Connor's limited liability company
- 12.1 Computation of ratio of income to fixed charges of Textron Inc. Manufacturing Group
- 12.2 Computation of ratio of income to fixed charges of Textron Inc. including all majority-owned subsidiaries
- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101 The following materials from Textron Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Cash Flows and (iv) Notes to the Consolidated Financial Statements, tagged as blocks of text.

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.

Date: April 28, 2011

TEXTRON INC.

/s/Richard L. Yates

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

LIST OF EXHIBITS

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**STATE OF DELAWARE
CERTIFICATE OF AMENDMENT OF
RESTATED CERTIFICATE OF INCORPORATION**

TEXTRON INC., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (hereinafter, the "Corporation"), DOES HEREBY CERTIFY:

FIRST: That at a meeting of the Board of Directors of the Corporation held on December 1, 2010, a resolution was duly adopted declaring an amendment to the Corporation's Restated Certificate of Incorporation to be advisable and appropriate for consideration by the stockholders at the 2011 annual meeting of stockholders of the Corporation. The text of the proposed amendment subsequently approved by the Board of Directors is as follows:

RESOLVED, that Article SEVENTH of the Restated Certificate of Incorporation of Textron Inc. shall be amended by adding the following language:

A special meeting of the stockholders for any purpose or purposes proper under applicable law may be called at any time by (i) the Chief Executive Officer; or (ii) the Board of Directors; or (iii) the Corporate Secretary of the Corporation at the written request of one or more holders of record of the Corporation that have owned continuously for a period of at least one year at least twenty-five percent (25%) of the outstanding shares of Common Stock of the Corporation, provided such request complies with the form and terms, conditions, procedures or limitations as maybe set forth in the By-Laws of the Corporation, as may be amended from time to time.

SECOND: That thereafter, pursuant to resolution of its Board of Directors, the 2011 annual meeting of stockholders was duly called and held on April 27, 2011 upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, at which meeting the necessary number of shares as required by statute were voted in favor of the aforesaid amendment.

THIRD: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, TEXTRON INC. has caused this Certificate to be executed by its Executive Vice President, General Counsel and Corporate Secretary, and attested by its Assistant Secretary, on this 27th day of April, 2011.

TEXTRON INC.

By: /s/Terrence O'Donnell
Terrence O'Donnell
Executive Vice President, General
Counsel and Corporate Secretary

Attest:

/s/Ann T. Willaman
Ann T. Willaman
Assistant Secretary

TEXTRON INC.
(a Delaware corporation)

AMENDED AND RESTATED BY-LAWS

Effective April 28, 2010 and

As Further Amended April 27, 2011

ARTICLE I.

Offices.

Section 1.01. *Registered Office.* The registered office of the Corporation in the State of Delaware shall be at No. 1209 Orange Street, City of Wilmington, County of New Castle. The name of the resident agent in charge thereof shall be The Corporation Trust Company.

Section 1.02. *Other Offices.* The Corporation may also have an office or offices in the City of Providence, State of Rhode Island, and at such other place or places either within or without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation require.

ARTICLE I I.

Meetings of Stockholders.

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

Section 2.02. *Annual Meetings.* (a) The annual meeting of the stockholders for the election of directors and for the transaction of such other business as properly may come before the meeting shall be held on such day, at such time and in such place (either within or without the State of Delaware) as shall be fixed by the Board of Directors.

(b) If the election of directors shall not be held on the day fixed by the Board of Directors for any annual meeting, or on the day of any adjourned session thereof, the Board of Directors shall cause the election to be held at a special meeting as soon thereafter as conveniently may be. At such special meeting the stockholders may elect the directors and transact other business with the same force and effect as at an annual meeting duly called and held.

Section 2.03. *Special Meetings.* (a) A special meeting of the stockholders for any purpose or purposes proper under applicable law may be called at any time by (i) the Chief Executive Officer, (ii) the Board of Directors or (iii) the Secretary of the Corporation at the written request of one or more holders of record of the Corporation that have owned continuously for a period of at least one year at least twenty-five percent (25%) (the "Requisite Percent") of the outstanding shares of common stock of the Corporation, provided a special meeting called at the request of one or more stockholders (a "Stockholder Requested Special Meeting") shall be called by the Secretary of the Corporation only if such request complies with Sections 2.03(b) hereof. The business which may be transacted at a special meeting is limited to that set forth in the notice of special meeting and, if the notice so provides, such other matters as the Chief Executive Officer or the Board of Directors may bring before the meeting.

(b) (1) In order for a Stockholder Requested Special Meeting to be called by the Secretary, one or more written requests for a special meeting (individually or collectively, a "Special Meeting Request") signed and dated by the stockholders of record that own the Requisite Percent of common stock of the Corporation (or their duly authorized agents), must be delivered to the Secretary at the principal executive offices of the Corporation and must set forth:

- (i) as to each stockholder of the Corporation signing such request (or on whose behalf such request is signed) and the beneficial owner(s), if any, on whose behalf such request is made, the information required under Section 2.04(c)(iii), (iv) and (v) of these By-Laws, and an affidavit by each such person stating the number of shares of common stock of the Corporation that it has owned for at least one year as of such date;
- (ii) in the case of any director nominations proposed to be presented at such Stockholder Requested Special Meeting, the information required by Section 2.04(c)(i);
- (iii) in the case of any matter (other than a director nomination) proposed to be conducted at such Stockholder Requested Special Meeting, the information required by Section 2.04(c)(ii); and
- (iv) an acknowledgement by the requesting stockholders and the beneficial owners, if any, on whose behalf the Special Meeting Request is being made that such Special Meeting Request shall be deemed to be revoked (and any meeting scheduled in response may be cancelled) if such requesting stockholders do not own at least the Requisite Percent at all times between the date on which such Special Meeting Request is delivered and the date of the applicable Stockholder Requested Special Meeting and an agreement by such stockholder(s) to notify the Corporation immediately in the case of any disposition of shares of common stock of the Corporation resulting in such revocation.

One or more written requests for a special meeting delivered to the Secretary shall constitute a valid Special Meeting Request only if each such written request satisfies the requirements set forth above and has been dated and delivered to the Secretary within sixty days of the earliest dated of such requests. If the record holder is not the signatory to the Special Meeting Request, such Special Meeting Request will not be valid unless documentary evidence is supplied to the Secretary at the time of delivery of such Special Meeting Request (or within ten business days thereafter) of such signatory's authority to execute the Special Meeting Request on behalf of the record holder. Any requesting stockholder may revoke his, her or its Special Meeting Request at any time by written revocation delivered to the Secretary at the principal executive offices of the Corporation; provided, however, that if following such revocation (or any deemed revocation pursuant to clause (iii) above), the unrevoked valid Special Meeting Requests represent in the aggregate less than the Requisite Percent, there shall be no requirement to hold a special meeting. The determination of the validity of a Special Meeting Request shall be made in good faith by the Board of Directors, which determination shall be conclusive and binding on the Corporation and the stockholders and the date of such determination is referred to herein as the "Request Receipt Date".

(2) A Special Meeting Request shall not be valid if:

- (i) the Special Meeting Request relates to an item of business that is not a proper subject for stockholder action under, or involves a violation of, applicable law;
- (ii) the Request Receipt Date occurs during the period commencing ninety days prior to the first anniversary of the date of the most recent annual meeting of stockholders and ending on the date of the next annual meeting of stockholders;
- (iii) the purpose specified in the Special Meeting Request relates to an item of business (other than the election of directors) that is identical or substantially similar (as determined in good faith by the Board of Directors, a "Similar Item") to an item of business that was presented at any meeting of stockholders held within the twelve months prior to the Request Receipt Date; or
- (iv) a Similar Item is included in the Corporation's notice as an item of business to be brought before a stockholder meeting that has been called or that is called for a date within ninety days of the Request Receipt Date.

(3) Any special meeting of stockholders shall be held at such date and time as may be fixed by the Board of Directors in accordance with these By-Laws and in compliance with the Delaware General Corporation Law; provided, however, that a Stockholder Requested Special Meeting shall be called for a date not more than ninety days after the Request Receipt Date unless a later date is required in order to allow the Corporation to file the information required under Schedule 14A under the Securities Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder (the "Exchange Act"), if applicable.

(4) Business transacted at any Stockholder Requested Special Meeting shall be limited to (i) the purpose(s) stated in the valid Special Meeting Request(s) received from the Requisite Percent of record holders and (ii) any

additional matters that the Board of Directors determines to include in the Corporation's notice of the meeting. If none of the stockholders who submitted the Special Meeting Request appears or sends a qualified representative to present the matters to be presented for consideration that were specified in the Stockholder Meeting Request, the Corporation need not present such matters for a vote at such meeting, notwithstanding that proxies in respect of such matter may have been received by the Corporation.

Section 2.04. *Notice of Stockholder Nominations and Other Business.* (a) In order to assure that stockholders and the Corporation have a reasonable opportunity to consider nominations and other business proposed to be brought before a meeting of stockholders and to allow for full information to be distributed to stockholders, at any annual meeting or special meeting of the stockholders only such nominations may be made and only such business shall be conducted as shall have been brought before the meeting pursuant to this Section 2.04 of these Amended and Restated By-Laws ("By-Laws"). Nominations of persons for election to the Board of Directors may be made at an annual meeting of stockholders, a special meeting held in lieu of an annual meeting pursuant to Section 2.02(b), or a special meeting of stockholders at which directors are to be elected that is called by the Chief Executive Officer or by order of the Board of Directors pursuant to Section 2.03, (i) by or at the direction of the Board of Directors or any nominating committee appointed by the Board of Directors or (ii) by any stockholder of the Corporation who shall have been a stockholder of record of the Corporation at the time the notice provided for in this Section 2.04 is delivered to the Corporation, who is entitled to vote at the meeting and who timely complies with the notice procedures set forth in this Section 2.04. Except as otherwise provided by statute, the Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation") or these By-Laws, the only business (other than the nominations of persons for election to the Board of Directors in accordance with the foregoing sentence) which shall be conducted at any annual meeting of the stockholders or special meeting in lieu thereof called pursuant to Section 2.02 (b) of these By-Laws shall be that business brought before the meeting (i) by or at the direction of the Board of Directors or the chairman of the meeting or (ii) by any stockholder of the Corporation who shall have been a stockholder of record of the Corporation at the time the notice provided for in this Section 2.04 is delivered to the Corporation, who is entitled to vote at the meeting and who timely complies with the notice procedures set forth in this Section 2.04, and such other business must be a proper subject for stockholder action under the Delaware General Corporation Law.

(b) To be timely in the case of an annual meeting, the stockholder's notice provided for in this Section 2.04 must be received at the principal executive offices of the Corporation not later than the close of business on the 90th day nor earlier than the close of business on the 150th day prior to the anniversary date of the immediately preceding annual meeting of stockholders, provided, however, that in the event the annual meeting is called for a date that is more than 30 days before or more than 60 days after such anniversary date, such notice must be so received not later than the close of business on the 90th day before the date of such annual meeting or the 10th day following the day on which public disclosure of the date of the annual meeting was first made, whichever occurs later. To be timely in the case of a special meeting (including a special meeting held in lieu of an annual meeting) that is called for a date that is more than 30 days before or more than 60 days after the anniversary date of the immediately preceding annual meeting of stockholders, such notice must be received at the principal executive offices of the Corporation not later than the close of business on the 90th day before the date of such special meeting or the 10th day following the day on which public disclosure of the date of the special meeting was first made, whichever occurs later, and otherwise must be received at the principal executive offices of the Corporation not later than the close of business on the date by which a notice must be received with respect to the annual meeting. In no event shall the public announcement of a postponement or adjournment of an annual meeting or a special meeting commence a new period for the giving of a stockholder's notice as described above.

(c) The stockholder's notice provided for in this Section 2.04 shall be addressed and delivered to the Secretary and shall set forth:

(i) as to each person whom the stockholder proposes to nominate for election or reelection as a director (A) the name, age, business address and residence address of the person; (B) the principal occupation or employment of the person; (C) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person; and (D) any other information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Regulation 14A under the Securities Exchange Act of 1934 (the "Exchange Act");

(ii) as to any business (other than the nominations of persons for election to the Board of Directors) that the stockholder proposes to bring before the meeting (A) a description of each item of business proposed to be brought before the meeting; (B) the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these By-Laws, the language of the proposed amendment); (C) the reasons for conducting such business at the meeting; and (D) any material interest in such business of such stockholder and the beneficial owner (within the meaning of Section 13(d) of the Exchange Act), if any, on whose behalf the business is being proposed, including any benefit that such person would derive therefrom;

(iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or other business is being proposed (A) the name and address of the stockholder as they appear on the Corporation's books and the name and address of the beneficial owner; (B) the class or series and number of shares of stock of the Corporation held of record by such stockholder and such beneficial owner as of the date of such notice by the stockholder, and a representation that the stockholder will notify the Corporation in writing within five business days after the record date for the meeting of the class or series and number of shares of stock of the Corporation owned of record by the stockholder and such beneficial owner as of the record date for the meeting; and (C) a representation that such stockholder intends to appear in person or by proxy at the meeting to propose such nomination or other business; and

(iv) as to the stockholder giving the notice or, if the notice is given on behalf of a beneficial owner on whose behalf the nomination or other business is being proposed, as to such beneficial owner (A) the class or series and number of shares of stock of the Corporation which are beneficially owned by such stockholder or beneficial owner as of the date of the notice, and a representation that the stockholder will notify the Corporation in writing within five business days after the record date for the meeting of the class or series and number of shares of stock of the Corporation beneficially owned by such stockholder or beneficial owner as of the record date for the meeting; (B) a description of any agreement, arrangement or understanding with respect to such nomination or other business between or among such stockholder or beneficial owner and any other person or persons (naming such persons), including without limitation any agreements that would be required to be disclosed pursuant to Item 5 or Item 6 of Exchange Act Schedule 13D (regardless of whether the requirement to file a Schedule 13D is applicable to the stockholder or beneficial owner) and a representation that the stockholder will notify the Corporation in writing within five business days after the record date for the meeting of any such agreement, arrangement or understanding in effect as of the record date for the meeting; (C) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, swaps, hedging transactions, and borrowed or loaned shares) that has been entered into and is in existence as of the date of the stockholder's notice by, or on behalf of, such stockholder or beneficial owner, the effect or intent of which is to mitigate loss, manage risk or benefit from changes in the share price of any class of the Corporation's capital stock, or increase or decrease the voting power of the stockholder or beneficial owner with respect to shares of stock of the Corporation or pursuant to which such stockholder or beneficial owner has a right to vote any stock of the Corporation, and a representation that the stockholder will notify the Corporation in writing within five business days after the record date for the meeting of any such agreement, arrangement or understanding in effect as of the record date for the meeting; (D) a representation as to whether the stockholder or the beneficial owner will engage in a solicitation with respect to such nomination or proposal and, if so, the name of each participant (as defined in Item 4 of Schedule 14A under the Exchange Act) in such solicitation and whether such person intends or is part of a group that intends to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the business to be proposed (in person or by proxy) by the stockholder; and (E) all other information which would be required to be included in a proxy statement filed with the Securities and Exchange Commission if, with respect to any such item of business, such stockholder or beneficial owner were a participant in a solicitation subject to Section 14 of the Securities Exchange Act; and

(v) as to the stockholder giving the notice and the beneficial owners, if any, on whose behalf the nomination or other business is being proposed, such stockholder's and beneficial owner's written consent to the public disclosure of information provided pursuant to paragraph (c) of this Section 2.04.

In the case of nominations, such notice must be accompanied by the written consent of each proposed nominee to being named as a nominee and to serve as a director of the Corporation if so elected. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation including information relevant to a determination whether such proposed nominee can be considered an independent director.

(d) The foregoing notice requirements of this Section 2.04 shall not apply to a stockholder if the stockholder has notified the Corporation of his or her intention to present a stockholder proposal at an annual meeting only pursuant to and in compliance with Rule 14a-8 under the Exchange Act and such stockholder proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such meeting.

(e) The Chairman of the Board of Directors may, if the facts warrant, determine that a notice received by the Corporation relating to a nomination proposed to be made or an item of business proposed to be introduced at a meeting of stockholders does not satisfy the requirements of this Section 2.04 (including if the stockholder does not provide the information and representations required under Section 2.04 (c)(iii)(B) and 2.04(c)(iv)(A)-(C) to the Corporation within five business days following the record date for the meeting), and if it be so determined, shall so declare and any such nomination or other business shall not be introduced at such meeting of stockholders, notwithstanding that proxies in respect of such matters may have been received. The chairman of a meeting of stockholders may, if the facts warrant, determine that a nomination proposed to be made or an item of business proposed to be introduced at such meeting was not properly brought before the meeting in accordance with the foregoing procedures (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's nominee or proposal in compliance with such stockholder's representation as required by Section 2.04 (c)(iv), and if it be so determined, the chairman of the meeting shall so declare to the meeting and that nomination or other business shall be disregarded. Notwithstanding the foregoing provisions of this Section 2.04, unless otherwise required by law, if the stockholder does not appear in person or by proxy at the meeting to present the nomination or proposed business, such nomination or other business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

(f) Notwithstanding the foregoing provisions of this Section 2.04, a stockholder in addition shall comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 2.04.

Section 2.05. *Notice of Meetings.* (a) Except as otherwise required by statute, notice of each annual or special meeting of the stockholders shall be given to each stockholder of record entitled to vote at such meeting not less than ten days nor more than sixty days before the day on which the meeting is to be held by delivering written notice thereof to such stockholder personally or by mailing such notice, postage prepaid, addressed to such stockholder at the stockholder's post-office address last shown in the records of the Corporation or by transmitting notice thereof to such stockholder by any other available method. Every such notice shall state the time and place of the meeting and, in case of a special meeting, shall state briefly the purposes thereof.

(b) Except as otherwise required by statute, notice of any meeting of stockholders shall not be required to be given to any stockholders who shall attend such meeting in person or by proxy or who shall waive such notice in writing or by electronic transmission either before or after such meeting. Notice of any adjourned meeting of the stockholders shall not be required to be given except when expressly required by statute.

Section 2.06. *Quorum.* (a) At each meeting of the stock holders, except as otherwise provided by statute, the Certificate of Incorporation or these By-Laws, the holders of record of a majority of the issued and outstanding shares of stock of the Corporation entitled to vote at such meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business.

(b) In the absence of a quorum a majority in interest of the stockholders of the Corporation entitled to vote, present in person or represented by proxy or, in the absence of all such stockholders, any officer entitled to preside at, or act as secretary of, such meeting, shall have the power to adjourn the meeting from time to time, until stockholders holding the requisite amount of stock shall be present or represented. At any such adjourned meeting at which a quorum shall be present any business may be transacted which might have been transacted at the meeting as originally called.

Section 2.07. *Organization.* At each meeting of the stockholders the Chairman of the Board or, in his or her absence, the Chief Executive Officer or, in the absence of the Chairman of the Board and the Chief Executive Officer, the Lead Director or, in the absence of the Chairman of the Board, the Chief Executive Officer and the Lead Director, the Vice Chairman of the Board or, in the absence of the Chairman of the Board, the Chief Executive

Officer, the Lead Director and the Vice Chairman of the Board, the President or any Vice President or, in the absence of all such officers, a chairman chosen by a majority vote of the stockholders entitled to vote thereat, present in person or by proxy, shall act as chairman, and the Secretary or an Assistant Secretary of the Corporation or, in the absence of the Secretary and all Assistant Secretaries, a person whom the chairman of such meeting shall appoint shall act as secretary of the meeting and keep the minutes thereof.

Section 2.08. *Voting.* (a) Except as otherwise provided by statute, the Certificate of Incorporation or these By-Laws, at every meeting of the stockholders each stockholder shall be entitled to one vote, in person or by proxy, for each share of capital stock of the Corporation registered in such stockholder's name on the books of the Corporation:

(i) on the date fixed pursuant to Section 8.03 of these By-Laws as the record date for the determination of stockholders entitled to vote at such meeting; or

(ii) if no such record date shall have been fixed, then the record date shall be at the close of business on the day next preceding the day on which notice of such meeting is given.

(b) Persons holding stock in a fiduciary capacity shall be entitled to vote the shares so held. In the case of stock held jointly by two or more executors, administrators, guardians, conservators, trustees or other fiduciaries, such fiduciaries may designate in writing one or more of their number to represent such stock and vote the shares so held, unless there is a provision to the contrary in the instrument, if any, defining their powers and duties. (c) Persons whose stock is pledged shall be entitled to vote thereon until such stock is transferred on the books of the Corporation to the pledgee, and thereafter only the pledgee shall be entitled to vote. (d) Any stockholder entitled to vote may do so in person or by such stockholder's proxy appointed by an instrument in writing subscribed by such stockholder or by such stockholder's attorney thereunto authorized, or by a telegram, cable or any other available method delivered to the secretary of the meeting; provided, however, that no proxy shall be voted after three years from its date, unless said proxy provides for a longer period. (e) At all meetings of the stockholders, all matters (except as otherwise provided by statute, the Certificate of Incorporation or these By-Laws) shall be decided by the vote of a majority in interest of the stockholders entitled to vote thereon, present in person or by proxy, at such meeting, a quorum being present.

Section 2.09. *Voting Procedures and Inspectors of Elections.* (a) The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. (b) The inspectors shall (i) ascertain the number of shares outstanding and the voting power of each, (ii) determine the shares represented at a meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors. (c) The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting. No ballot, proxies or votes, nor any revocations thereof or changes thereto, shall be accepted by the inspectors after the closing of the polls unless the Delaware Court of Chancery upon application by a stockholder shall determine otherwise.

Section 2.10. *List of Stockholders.* (a) It shall be the duty of the Secretary or other officer of the Corporation who shall have charge of its stock ledger to prepare and make, or cause to be prepared and made, at least ten days before every meeting of the stockholders, a complete list of the stockholders entitled to vote thereat, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open during ordinary business hours to the examination of any stockholder for any purpose germane to the meeting for a period of at least ten days prior to the meeting, either on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or during ordinary business hours at the principal place of business of the Corporation. (b) Such list shall be produced and kept at the time and place of the meeting during the whole time thereof and may be

inspected by any stockholder who is present. (c) Upon the willful neglect or refusal of the directors to produce such list at any meeting for the election of directors they shall be ineligible for election to any office at such meeting. (d) The stock ledger shall be conclusive evidence as to who are the stockholders entitled to examine the stock ledger and the list of stockholders required by this Section 2.10 on the books of the Corporation or to vote in person or by proxy at any meeting of stockholders.

ARTICLE I II.

Board of Directors.

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

Section 3.02. *Number, Qualifications and Term of Office.* (a) The number of directors of the Corporation which shall constitute the whole Board of Directors shall be such number as from time to time shall be fixed by the Board of Directors in accordance with the Certificate of Incorporation. (b) No person shall be elected a director who has attained the age of 72. (c) Each director shall hold office as set forth in the Certificate of Incorporation.

Section 3.03. *Election.* At each meeting of the stockholders for the election of directors at which a quorum is present, each director shall be elected by the vote of the majority of the votes cast; provided, that if the number of nominees exceeds the number of directors to be elected, based on nominations expected as of the record date for such meeting to be made by or at the direction of the Board of Directors or to be brought before the meeting by a stockholder who has given notice thereof or otherwise, the directors, not exceeding the authorized number of directors as fixed by the Board of Directors in accordance with the Certificate of Incorporation, receiving the greatest number of votes of the stockholders entitled to vote thereon, present in person or by proxy, shall be the directors for the term as set forth in the Certificate of Incorporation. For purposes of this Section 3.03, a majority of the votes cast means that the number of shares voted "for" a director must exceed the number of shares voted "against" that director. The Nominating and Corporate Governance Committee (or comparable committee of the Board) shall establish procedures under which any director who is not elected shall offer to tender his or her resignation to the Board and under which such committee and the Board shall consider and determine whether to accept or reject the resignation. If, for any cause, the Board of Directors shall not have been elected at an annual meeting, they may be elected thereafter at a special meeting of the stockholders called for that purpose in the manner provided in these By-Laws.

Section 3.04. *Quorum and Manner of Acting.* (a) Except as otherwise provided by statute, the Certificate of Incorporation or these By-Laws, a majority of the directors at the time in office shall constitute a quorum for the transaction of business at any meeting and the affirmative action of a majority of the directors present at any meeting at which a quorum is present shall be required for the taking of any action by the Board of Directors. (b) If one or more of the directors shall be disqualified to vote at such meeting, then the required quorum shall be reduced by one for each such director so disqualified; provided, however, that in no event shall the quorum as adjusted be less than one third of the total number of directors. (c) In the absence of a quorum at any meeting of the Board such meeting need not be held, or a majority of the directors present thereat or, if no director be present, the Secretary may adjourn such meeting from time to time until a quorum shall be present. Notice of any adjourned meeting need not be given. (d) From time to time, the independent directors may elect, from among their number, a Lead Director who shall perform such duties as shall be assigned to him or her by the Board of Directors.

Section 3.05. *Offices, Place of Meeting and Records.* The Board of Directors may hold meetings, have an office or offices and keep the books and records of the Corporation at such place or places within or without the State of Delaware as the Board may from time to time determine. The place of meeting shall be specified or fixed in the respective notices or waivers of notice thereof, except as otherwise provided by statute, the Certificate of Incorporation or these By-Laws.

Section 3.06. *Annual Meeting.* The Board of Directors shall meet for the purpose of organization, the election of officers and the transaction of other business, as soon as practicable following each annual election of directors.

Such meeting shall be called and held at the place and time specified in the notice or waiver of notice thereof as in the case of a special meeting of the Board of Directors.

Section 3.07. *Regular Meetings.* Regular meetings of the Board of Directors shall be held at such places and at such times as the Board shall from time to time by resolution determine. If any day fixed for a regular meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting which would otherwise be held on that day shall be held at said place at the same hour on the next succeeding business day. Notice of regular meetings need not be given.

Section 3.08. *Special Meetings; Notice.* Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board, the Lead Director or the Chief Executive Officer or by any two of the directors. Notice of each such meeting shall be mailed to each director, addressed to him or her at his or her residence or usual place of business, at least three days before the day on which the meeting is to be held, or shall be sent to him or her at his or her residence or at such place of business by other available means, or shall be delivered personally, by telephone or by electronic transmission, not later than two days (or such shorter period as the person or persons calling such meeting may deem necessary or appropriate in the circumstances) before the day on which the meeting is to be held. Each such notice shall state the time and place of the meeting but need not state the purposes thereof except as otherwise herein expressly provided. Notice of any such meeting need not be given to any director, however, if waived by him or her in writing or otherwise, whether before or after such meeting shall be held, or if he or she shall be present at such meeting.

Section 3.09. *Organization.* At each meeting of the Board of Directors, the Chairman of the Board or, in his or her absence, the Lead Director or, in the absence of each of them, the Chief Executive Officer, if the Chief Executive Officer is then serving on the Board, or, in the absence of each of them, the Vice Chairman of the Board or, in the absence of all such officers, a director chosen by a majority of the directors present shall act as chairman. The Secretary or, in his or her absence an Assistant Secretary or, in the absence of the Secretary and all Assistant Secretaries, a person whom the chairman of such meeting shall appoint shall act as secretary of such meeting and keep the minutes thereof.

Section 3.10. *Order of Business.* At all meetings of the Board of Directors business shall be transacted in the order determined by the Board.

Section 3.11. *Chairman of the Board.* The Chairman of the Board shall, when present, preside at all meetings of the Board of Directors and at all meetings of the stockholders and shall have such additional powers and shall perform such further duties as may from time to time be assigned to him or her by the Board of Directors or the Executive Committee.

Section 3.12. *Vice Chairman of the Board.* The Vice Chairman of the Board shall, in the absence of the Chairman of the Board, the Lead Director and the President, if the President is then serving on the Board, preside at all meetings of the Board of Directors, and, in the absence of the Chairman of the Board, the President and the Lead Director, at all meetings of the stockholders and shall have such powers and shall perform such further duties as may from time to time be assigned to him or her by the Board of Directors or the Executive Committee.

Section 3.13. *Removal of Directors.* Any director may be removed, with or without cause, at any time, by the affirmative vote of the holders of record of a majority of the issued and outstanding stock entitled to vote for the election of directors of the Corporation given at a special meeting of the stockholders called and held for the purpose; and the vacancy in the Board caused by any such removal may be filled by the Board in the manner provided in the Certificate of Incorporation.

Section 3.14. *Resignation.* Any director of the Corporation may resign at any time by giving written notice of his or her resignation to the Board of Directors or to the Chairman of the Board, the Vice Chairman of the Board, the President or the Secretary of the Corporation. Such resignation shall take effect at the date of receipt of such notice unless a later time is specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.15. *Vacancies.* Any vacancy in the Board of Directors caused by death, resignation, removal, disqualification, an increase in the number of directors, or any other cause may be filled by the remaining directors then in office as set forth in the Certificate of Incorporation. Each director so elected shall hold office as set forth in the Certificate of Incorporation.

Section 3.16. *Compensation.* Each director, in consideration of his or her serving as such, shall be entitled to receive from the Corporation such amount per annum or such fees for attendance at directors' meetings, or both, as the Board of Directors shall from time to time determine, together with reimbursement for the reasonable expenses incurred by him or her in connection with the performance of his or her duties; provided that nothing herein contained shall be construed to preclude any director from serving the Corporation or its subsidiaries in any other capacity and receiving proper compensation therefore.

ARTICLE IV .

Committees.

Section 4.01. *Executive Committee.* (a) The Board of Directors shall, by resolution or resolutions passed by a majority of the whole Board, appoint an Executive Committee to consist of not less than three nor more than eight members of the Board of Directors, including the Chairman of the Board, and shall designate one of the members as its chairman. Notwithstanding any limitation on the size of the Executive Committee, the Committee may invite members of the Board to attend its meetings. In such case such invitees shall be entitled to vote on matters considered at such meetings and shall receive such fee, if any, as shall be fixed by the Board of Directors for such attendance.

(b) Each member of the Executive Committee shall hold office, so long as he or she shall remain a director, until the first meeting of the Board of Directors held after the next annual election of directors and until his or her successor is duly appointed and qualified. The chairman of the Executive Committee or, in his or her absence, the Chairman of the Board or a member of the Committee chosen by a majority of the members present shall preside at meetings of the Executive Committee and the Secretary or an Assistant Secretary of the Corporation, or such other person as the Executive Committee shall from time to time determine, shall act as secretary of the Executive Committee.

(c) The Board of Directors, by action of the majority of the whole Board, shall fill vacancies in the Executive Committee.

Section 4.02. *Powers.* During the intervals between the meetings of the Board of Directors, the Executive Committee shall have and may exercise all the powers of the Board of Directors in all cases in which specific directions shall not have been given by the Board of Directors; but neither the Executive Committee nor any other committee created under these By-Laws shall have the power or authority to amend the Certificate of Incorporation, adopt an agreement of merger or consolidation, recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommend to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amend the By-Laws of the Corporation; and, unless the resolution, By-Laws, or Certificate of Incorporation expressly so provides, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of Delaware.

Section 4.03. *Procedure; Meetings; Quorum.* The Executive Committee shall fix its own rules of procedure subject to the approval of the Board of Directors, and shall meet at such times and at such place or places as may be provided by such rules. At every meeting of the Executive Committee the presence of a majority of all the members shall be necessary to constitute a quorum and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any resolution. In the absence of a quorum at any meeting of the Executive Committee such meeting need not be held, or a majority of the members present thereat or, if no members be present, the secretary of the meeting may adjourn such meeting from time to time until a quorum be present.

Section 4.04. *Compensation.* Each member of the Executive Committee shall be entitled to receive from the Corporation such fee, if any, as shall be fixed by the Board of Directors, together with reimbursement for the reasonable expenses incurred by him or her in connection with the performance of his or her duties.

Section 4.05. *Other Board Committees.* The Board of Directors may from time to time, by resolution passed by a majority of the whole Board, designate one or more committees in addition to the Executive Committee, each committee to consist of two or more of the directors of the Corporation. Any such committee, to the extent provided in the resolution or in the By-Laws of the Corporation, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation.

A majority of all the members of any such committee may determine its action and fix the time and place of its meetings, unless the Board of Directors shall otherwise provide. The Board of Directors shall have power to change the members of any committee at any time, to fill vacancies and to discharge any such committee, either with or without cause, at any time.

Section 4.06. *Alternates.* The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more directors as alternate members of any committee who may replace any absent or disqualified member at any meeting of the committee; provided, however, that in the absence of any such designation of alternates the member or members of any committee present at any meeting and not disqualified from acting, whether or not he, she or they constitute a quorum, may unanimously appoint another member to the Board to act at the meeting in the place of any absent or disqualified member.

Section 4.07. *Additional Committees.* The Board of Directors may from time to time create such additional committees of directors, officers, employees or other persons designated by it (or any combination of such persons) for the purpose of advising the Board, the Executive Committee and the officers and employees of the Corporation in all such matters as the Board shall deem advisable and with such functions and duties as the Board shall by resolutions prescribe.

A majority of all the members of any such committee may determine its action and fix the time and place of its meetings, unless the Board of Directors shall otherwise provide. The Board of Directors shall have power to change the members of any committee at any time, to fill vacancies and to discharge any such committee, either with or without cause, at any time.

ARTICLE V .

Action by Consent or Telephone.

Section 5.01. *Consent of Directors.* Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if prior to such action a written consent thereto is signed by all members of the Board or of such committee, as the case may be, and such written consent is filed with the minutes of the proceedings of the Board or such committee.

Section 5.02. *Telephone Meetings.* Members of the Board of Directors or any committee designated by the Board of Directors may participate in a meeting of such Board or Committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other.

ARTICLE V I.

Officers .

Section 6.01. *Number.* The principal officers of the Corporation shall be a Chief Executive Officer, a President, one or more Vice Presidents (the number thereof and variations in title to be determined by the Board of Directors), a Treasurer and a Secretary. In addition, there may be such other or subordinate officers, agents and employees as

may be appointed in accordance with the provisions of Section 6.03. Any two or more offices, except those of President and Secretary, may be held by the same person.

Section 6.02. *Election, Qualifications and Term of Office.* Each officer of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 6.03, shall be elected annually by the Board of Directors and shall hold office until his or her successor shall have been duly elected and qualified, or until his or her death, or until he or she shall have resigned or shall have been removed in the manner herein provided.

Section 6.03. *Other Officers.* The Corporation may have such other officers, agents, and employees as the Board of Directors may deem necessary including a Controller, one or more Assistant Controllers, one or more Assistant Treasurers and one or more Assistant Secretaries, each of whom shall hold office for such period, have such authority, and perform such duties as the Board of Directors, the Chief Executive Officer or the President may from time to time determine. The Board of Directors may delegate to any principal officer the power to appoint or remove any such subordinate officers, agents or employees.

Section 6.04. *Removal.* Any officer may be removed, either with or without cause, by the vote of a majority of the whole Board of Directors or, except in case of any officer elected by the Board of Directors, by any committee or officer upon whom the power of removal may be conferred by the Board of Directors.

Section 6.05. *Resignation.* Any officer may resign at any time by giving written notice to the Board of Directors, the Chief Executive Officer or the President. Any such resignation shall take effect at the date of receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6.06. *Vacancies.* A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled for the unexpired portion of the term in the manner prescribed in these By-Laws for regular election or appointment to such office.

Section 6.07. *Chief Executive Officer.* The Chief Executive Officer of the Corporation shall, subject to the provisions of these By-Laws and the control of the Board of Directors, have direct charge of the business and affairs of the Corporation. He or she shall, in the absence of the Chairman of the Board and the Lead Director, preside at all meetings of the Board of Directors, if the Chief Executive Officer is then serving on the Board, and, in the absence of the Chairman of the Board, at all meetings of the stockholders, and shall perform all duties incident to the office of chief executive and such other duties as from time to time may be assigned to him or her by the Board of Directors. The Chief Executive Officer shall report directly to the Board of Directors and shall have the right to delegate any of his or her powers to any other officer or employee.

Section 6.08. *President.* The President shall have general direction of the operations of the Corporation, subject to the control of the Board of Directors, the Executive Committee and/or the Chief Executive Officer of the Corporation. He or she shall have such additional powers and shall perform such further duties as may from time to time be assigned to him or her by the Board of Directors, the Executive Committee or the Chief Executive Officer of the Corporation.

Section 6.09. *Vice Presidents.* Each Vice President shall have such powers and perform such duties as the Board of Directors or the Executive Committee may from time to time prescribe or as shall be assigned to him or her by the Chief Executive Officer or the President.

Section 6.10. *Treasurer.* The Treasurer shall have charge and custody of, and be responsible for, all funds and securities of the Corporation, and shall deposit all such funds to the credit of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of these By-Laws; he or she shall disburse the funds of the Corporation as may be ordered by the Board of Directors or the Executive Committee, making proper vouchers for such disbursements, and shall render to the Board of Directors or the stockholders, whenever the Board may require him or her so to do, a statement of all his or her transactions as Treasurer or the financial condition of the Corporation; and, in general, he or she shall perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the Board of Directors, any Committee of the Board designated by it so to act or the Chief Executive Officer or the President.

Section 6.11. *Secretary.* The Secretary shall record or cause to be recorded in books provided for the purpose the minutes of the meetings of the stockholders, the Board of Directors, and all committees of which a secretary shall not have been appointed; shall see that all notices are duly given in accordance with the provisions of these By-Laws and as required by law; shall be custodian of all corporate records (other than financial) and of the seal of the Corporation and see that the seal is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these By-Laws; shall keep, or cause to be kept, the list of stockholders as required by Section 2.10, which includes the post-office addresses of the stockholders and the number of shares held by them, respectively, and shall make or cause to be made, all proper changes therein, shall see that the books, reports, statements, certificates and all other documents and records required by law are properly kept and filed; and, in general, shall perform all duties incident to the office of Secretary and such other duties as may from time to time be assigned to him or her by the Board of Directors, the Executive Committee or the Chief Executive Officer or the President.

Section 6.12. *Controller.* The Controller shall be in charge of the books and records of account of the Corporation and of its statistical records. He or she shall keep or cause to be kept, at such office or offices as the Board of Directors may from time to time designate, complete and accurate accounts of all assets, liabilities, receipts, disbursements and other transactions of the Corporation; shall cause regular audits of such books and records to be made; shall be responsible for the preparation and filing of all reports and actions related to or based upon the books and records of the Corporation; shall render financial statements at the annual meeting of stockholders, if called upon so to do, or at the request of any director or the Board of Directors; shall render to the Board of Directors such statistical reports and analyses as the Board from time to time may require; and, in general, shall perform all the duties incident to the office of Controller and such other duties as from time to time may be assigned to him or her by the Board of Directors, the Executive Committee or the Chief Executive Officer or the President.

Section 6.13. *Salaries.* The salaries of the principal officers of the Corporation shall be fixed from time to time by the Board of Directors or an appropriate Committee of the Board, and none of such officers shall be prevented from receiving a salary by reason of the fact that he or she is also a director of the Corporation.

ARTICLE VII .

Contracts, Checks, Drafts, Bank Accounts, Etc.

Section 7.01. *Execution of Contracts.* Unless the Board of Directors or the Executive Committee shall otherwise determine, the Chief Executive Officer, the President, any Vice President or the Treasurer and the Secretary or any Assistant Secretary may enter into any contract or execute any contract or other instrument, the execution of which is not otherwise specifically provided for, in the name and on behalf of the Corporation. The Board of Directors, or any committee designated thereby with power so to act, except as otherwise provided in these By-Laws, may authorize any other or additional officer or officers or agent or agents of the Corporation to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation, and such authority may be general or confined to specific instances. Unless authorized so to do by these By-Laws or by the Board of Directors or by any such committee, no officer, employee or agent shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

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

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

Section 7.04. *Deposits.* All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors or Executive Committee or other committee designated by the Board so to act may from time to time designate, or as may be designated by any officer or officers or agent or agents of the Corporation to whom such power may be delegated by the Board of Directors or Executive Committee or other committee designated by the Board so to act and, for the purpose of such deposit and for the purposes of collection for the account of the Corporation, all checks, drafts, and other orders for the payment of money which are payable to the order of the Corporation may be endorsed, assigned and delivered by any officer, agent or employee of the Corporation or in such other manner as may from time to time be designated or determined by resolution of the Board of Directors or Executive Committee or other committee designated by the Board so to act.

Section 7.05. *Proxies in Respect of Securities of Other Corporations.* Unless otherwise provided by resolution adopted by the Board of Directors or the Executive Committee or other committee so designated to act by the Board, the Chief Executive Officer or the President or any Vice President may from time to time appoint an attorney or attorneys or agent or agents of the Corporation, in the name and on behalf of the Corporation, to cast the votes which the Corporation may be entitled to cast as the holder of stock or other securities in any other corporation, association or trust any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporation, association or trust, or to consent in writing, in the name of the Corporation as such holder, to any action by such other corporation, association or trust, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, all such written proxies or other instruments as he or she may deem necessary or proper in the premises.

ARTICLE VIII .

Books and Records.

Section 8.01. *Place.* The books and records of the Corporation may be kept at such places within or without the State of Delaware as the Board of Directors may from time to time determine. The stock record books and the blank stock certificate books shall be kept by the Secretary or by any other officer or agent designated by the Board of Directors.

Section 8.02. *Addresses of Stockholders.* Each stockholder shall furnish to the Secretary of the Corporation or to the transfer agent of the Corporation an address at which notices of meetings and all other corporate notices may be served upon or mailed to such stockholder, and if any stockholder shall fail to designate such address, corporate notices may be served upon such stockholder by mail, postage prepaid, to such stockholder at the post-office address last known to the Secretary or to the transfer agent of the Corporation or by transmitting a notice thereof to such stockholder at such address by other available method.

Section 8.03. *Record Dates.* The Board of Directors may fix in advance a date, not exceeding sixty days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of any rights, or the date when any change or conversion or exchange of capital stock of the Corporation shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting or any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any change, conversion or exchange of capital stock of the Corporation, or to give such consent, and in each such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to notice of, or to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to

receive such allotment of rights, or to exercise such rights or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

Section 8.04. *Audit of Books and Accounts.* The books and accounts of the Corporation shall be audited at least once in each fiscal year by independent public accountants of good standing, appointed by the Audit Committee (or comparable committee) of the Board.

ARTICLE IX .

Shares and Their Transfer.

Section 9.01. *Certificates of Stock.* Every owner of stock of the Corporation shall be entitled to have a certificate certifying the number of shares owned by such stockholder in the Corporation and designating the class of stock to which such shares belong. Such certificate shall otherwise be in such form as the Board of Directors shall prescribe from time to time, provided that the Board of Directors may provide by resolution that some or all of any or all classes or series of stock of the Corporation shall be uncertificated shares. Notwithstanding the foregoing, each holder of uncertificated shares shall be entitled, upon request, to a certificate representing such shares. Except as otherwise provided by law, the rights and obligations of the holders of uncertificated shares and the rights and obligations of the holders of certificated shares of the same class and series shall be identical. Each certificate representing shares shall be signed by the Chairman of the Board or the Vice Chairman of the Board or the President or a Vice President and the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary of the Corporation; provided, however, that where such certificate is signed or countersigned by a transfer agent or registrar the signatures of such officers of the Corporation and the seal of the Corporation may be in facsimile form. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers of the Corporation, whether because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates may nevertheless be issued and delivered by the Corporation as though the person or persons who signed such certificate or whose facsimile signature or signatures shall have been used thereon had not ceased to be such officer or officers of the Corporation.

Section 9.02. *Record.* A record shall be kept of the name of the person, firm or corporation owning the stock represented by each certificate for stock of the Corporation issued, the number of shares represented by each such certificate, and the date thereof, and, in the case of cancellation, the date of cancellation. The person, firm or corporation in whose name shares of stock stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation.

Section 9.03. *Transfer of Stock.* Transfers of shares of the stock of the Corporation shall be made only on the books of the Corporation by the registered holder thereof, or by such holder's attorney thereunto authorized. If such shares of stock are represented by a certificate, upon the surrender of the certificate for such shares to the Corporation or its transfer agent, with an assignment or power of transfer endorsed thereon or delivered therewith, duly executed, and with such proof of the authenticity of the signature and of authority to transfer, and of payment of transfer taxes, as the Corporation or its agents may require, the Corporation may issue a new certificate, or, upon request, evidence of the equivalent uncertificated shares, to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Upon receipt of proper transfer instructions from the holder of uncertificated shares, the Corporation shall cancel such uncertificated shares and issue new equivalent uncertificated shares, or, upon such holder's request, certificated shares, to the person entitled thereto, and record the transaction upon its books.

Section 9.04. *Transfer Agent and Registrar; Regulations.* The Corporation shall, if and whenever the Board of Directors shall so determine, maintain one or more transfer offices or agencies, each in charge of a transfer agent designated by the Board of Directors, where the shares of the capital stock of the Corporation shall be directly transferable, and also if and whenever the Board of Directors shall so determine, maintain one or more registry offices, each in charge of a registrar designated by the Board of Directors, where such shares of stock shall be registered. The Board of Directors may make such rules and regulations as it may deem expedient, not inconsistent

with these By-Laws, concerning the issue, transfer and registration of certificates for shares of the capital stock of the Corporation.

Section 9.05. *Lost, Destroyed or Mutilated Certificates.* In case of the alleged loss or destruction or the mutilation of a certificate representing capital stock of the Corporation, a new certificate or uncertificated shares may be issued in place thereof, in the manner and upon such terms as the Board of Directors may prescribe.

ARTICLE X .

Seal.

The Board of Directors shall provide a corporate seal, which shall be in the form of a circle and shall bear the name of the Corporation and the words and figures: Incorporated 1967, Delaware.

ARTICLE XI .

Fiscal Year.

The fiscal year of the Corporation shall begin at the opening of business on the Sunday nearest to the first day of January and end at the close of business on the Saturday nearest to the thirty-first day of December in each year, whether such Sunday or Saturday, as the case may be, falls in December or in January.

ARTICLE XII .

Indemnification.

(a) The Corporation shall indemnify, to the full extent permitted by law, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that the person is or was a director ~~or~~ officer or employee ~~of~~ the Corporation or while a director, officer or employee of the Corporation is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (each such person being referred to hereafter as an "Indemnitee"), against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person's conduct was unlawful.

(b) The Corporation shall indemnify, to the full extent permitted by law, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that the person is or was an Indemnitee against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Corporation and except that no such indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action, suit or proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such Court of Chancery or such other court shall deem proper.

(c) Notwithstanding the foregoing, except with respect to a proceeding to enforce rights to indemnification or advancement of expenses under this Article XII, the Corporation shall be required to indemnify an Indemnitee under this Article XII in connection with an action, suit or proceeding (or part thereof) initiated by such person only if such action, suit or proceeding (or part thereof) was authorized by the Board of Directors.

(d) To the extent that an Indemnitee shall be successful on the merits or otherwise (including dismissal of an action without prejudice or the settlement of an action without admission of liability) in defense of any action, suit or proceeding referred to in paragraphs (a) and (b), or in defense of any claim, issue or matter therein, or in any action, suit or proceeding brought by an Indemnitee to enforce rights to indemnification or advancement of expenses granted pursuant to this Article XII, such person shall be indemnified, to the full extent permitted by law, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

(e) Any indemnification under paragraphs (a) and (b) (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the Indemnitee is proper in the circumstances because such person has met the applicable standard of conduct set forth in paragraph (a) or (b), as applicable. Such determination shall be made (1) by the Board of Directors by a majority vote of directors who were not parties to such action, suit or proceeding, even though less than a quorum, (2) by a committee of such disinterested directors designated by a majority vote of such directors, even though less than a quorum, (3) if there are no disinterested directors, or the disinterested directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders.

(f) Expenses (including attorneys' fees) incurred by an Indemnitee in defending a civil, criminal, administrative or investigative action, suit or proceeding referred to in paragraphs (a) and (b) shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such Indemnitee to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article XII. Notwithstanding the foregoing, no advance shall be made by the Corporation if a determination is reasonably and promptly made (1) as to any person who is or was a director or officer of the Corporation (i) by the Board of Directors by a majority vote of disinterested directors, even though less than a quorum, (ii) by a committee of such disinterested directors designated by a majority vote of such directors, even though less than a quorum, or (iii) if there are no disinterested directors, or the disinterested directors so direct, by independent legal counsel in a written opinion, that, based upon the facts known to the Board of Directors, the committee or counsel at the time such determination is made such director or officer acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal proceeding, that such director or officer believed or had reasonable cause to believe such person's conduct was unlawful, and (2) as to any Indemnitee who is not or was not a director or officer of the Corporation, by the Chief Executive Officer, the President or any Vice President so authorized by the Chief Executive Officer or the President, that, based upon the facts known to the Chief Executive Officer, the President or such Vice President at the time such determination is made such Indemnitee acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal proceeding, that such person believed or had reasonable cause to believe such person's conduct was unlawful, provided that such Indemnitee shall have the right to present a written appeal of any determination made by the Chief Executive Officer, the President or such Vice President to the persons specified under clause (1) of this paragraph (f), as determined by the Board of Directors. In no event shall any advance be made in instances where the persons specified under clause (1) or (2) of this paragraph (f) reasonably determine that an Indemnitee deliberately breached such person's duty to the Corporation or its stockholders.

(g) The rights granted pursuant to this Article XII shall not be deemed exclusive of any other rights to which those seeking indemnification and advancement of expenses may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. All rights granted pursuant to this Article XII shall vest at the time a person becomes an Indemnitee of the Corporation and shall be deemed to be provided by a contract between the Corporation and each Indemnitee who serves in such capacity at any time while this Article XII is in effect. Any repeal or modification of the provisions of this Article XII shall be prospective only and shall not adversely affect the rights of any Indemnitee in effect under this Article XII at the time of any act or omission occurring prior to such repeal or modification.

(h) The Corporation may purchase and maintain insurance on behalf of any person who is or was an Indemnitee against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article XII.

(i) For purposes of this Article XII, references to "the Corporation" shall include, in addition to the resulting or surviving corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger, which, if its separate existence had continued would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer or employee ~~of~~ such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article XII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

(j) For purposes of this Article XII, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer ~~or~~ employee of the Corporation which imposes duties on, or involves services by, such director, ~~officer or employee~~ with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article XII.

(k) The rights granted pursuant to ~~of~~ this Article XII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be an Indemnitee and shall inure to the benefit of the heirs, executors and administrators of such a person.

(l) If any provision or provisions of this Article XII shall be held to be invalid, illegal or unenforceable for any reason whatsoever (1) the validity, legality and enforceability of the remaining provisions of this Article XII (including, without limitation, all portions of any paragraphs of this Article XII containing any such provisions held to be invalid, illegal or unenforceable, that are not by themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby, and (2) to the fullest extent possible, the provisions of this Article XII (including, without limitation, all portions of any paragraph of this Article XII containing any such provision held to be invalid, illegal or unenforceable, that are not by themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

ARTICLE XIII .

Waiver of Notice.

Whenever any notice whatever is required to be given by statute, the Certificate of Incorporation or these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE X IV.

Amendments.

These By-Laws may be altered, amended or repealed, in whole or in part, and new By-Laws may be adopted, in whole or in part, by the affirmative vote of the holders of record of a majority of the outstanding stock of the Corporation present in person or represented by proxy and entitled to vote in respect thereof, given at an annual meeting or at any special meeting at which a quorum shall be present, or by the affirmative vote of a majority of the

whole Board of Directors given at any meeting. Any By-Law made, altered, amended or repealed by the Board of Directors shall be subject to alteration, amendment or repeal by vote of stockholders as provided above.

HANGAR LICENSE AND SERVICES AGREEMENT

TEXTRON – SCOTT DONNELLY

This Hangar License and Services Agreement (the “Agreement”), made and entered into on April 25, 2011 to be effective as of the 5th day of December, 2010 by and between Textron Inc. (hereinafter called “Textron”) and Scott C. Donnelly on behalf of [Mr. Donnelly’s limited liability corporation] (hereinafter called “Licensee”) and their respective successors and assigns,

WITNESSETH:

WHEREAS, Textron leases approximately 85,390 square feet of space from the Rhode Island Airport Corporation (“RIAC”) pursuant to a Lease dated June 19, 1996 (the “Prime Lease”); and

WHEREAS, Licensee desires to store his Cessna 208 Caravan turbo-prop aircraft in a portion of the space covered by the Prime Lease, and obtain certain services from Textron, and Textron is willing to permit and provide same;

NOW, THEREFORE, in consideration of the premises and the agreements contained herein, and intending to be legally bound hereby, Textron and Licensee agree as follows:

1. DESCRIPTION OF PROPERTY

1.1 Description of Property. Textron, in consideration of the fees, covenants and agreements to be paid, kept and performed by Licensee as hereinafter provided, and subject to the terms and conditions set forth in this Agreement, does hereby permit Licensee to store his Cessna 208 Caravan aircraft and equipment and other items necessary for the support of the operation of such aircraft, within the hangar commonly known as “Hangar 1” (the “Premises”) in the City of Warwick, Rhode Island, located at T.F. Green Airport, Rhode Island and the improvements thereon, together with the use, in common with Textron and others, of any road, driveway, or passage way open or proposed, in front of or adjoining or giving access to said tract piece or parcel of land. Licensee acknowledges that the aircraft described above shall be placed in such area in the Premises as Textron personnel shall direct.

1.2 No Representations. Licensee hereby acknowledges that Textron has made no representations as to the condition of the Premises or any facilities thereon and is licensing the Premises as is. Licensee further acknowledges that he has inspected the Premises for normal defects and that Licensee relies solely on said inspection.

1.3 Fuel Storage. Licensee shall have the privilege to use Textron’s bulk aviation fuel storage facility, subject to prior notification to and consent of Textron in advance of each transfer of fuel to and from such bulk fuel storage facility. Fuel will be pumped by Textron personnel into Licensee’s aircraft upon request by Licensee. Textron shall maintain records of the quantity of any fuel used and/or replenished by Licensee. For fuel consumed by Licensee’s aircraft each month Textron shall invoice Licensee in an amount per gallon equal to the average price paid by Textron for fuel during the three months prior to the date of the invoice. In addition, the parties anticipate that from time to time, with the prior consent of Textron in each case, Licensee may purchase fuel, generally in a quantity of 2,000 gallons or more, from a third party approved by Textron to replenish fuel consumed by Licensee’s aircraft from the bulk fuel storage facility. Upon termination of this Agreement, Textron shall prepare an accounting and reconciliation of the use and

replenishment by Licensee of the bulk fuel storage facility and the applicable party shall reimburse the other for the actual purchase price of any fuel used or to be used by it but not paid for.

1.4 Towing and Other Services . Textron shall provide towing and other services with respect to Licensee's aircraft upon Licensee's request, as further described in Section 8 below.

2. TERM

The term of this Agreement is agreed to have commenced on December 5, 2010 (the "Commencement Date"), and shall continue on a month-to-month basis until terminated by 30 day written notice by either Textron or Licensee to the other (the "Term"). Textron shall further have the right to terminate this Agreement for default as provided herein.

3. RENT AND OTHER FEES

3.1 Monthly Rental Fee . Licensee will pay to Textron as a fee (the "Monthly Rental Fee") for the use of the Premises during the Term the sum of \$1,500 each month.

3.2 Other Fees . Licensee shall pay for other services provided under this Agreement at the applicable rates specified in Section 8 below.

3. Payment of Fees . Textron shall invoice Licensee at the beginning of each calendar month for the Monthly Rental Fee, together with any other fees incurred during the prior calendar month, which shall be due and payable by the 25th day of such month Checks shall be made payable to Textron Inc. and forwarded to Textron Inc., Hangar#1, 566 Airport Road, Warwick RI 02886, Attention: Jayne Platt, Aviation Administrator, or to such other address or addresses as Textron may hereafter advise Licensee in writing, without deduction or set-off. Upon termination of this Agreement by Licensee other than at the end of a month, no refund of any portion of the applicable Monthly Rental Fee shall be made by Textron.

3.3 Delinquency Charges . If Textron has not received the full amount of any Monthly Fees, or other charges due and payable to Textron under this Agreement, by the end of 25 calendar days after the date it first became due, Licensee shall pay interest equal to one (1%) percent per month or the maximum rate permitted by law, whichever is less, with respect to such unpaid amounts.

3.4 Increase in Fees . Notwithstanding Sections 3.1 and 3.2 above, Textron may notify Licensee not more frequently than annually that it seeks to increase the Monthly Rental Fee and/or other fees in light of changes in market conditions. In such event the parties agree to negotiate in good faith with respect to any such increase(s).

4. USE

The Premises are licensed for use solely by Licensee to house his aircraft and for the other purposes described in this Agreement. This use may not vary without the prior written consent of Textron. Said consent shall not be unreasonably withheld. No charter operation shall be permitted on the Premises.

5. UTILITIES

Textron shall pay all costs for water, gas, electricity, sewer charges, telephone and other utilities used or consumed upon the Premises as and when the charges for the same become due and payable. Further, Textron shall maintain, at its sole cost and expense the water, gas, boiler, sewer and electric system on or about the Premises.

6. TERMINATION; REMOVAL OF LICENSEE'S PROPERTY

Upon the termination or expiration of this Agreement for whatsoever cause, Licensee shall have the privilege and right to remove and upon request of Textron shall remove, at his own expense, Licensee's aircraft. Any damage to the Premises caused by such removal shall be repaired at Licensee's expense. Licensee shall have thirty (30) days after termination to remove his property and/or repair any damage.

7. REPAIRS TO PREMISES; LIENS

7.1 Maintenance of Premises. Textron shall maintain the Premises in good order, repair and condition and shall make all repairs (structural and non-structural, including repair or replacement of the roof), as may be necessary to keep the Premises in good condition. Licensee shall reimburse Textron for the cost of any repairs made necessary by the negligence or intentional misconduct of Licensee or his invitees.

7.2. Liens. Licensee shall promptly pay all amounts owing to his contractors and materialmen, so as to minimize the possibility of a lien attaching to the Premises, and should any such lien be made or filed, Licensee shall bond or indemnify against or discharge the same within ten (10) days after written request by Textron.

8. ACCESS TO PREMISES; OTHER SERVICES

8.1. No keys or cards for access to Hangar 1 will be issued to guests or invitees of Licensee, except as may be determined by Textron, in its sole discretion.

8.2 Upon reasonable request by Licensee, Textron may provide towing services with respect to the Licensee's aircraft. Also, Licensee acknowledges that Textron may from time to time move the Licensee's aircraft within, beside or between the hangars constituting the Premises for space allocation or other purposes. With prior consent by Textron, upon receipt of appropriate training by either Rhode Island Airport Corporation or Textron Flight Operations staff, Licensee may utilize Textron's towing equipment for purposes of moving his aircraft into and out of the Premises.

8.3 Upon reasonable request by Licensee, Textron shall perform maintenance on the Licensee's aircraft, provided that Textron, in its discretion, determines that it has trained and qualified personnel available to perform such service. Licensee shall reimburse Textron for the out of pocket costs of materials, parts and other hardware as well as the time of its personnel (calculated at the rate of \$90.00 per hour) in performing such maintenance. Upon reasonable request by Licensee from time to time, Textron may grant access to the Premises and make its equipment available to Licensee's contractors for the purpose of performing maintenance on Licensee's aircraft.

8.4 Upon reasonable request by Licensee, Textron may contract with third party suppliers for flight safety training for Licensee. Textron shall be reimbursed by Licensee for the actual expenses of such training to the extent that such training relates to Licensee's owned aircraft.

8.5 With the consent of and by prior arrangement with Textron's aviation personnel, Licensee may from time to time use the flight planning facilities and equipment located in Textron's hangar commonly known as "Hangar 1" at no extra charge.

8.6 To the extent that Textron is required to pay overtime to Textron employees to enable Licensee to have access to the Premises or to provide towing or fueling services at such times as Licensee requests, Licensee shall reimburse Textron for such hours of overtime as Textron is obligated to pay its employees, at the rate of \$30 per hour for a line service technician, with a three hour minimum on weekends and holidays (i.e. \$90), or, if a line service technician is not available, at the rate of \$56 per hour for a senior maintenance technician or other employee, with a three hour minimum on weekends and holidays (i.e. \$168). Licensee acknowledges that, as of the date of this Agreement, Textron Flight Operations' normal hours of operation are from 7:30am to 4pm Monday to Friday.

8.7 Notwithstanding any other provision of this Agreement to the contrary, Licensee agrees not to bring any action against Textron based on any theory of liability, whether in tort or contract, based upon Licensee's use of the aforementioned Textron facilities (including any services, gratuitous or otherwise, that may from time to time be performed by Textron employees or agents); and Licensee shall indemnify, defend and hold Textron harmless from and against any and all loss, cost, damage and expense, including reasonable attorneys' fees, resulting from any claim for damage or injury to any person or property arising out of or in any way connected with Licensee's use of such Textron facilities. In the event any action or proceeding is brought against Textron by reason of any such claim, Licensee, upon notice from Textron, shall defend the same at Licensee's expense.

9. COMPLIANCE WITH LAWS AND AIRPORT REGULATIONS

9.1 Compliance with Laws . During the term of this Agreement, Textron and Licensee, shall promptly comply with all present and future laws, ordinances, orders, rules, regulations and requirements of all federal, state and municipal governments, courts, departments, commissions, boards and officers, including but not limited to all environmental laws, any regulations national or local Board of Fire Underwriters, or any other body exercising functions similar to those of any of the foregoing, and all rules and regulations of Textron which may be applicable to the Premises and Textron's and Licensee's respective use thereof. Textron and Licensee shall each likewise comply with the requirements of all policies of insurance at any time in force with respect to the Premises and Textron's and Licensee's respective operations thereon.

9.2 Hazardous Substances . Neither Textron nor Licensee shall cause or permit the presence, use, discharge, disposal, storage, release, or threatened release of any Hazardous Substances, pollutants or contaminants on or in the Premises and adjoining area (the "Property"), except in compliance with applicable law and in quantities necessary to the operation and maintenance of the Premises, or in the case of Licensee, maintenance or operation of his aircraft. Neither Textron nor Licensee shall do anything affecting the Property that is in violation of any Environmental Law, nor shall either

Textron or Licensee allow anyone else to do anything affecting the Premises that is in violation of any Environmental Law.

9.3 Notice of Investigations . Each of Textron and Licensee shall promptly give the other written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which such party has knowledge. If either Textron or Licensee learns, or is notified by any governmental regulatory authority, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, the party responsible for causing or permitting the presence, use, discharge, disposal, storage, release, or threatened release of such Hazardous Substance shall promptly take all necessary remedial actions in accordance with Environmental Law.

9.4 Definition of "Hazardous Substances." As used in this paragraph "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or urea, formaldehyde, polychlorinated biphenyls, and radioactive materials. As used in this paragraph, "Environmental Law" means federal laws, , rules, regulations, ordinances, orders, permits, licenses, judgments or decrees, or the laws, rules, regulations, ordinances, orders, permits, licenses, judgments or decrees of the jurisdiction where the Property is located that relate to health, safety, wastes, Hazardous Substances or environmental protection.

10. INDEMNIFICATION; INSURANCE

10.1 Indemnification . Licensee shall indemnify, defend and hold Textron harmless from and against any and all loss, cost, damage and expense, including reasonable attorneys' fees, resulting from any claim for damage or injury to any person or property arising out of or in any way connected with (a) Licensee's use of, and ingress to and egress from, the Premises and adjoining areas, (b) Licensee's aircraft operations, or (c) any act or omission of Licensee, his contractors, guests or invitees with respect to this Agreement. In the event any action or proceeding is brought against Textron by reason of any such claim, Licensee, upon notice from Textron, shall defend the same at Licensee's expense. Subject to the provisions of Section 16 (Notices), Textron shall indemnify and hold Licensee harmless from and against any and all loss, cost, damage and expense, including reasonable attorneys' fees, resulting from any claim for damage or injury to any person or property arising out of or in any way connected with (a) Textron's use and occupancy of, and ingress to and egress from, the Premises and adjoining areas, (b) Textron's aircraft operations, or (c) any act or omission of Textron, its employees, agents, guests or invitees with respect to this Agreement. In the event any action or proceeding is brought against Licensee by reason of any such claim, Textron, upon notice from Licensee, shall defend the same at Textron's expense.

10.2 Insurance to be Maintained by Licensee . During the Term, Licensee shall, at his expense, carry and maintain (a) a general liability insurance policy or policies or other, similar form of public liability insurance with a combined single limit of not less than \$1,000,000 insuring against all liability of Licensee arising out of or in connection with Licensee's use or occupancy of the Premises; (b) aircraft liability and airport liability insurance with a combined single limit of not less than \$1,000,000; and (c) aircraft hull coverage in an amount not less than the value of his aircraft housed at the Premises. The insurance policy required by clause (a) of the first sentence of this Section 10.2 shall contain contractual liability coverage which specifically insures Licensee's indemnities contained in this Agreement. The insurance policy or policies required by clause (b) of the first sentence of this Section 10.2 shall name Textron as an additional insured with

respect to personal injury, bodily injury, including death, and property damage claims arising from Licensee's aircraft operations. Each policy shall provide that (1) not less than thirty (30) days' prior written notice shall be given to Textron in the event of any material modification in the terms of such policy or of the cancellation or non-renewal thereof with respect to any liability or loss created by or associated with Licensee or his aircraft. Such insurance coverage may, however, be afforded by a "blanket" policy or policies maintained by Licensee with respect to all or a portion of Licensee's activities on leased or owned properties. The amount of such required insurance coverage shall not limit Licensee's obligations under this Lease. Textron makes no representation whatsoever that the amount of such insurance coverage is adequate to protect Licensee from any liability or damage to which Licensee may become exposed. Licensee shall provide to Textron a certificate of insurance including any necessary endorsements to Licensee's insurance policies prior to commencement of the Term hereof, and shall furnish Textron with evidence of renewal of the policies not less than twenty (20) days before expiration of the terms of the policies. In the event Licensee provides a certificate of insurance, such certificate shall contain sufficient information for Textron to determine if the underlying policy complies with provisions of this Lease. Licensee shall assume the risk of loss or damage to his property on the Premises, and at all times during the Term, Licensee shall insure his personal property on the Premises against loss or damage by fire, including extended coverage, and theft.

10.3 Insurance to be Maintained by Textron. During the Term, Textron shall, at its expense, carry and maintain (a) Workers' Compensation and Employer's Liability Insurance; (b) a commercial general liability insurance policy or policies or other, similar form of public liability insurance with a combined single limit of not less than \$1,000,000 insuring against all liability of Textron, its employees and representatives, arising out of or in connection with Textron's use or occupancy of the Premises; (c) Automobile Liability Insurance with a combined single limit of not less than \$1,000,000; (d) aircraft liability insurance with a combined single limit of not less than \$100,000,000; (e) aircraft hull coverage in an amount not less than the value of Textron's aircraft housed at the Premises. The insurance policy required by clause (b) of the first sentence of this Section 10.3 shall contain contractual liability coverage, which specifically insures Textron's indemnities contained in this Lease. Such insurance coverage may be afforded by a "blanket" policy or policies maintained by Textron with respect to all or a portion of Textron's activities on leased or owned properties. Textron shall provide a certificate of insurance to Licensee prior to commencement of the Term hereof.

10.4 Insurance Policy Deductible. Notwithstanding any other provisions of this Agreement, in the event of any loss caused by the negligence or misconduct of Licensee, Licensee shall be obligated for and Licensee shall pay to Textron the deductible portion of any insured recovery Textron otherwise would have been entitled to receive but for such deductible feature of the applicable insurance policy.

11. DESTRUCTION OF PREMISES

In the event of fire or other casualty occurring during the Term which results in damage or destruction to the Premises, Textron or Licensee may terminate this Agreement by notice in writing to the other as of the date on which such fire or other casualty or taking occurs.

12. SUBLETTING AND ASSIGNMENT

Licensee shall not assign nor in any manner transfer this Agreement or any estate or interest therein, nor permit any use of the same other than by Licensee nor sublet the Premises or any part thereof, nor grant any license, concession or other right of occupancy of any portion of the Premises.

13. LICENSEE'S COVENANTS

Licensee covenants and agrees as follows:

13.1 Payment and Performance . To perform promptly all of the obligations of Licensee set forth in this Agreement; to pay when due all fees and all charges which by the terms of this Agreement are to be paid by Licensee.

13.2 Cleanliness of Premises . To the extent his guests or invitees are present on the Premises, to clean up any mess caused by any such individual, to place all refuse, rubbish and debris in covered containers furnished by Textron and to comply with Textron's reasonable rules in effect from time to time relating to maintenance and operation of the Premises.

13.3 No Waste . Not to cause, suffer or permit strip or waste.

14. BREACH OR DEFAULT

14.1 Default . If Licensee shall be in default in the payment of fees or any part thereof or of other sums payable by Licensee hereunder at the times and places herein fixed for the payment thereof and said default shall continue ten (10) days (whether or not the payment of said fees shall have been demanded), or if default shall be made in any other of the covenants or provisions herein contained on the part of Licensee to be kept and performed and if such default shall continue for a period of ten (10) days after notice to Licensee (or if such default cannot be cured within such 10 day period, Licensee has not commenced to cure default within such 10 day period), or if Licensee shall make an assignment for the benefit of creditors, or file a voluntary petition in bankruptcy or insolvency, or shall be adjudged bankrupt, or if the estate hereby created shall be deserted or vacated, then and in any of the said cases, notwithstanding any license or waiver of any former breach of covenant or consent in a former instance, it shall be lawful for Textron thereupon or at any time thereafter, during which such default, assignment, insolvency, legal proceedings, desertion, vacancy or neglect shall continue, or be in effect to terminate this Agreement and all of Licensee's interest hereunder by giving written notice to Licensee of such termination and of the effective date thereof (and such notice having been given, this Agreement shall cease and expire on the date named therein), and/or, at Textron's option, without demand or notice, and without process of law to enter upon and into the Premises or any part thereof in the name of the whole, and to declare this Agreement at an end and in such case expel Licensee without being guilty of any manner of trespass without prejudice, however, to Textron's claims for rent or other claims for breach of covenant hereunder, it being expressly understood

and agreed that this Agreement shall not continue or inure to the benefit of any assignee, receiver or trustee in bankruptcy, excepting at the option of Textron.

14.2 No Relief from Obligations. No such expiration or termination of this Agreement shall relieve Licensee of his liability and obligations under this Agreement, and such liability and obligations shall survive any such expiration or termination.

14.3 Interest, Costs and Fees. If Licensee shall breach or fail to perform any of the covenants or provisions of this Agreement, and such breach shall continue beyond the period as specified in 14.1, and such failure or breach shall cause Textron to incur any damages or expenses whatsoever, then and in that event such damages or expenses so incurred by Textron, with interest at the rate of one (1) percent per month, costs and reasonable attorney's fees shall be deemed to be additional fees hereunder and shall be due from Licensee to Textron on the first (1st) day of the month following the incurring of such respective expenses.

15. NO WAIVER

The failure of Textron to seek redress for violation of, or to insist upon the strict performance of, any covenant or condition of this Agreement shall not be deemed a waiver of such violation nor prevent a subsequent act, which would have originally constituted a violation, from having all the force and effect of any original violation. The receipt by Textron of fees with knowledge of the breach of any provision of this Agreement shall not be deemed to have been a waiver by Textron of such breach, or by Licensee, any such waiver shall not be valid unless such waiver by in writing, signed by the party to be charged. No consent or waiver, express or implied, by Textron to or of any breach of this Agreement or of any other agreement or duty between the parties shall be construed as a waiver or consent to or of any later breach of the same of any breach of any other provisions of this Agreement or other agreement or duty.

16. NOTICES

16.1 Notices to Licensee. All notices to Licensee shall be in writing and shall be effective upon receipt after being sent by certified mail (return receipt requested) addressed to Licensee at 40 Westminster Street, Providence, RI 02903.

16.2 Notices to Textron. All notices to Textron shall be in writing and shall be effective upon receipt after being sent by certified mail (return receipt requested) addressed to Textron (Attention Textron Real Estate) at its business offices at 40 Westminster Street, Providence, Rhode Island 02903 or at such other address as Textron shall designate in writing to Licensee.

16.3 Other Forms of Notices. Notices may also be sent by overnight courier service or delivered by hand, in which case any such notice shall be effective upon receipt by the addressee.

16.4 Changes of Address. Notwithstanding any provisions in this Agreement to the contrary concerning modifications, a change in address may be effected by certified mail (return receipt requested) sent by either party to the other.

17. ENTIRE AGREEMENT AND MODIFICATION

17.1 Entire Agreement. Neither Textron nor Licensee nor any of their agents have made any statement, promise or agreements verbally or in writing in conflict with the terms of this Agreement. Any and all representations by either of the parties or their agents made during negotiations prior to execution of this Agreement and which representations are not contained in the provisions hereof shall not be binding upon either of the parties hereto. It is further agreed that this Agreement constitutes the entire, full and complete agreement between Textron and Licensee with respect to the Premises.

17.2 Amendments. No modification, alteration or amendment of this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

18. MISCELLANEOUS

18.1 Reserved Rights of RIAC. Licensee acknowledges that pursuant to the Prime Lease there was reserved to RIAC, its successors and assigns for the use and benefit of the public, a free and unrestricted right of flight for the passage of aircraft in the air space above the surface of the Airport including the Premises, together with a right to cause in said air space such noise, dust and fumes as may be inherent in the operation of aircraft now known or hereafter used, or navigation of or right in the air, using said air space for landing, taking off or operating on or above same Airport; and Licensee consents to be bound by such reservation of rights by RIAC.

18.2 No Partnership or Joint Venture; Notice Concerning RIAC. Neither a partnership nor a joint venture is created by this Agreement. Licensee acknowledges that Textron has notified Licensee that Textron has no authority to bind RIAC and that this Agreement or a summary of the arrangement contemplated thereby may need to be submitted to RIAC and to Federal and State authorities for review and approval in accordance with applicable law and provisions of this Agreement.

18.3 Assistance to RIAC. Licensee shall cooperate and assist RIAC in dealing with the Federal Aviation Administration and all other Federal, State and local agencies in all matters relating to the operation of the Airport.

18.4 Cooperation With RIAC. RIAC may, from time to time, employ various planning and engineering consultants in connection with RIAC's ownership and operation of the Airport; and Licensee shall cooperate with and reasonably assist such consultants as requested by RIAC.

18.5 Airport Communications. Licensee shall not, by either his activities upon or use of the Premises, interfere with radio communications, instrument landing systems, navigational aides or flight operations of the Airport.

18.6 National Emergency. During time of war or national emergency, RIAC shall have the right to lease the Airport area of any part thereof, including the Premises, to the United States Government for military use and, if such lease is executed, the provisions of this Agreement, insofar as they are inconsistent with the provisions of the lease to the Government, shall be subordinate to said lease. Textron shall not be obliged to make any adjustment in Licensee's fees hereunder in the event if such lease is executed.

18.7 Federal Aviation Act Compliance. Licensee agrees to comply with provisions of the Federal Aviation Act of 1958 (49 U.S.C. 1349(a)), and any future

amendments or revisions thereto, or any rules or regulations promulgated thereunder and any provision of any agreements providing Federal assistance for the development of Airports entered into by Textron and the United States of America or its agencies. Notwithstanding the foregoing, if this Section 18.7 is invoked against Licensee, Licensee may terminate this Agreement without further liability if in Licensee's reasonable discretion such invocation materially increases Licensee's obligations or materially decreases Licensee's rights under this Agreement.

18.8 Protection of Airport Operations . Licensee covenants and agrees that he will neither erect structures nor permit nor operate equipment nor store material on the Premises, in such a manner as to create any obstruction to air navigation and radar operations according to the criteria or standards as prescribed in Part 77 of the Federal Aviation Regulations or to create electrical interference with radio communications, radar or electromagnetic equipment between the Airport and aircraft, or to make it difficult for a flier to distinguish between same Airport lights and others, or to cause a glare in the eyes of fliers using same airport, or to impair visibility in the vicinity of same Airport by lights, smoke, or otherwise endanger the landing, taking-off or maneuvering of aircraft. If Licensee is in default of this provision, Licensee shall remedy the cause immediately after notification by Textron.

18.9 Regulated Services . Licensee will perform no services which are regulated by the Federal Aviation Administration ("FAA") without Textron's prior written consent. If such consent is given, Licensee will promptly supply Textron with copies of certificates issued by the FAA. Licensee will also supply copies of all such certificates when they are renewed along with any notices of cancellation or termination of said certificates.

18.10 Time of Essence . It is expressly agreed that time is of the essence in the performance of each and every provision and covenant of this Agreement.

18.11 Original Copies . This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute but one and the same agreement.

18.12 Captions . The captions appearing in this Agreement are inserted only as a matter of convenience and for reference, and in no way define, limit or construe or describe the scope or intent of any provisions of this Agreement nor in any way affect this Agreement.

18.13 Binding Effect . The terms, covenants and conditions contained in this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns and any person or persons, natural or corporate, claiming through or under them, or any of them.

18.14 Taking Effect . This Agreement shall take effect only upon its proper execution by both Textron and Licensee. The parties acknowledge and agree that the Agreement dated May 1, 2009 between them relating to the Licensee's former aircraft is hereby terminated effective as of the date referenced above.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as a sealed instrument, as of the date first written above.

TEXTRON INC.

By: /s/John D. Butler

Title: Executive Vice President and Chief Human Resources Officer

LICENSEE

/s/Scott C. Donnelly

Scott C. Donnelly on behalf of [Mr. Donnelly's LLC]

HANGAR LICENSE AND SERVICES AGREEMENT**TEXTRON – FRANK CONNOR**

This Hangar License and Services Agreement (the "Agreement"), made and entered into on April 25, 2011 to be effective as of the 5th day of December, 2010, by and between Textron Inc. (hereinafter called "Textron") and Frank T. Connor on behalf of [Mr. Connor's limited liability corporation] (hereinafter called "Licensee") and their respective successors and assigns,

WITNESSETH:

WHEREAS, Textron leases approximately 85,390 square feet of space from the Rhode Island Airport Corporation ("RIAC") pursuant to a Lease dated June 19, 1996 (the "Prime Lease"); and

WHEREAS, Licensee desires to store his Cessna 206 aircraft in a portion of the space covered by the Prime Lease, and Textron is willing to permit same;

NOW, THEREFORE, in consideration of the premises and the agreements contained herein, and intending to be legally bound hereby, Textron and Licensee agree as follows:

1. DESCRIPTION OF PROPERTY

1.1 Description of Property. Textron, in consideration of the fees, covenants and agreements to be paid, kept and performed by Licensee as hereinafter provided, and subject to the terms and conditions set forth in this Agreement, does hereby permit Licensee to store his Cessna 206 piston-engined aircraft and equipment and other items necessary for the support of the operation of such aircraft, within the hangar commonly known as "Hangar 1" (the "Premises") in the City of Warwick, Rhode Island, located at T.F. Green Airport, Rhode Island and the improvements thereon, together with the use, in common with Textron and others, of any road, driveway, or passage way open or proposed, in front of or adjoining or giving access to said tract piece or parcel of land. Licensee acknowledges that the aircraft described above shall be placed in such area in the Premises as Textron personnel shall direct.

1.2 No Representations. Licensee hereby acknowledges that Textron has made no representations as to the condition of the Premises or any facilities thereon and is licensing the Premises as is. Licensee further acknowledges that he has inspected the Premises for normal defects and that Licensee relies solely on said inspection.

2. TERM

The term of this Agreement shall commence on December 5th, 2010 (the "Commencement Date"), and shall continue on a month-to-month basis until terminated by 30 day written notice by either Textron or Licensee to the other (the "Term"). Textron shall further have the right to terminate this Agreement for default as provided herein.

3. RENT

3.1 Monthly Fee. Licensee will pay to Textron as a fee (the "Monthly Fee") for the use of the Premises during the Term the sum of \$450 each month.

3.2 Payment of Fees . Textron shall invoice Licensee at the beginning of each calendar month for the Monthly Fee, which shall be due and payable by the 25th day of such month, provided however that at Licensee's option to be exercised from time to time by notice to Textron, Textron shall invoice Licensee in advance for up to six months of Monthly Fees. Checks shall be made payable to Textron Inc. and forwarded to Textron Inc., Hangar#1, 566 Airport Road, Warwick, RI 02886, Attention: Jayne Platt, Aviation Administrator, or to such other address or addresses as Textron may hereafter advise Licensee in writing, without deduction or set-off. Upon termination of this Agreement by Licensee other than at the end of a month, no refund of any portion of the applicable Monthly Fee shall be made by Textron.

3.3 Delinquency Charges . If Textron has not received the full amount of any Monthly Fees, or other charges due and payable to Textron under this Agreement, by the end of 25 calendar days after the date it first became due, Licensee shall pay interest equal to one (1%) percent per month or the maximum rate permitted by law, whichever is less, with respect to such unpaid amounts.

3.4 Increase in Fees . Notwithstanding Sections 3.1 and 8 hereof, Textron may notify Licensee not more frequently than annually that it seeks to increase the Monthly Fee and/or other fees in light of changes in market conditions. In such event the parties agree to negotiate in good faith with respect to any such increase(s).

4. USE

The Premises are licensed for use solely by Licensee to house his aircraft and for no other purpose. This use may not vary without the prior written consent of Textron. Said consent shall not be unreasonably withheld. No aircraft maintenance and no charter operation shall be permitted on the Premises, provided however that upon reasonable request by Licensee from time to time, Textron may grant access to the Premises and make its equipment available to Licensee's contractors for the purpose of performing maintenance on Licensee's aircraft.

5. UTILITIES

Textron shall pay all costs for water, gas, electricity, sewer charges, telephone and other utilities used or consumed upon the Premises as and when the charges for the same become due and payable. Further, Textron shall maintain, at its sole cost and expense the water, gas, boiler, sewer and electric system on or about the Premises.

6. TERMINATION; REMOVAL OF LICENSEE'S PROPERTY

Upon the termination or expiration of this Agreement for whatsoever cause, Licensee shall have the privilege and right to remove and upon request of Textron shall remove, at his own expense, Licensee's aircraft. Any damage to the Premises caused by such removal shall be repaired at Licensee's expense. Licensee shall have thirty (30) days after termination to remove his property and/or repair any damage.

7. REPAIRS TO PREMISES; LIENS

7.1 Maintenance of Premises . Textron shall maintain the Premises in good order, repair and condition and shall make all repairs (structural and non-structural, including repair or replacement of the roof), as may be necessary to keep the Premises in good condition. Licensee shall reimburse Textron for the cost of any repairs made necessary by the negligence or intentional misconduct of Licensee or his invitees.

7.2. Liens . Licensee shall promptly pay all amounts owing to his contractors and materialmen, so as to minimize the possibility of a lien attaching to the Premises, and should any such lien be made or filed, Licensee shall bond or indemnify against or discharge the same within ten (10) days after written request by Textron.

8. ACCESS TO PREMISES

No keys or cards for access to Hangar 1 will be issued to contractors, guests or invitees of Licensee, except as may be determined by Textron, in its sole discretion. Upon reasonable request by Licensee from time to time, Textron may grant access to the Premises and make its equipment available to Licensee's contractors for the purpose of performing maintenance on Licensee's aircraft. To the extent that Textron is required to pay overtime to Textron employees to enable Licensee or his contractors to have access to the Premises at such times as he requests, Licensee shall reimburse Textron for such hours of overtime as Textron is obligated to pay its employees at the rate of \$30 per hour for a line service technician, with a three hour minimum on weekends and holidays (i.e. \$90), or, if a line service technician is not available, at the rate of \$56 per hour for a senior maintenance technician or other employee, with a three hour minimum on weekends and holidays (i.e. \$168). Licensee shall return any keys and cards promptly upon Textron's request at any time.

9. COMPLIANCE WITH LAWS AND AIRPORT REGULATIONS

9.1 Compliance with Laws . During the term of this Agreement, Textron and Licensee, shall promptly comply with all present and future laws, ordinances, orders, rules, regulations and requirements of all federal, state and municipal governments, courts, departments, commissions, boards and officers, including but not limited to all environmental laws, any regulations national or local Board of Fire Underwriters, or any other body exercising functions similar to those of any of the foregoing, and all rules and regulations of Textron which may be applicable to the Premises and Textron's and Licensee's respective use thereof. Textron and Licensee shall each likewise comply with the requirements of all policies of insurance at any time in force with respect to the Premises and Textron's and Licensee's respective operations thereon.

9.2 Hazardous Substances . Neither Textron nor Licensee shall cause or permit the presence, use, discharge, disposal, storage, release, or threatened release of any Hazardous Substances, pollutants or contaminants on or in the Premises and adjoining area (the "Property"), except in compliance with applicable law and in quantities necessary to the operation and maintenance of the Premises, or in the case of Licensee, maintenance or operation of his aircraft. Neither Textron nor Licensee shall do anything affecting the Property that is in violation of any Environmental Law, nor shall either Textron or Licensee allow anyone else to do anything affecting the Premises that is in violation of any Environmental Law.

9.3 Notice of Investigations . Each of Textron and Licensee shall promptly give the other written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which such party has knowledge. If either Textron or Licensee learns, or is notified by any governmental regulatory authority, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, the party responsible for causing or permitting the presence, use, discharge, disposal, storage, release, or threatened release of such Hazardous Substance shall promptly take all necessary remedial actions in accordance with Environmental Law.

9.4 Definition of "Hazardous Substances." As used in this paragraph "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or urea, formaldehyde, polychlorinated biphenyls, and radioactive materials. As used in this paragraph, "Environmental Law" means federal laws, rules, regulations, ordinances, orders, permits, licenses, judgments or decrees, or the laws, rules, regulations, ordinances, orders, permits, licenses, judgments or decrees of the jurisdiction where the Property is located that relate to health, safety, wastes, Hazardous Substances or environmental protection.

10. INDEMNIFICATION; INSURANCE

10.1 Indemnification. Licensee shall indemnify, defend and hold Textron harmless from and against any and all loss, cost, damage and expense, including reasonable attorneys' fees, resulting from any claim for damage or injury to any person or property arising out of or in any way connected with (a) Licensee's use of, and ingress to and egress from, the Premises and adjoining areas, (b) Licensee's aircraft operations, or (c) any act or omission of Licensee, his contractors, guests or invitees with respect to this Agreement. In the event any action or proceeding is brought against Textron by reason of any such claim, Licensee, upon notice from Textron, shall defend the same at Licensee's expense. Subject to the provisions of Section 17 (Notices), Textron shall indemnify and hold Licensee harmless from and against any and all loss, cost, damage and expense, including reasonable attorneys' fees, resulting from any claim for damage or injury to any person or property arising out of or in any way connected with (a) Textron's use and occupancy of, and ingress to and egress from, the Premises and adjoining areas, (b) Textron's aircraft operations, or (c) any act or omission of Textron, its employees, agents, guests or invitees with respect to this Agreement. In the event any action or proceeding is brought against Licensee by reason of any such claim, Textron, upon notice from Licensee, shall defend the same at Textron's expense.

10.2 Insurance to be Maintained by Licensee. During the Term, Licensee shall, at his expense, carry and maintain (a) a general liability insurance policy or policies or other, similar form of public liability insurance with a combined single limit of not less than \$1,000,000 insuring against all liability of Licensee arising out of or in connection with Licensee's use or occupancy of the Premises; (b) aircraft liability and airport liability insurance with a combined single limit of not less than \$1,000,000; and (c) aircraft hull coverage in an amount not less than the value of his aircraft housed at the Premises. The insurance policy required by clause (a) of the first sentence of this Section 10.2 shall contain contractual liability coverage which specifically insures Licensee's indemnities contained in this Agreement. The insurance policy or policies required by clause (c) of the first sentence of this Section 10.2 shall name Textron as an additional insured with respect to personal injury, bodily injury, including death, and property damage claims arising from Licensee's aircraft operations. Each policy shall provide that (1) not less than thirty (30) days' prior written notice shall be given to Textron in the event of any material modification in the terms of such policy or of the cancellation or non-renewal thereof with respect to any liability or loss created by or associated with Licensee or his aircraft. Such insurance coverage may, however, be afforded by a "blanket" policy or policies maintained by Licensee with respect to all or a portion of Licensee's activities on leased or owned properties. The amount of such required insurance coverage shall not limit Licensee's obligations under this Lease. Textron makes no representation whatsoever that the amount of such insurance coverage is adequate to protect Licensee from any liability or damage to which Licensee may become exposed. Licensee shall provide to Textron a certificate of insurance including any necessary endorsements to Licensee's insurance policies prior to commencement of the Term hereof, and shall furnish Textron

with evidence of renewal of the policies not less than twenty (20) days before expiration of the terms of the policies. In the event Licensee provides a certificate of insurance, such certificate shall contain sufficient information for Textron to determine if the underlying policy complies with provisions of this Lease. Licensee shall assume the risk of loss or damage to his property on the Premises, and at all times during the Term, Licensee shall insure his personal property on the Premises against loss or damage by fire, including extended coverage, and theft.

10.3 Insurance to be Maintained by Textron. During the Term, Textron shall, at its expense, carry and maintain (a) Workers' Compensation and Employer's Liability Insurance; (b) a commercial general liability insurance policy or policies or other, similar form of public liability insurance with a combined single limit of not less than \$1,000,000 insuring against all liability of Textron, its employees and representatives, arising out of or in connection with Textron's use or occupancy of the Premises; (c) Automobile Liability Insurance with a combined single limit of not less than \$1,000,000; (d) aircraft liability insurance with a combined single limit of not less than \$100,000,000; (e) aircraft hull coverage in an amount not less than the value of Textron's aircraft housed at the Premises. The insurance policy required by clause (b) of the first sentence of this Section 10.3 shall contain contractual liability coverage, which specifically insures Textron's indemnities contained in this Lease. Such insurance coverage may be afforded by a "blanket" policy or policies maintained by Textron with respect to all or a portion of Textron's activities on leased or owned properties. Textron shall provide a certificate of insurance to Licensee prior to commencement of the Term hereof.

10.4 Insurance Policy Deductible. Notwithstanding any other provisions of this Agreement, in the event of any loss caused by the negligence or misconduct of Licensee, Licensee shall be obligated for and Licensee shall pay to Textron the deductible portion of any insured recovery Textron otherwise would have been entitled to receive but for such deductible feature of the applicable insurance policy.

11. DESTRUCTION OF PREMISES

In the event of fire or other casualty occurring during the Term which results in damage or destruction to the Premises, Textron or Licensee may terminate this Agreement by notice in writing to the other as of the date on which such fire or other casualty or taking occurs.

12. SUBLETTING AND ASSIGNMENT

Licensee shall not assign nor in any manner transfer this Agreement or any estate or interest therein, nor permit any use of the same other than by Licensee nor sublet the Premises or any part thereof, nor grant any license, concession or other right of occupancy of any portion of the Premises.

13. LICENSEE'S COVENANTS

Licensee covenants and agrees as follows:

13.1 Payment and Performance. To perform promptly all of the obligations of Licensee set forth in this Agreement; to pay when due all fees and all charges which by the terms of this Agreement are to be paid by Licensee.

13.2 Cleanliness of Premises. To the extent his guests or invitees are present on the Premises, to clean up any mess caused by any such individual, to place all refuse, rubbish and debris in covered containers furnished by Textron and to comply with

Textron's reasonable rules in effect from time to time relating to maintenance and operation of the Premises.

13.3 No Waste. Not to cause, suffer or permit strip or waste.

14. BREACH OR DEFAULT

14.1 Default. If Licensee shall be in default in the payment of fees or any part thereof or of other sums payable by Licensee hereunder at the times and places herein fixed for the payment thereof and said default shall continue ten (10) days (whether or not the payment of said fees shall have been demanded), or if default shall be made in any other of the covenants or provisions herein contained on the part of Licensee to be kept and performed and if such default shall continue for a period of ten (10) days after notice to Licensee (or if such default cannot be cured within such 10 day period, Licensee has not commenced to cure default within such 10 day period), or if Licensee shall make an assignment for the benefit of creditors, or file a voluntary petition in bankruptcy or insolvency, or shall be adjudged bankrupt, or if the estate hereby created shall be deserted or vacated, then and in any of the said cases, notwithstanding any license or waiver of any former breach of covenant or consent in a former instance, it shall be lawful for Textron thereupon or at any time thereafter, during which such default, assignment, insolvency, legal proceedings, desertion, vacancy or neglect shall continue, or be in effect to terminate this Agreement and all of Licensee's interest hereunder by giving written notice to Licensee of such termination and of the effective date thereof (and such notice having been given, this Agreement shall cease and expire on the date named therein), and/or, at Textron's option, without demand or notice, and without process of law to enter upon and into the Premises or any part thereof in the name of the whole, and to declare this Agreement at an end and in such case expel Licensee without being guilty of any manner of trespass without prejudice, however, to Textron's claims for rent or other claims for breach of covenant hereunder, it being expressly understood and agreed that this Agreement shall not continue or inure to the benefit of any assignee, receiver or trustee in bankruptcy, excepting at the option of Textron.

14.2 No Relief from Obligations. No such expiration or termination of this Agreement shall relieve Licensee of his liability and obligations under this Agreement, and such liability and obligations shall survive any such expiration or termination.

14.3 Interest, Costs and Fees. If Licensee shall breach or fail to perform any of the covenants or provisions of this Agreement, and such breach shall continue beyond the period as specified in 14.1, and such failure or breach shall cause Textron to incur any damages or expenses whatsoever, then and in that event such damages or expenses so incurred by Textron, with interest at the rate of one (1) percent per month, costs and reasonable attorney's fees shall be deemed to be additional fees hereunder and shall be due from Licensee to Textron on the first (1st) day of the month following the incurring of such respective expenses.

15. NO WAIVER

The failure of Textron to seek redress for violation of, or to insist upon the strict performance of, any covenant or condition of this Agreement shall not be deemed a waiver of such violation nor prevent a subsequent act, which would have originally constituted a violation, from having all the force and effect of any original violation. The receipt by Textron of fees with knowledge of the breach of any provision of this Agreement shall not be deemed to have been a waiver by Textron of such breach, or by Licensee, any such waiver shall not be valid unless such waiver be in writing, signed by the party to be charged. No consent or waiver, express or implied, by Textron to or of

any breach of this Agreement or of any other agreement or duty between the parties shall be construed as a waiver or consent to or of any later breach of the same of any breach of any other provisions of this Agreement or other agreement or duty.

16. INSPECTIONS/MAINTENANCE

The parties acknowledge that Licensee intends to perform inspections on the aircraft referred to in Section 1 above from time to time during the Term. Licensee shall use his own contracted maintenance personnel for such purpose. No Textron personnel shall perform repairs or maintenance on Licensee's aircraft. In addition, Licensee may from time to time use the flight planning facilities located in Hangar 1. Notwithstanding any other provision of this Agreement to the contrary, Licensee agrees not to bring any action against Textron based on any theory of liability, whether in tort or contract, based upon Licensee's use of the aforementioned Textron facilities (including any gratuitous services that may from time to time be performed by Textron employees or agents); and Licensee shall indemnify, defend and hold Textron harmless from and against any and all loss, cost, damage and expense, including reasonable attorneys' fees, resulting from any claim for damage or injury to any person or property arising out of or in any way connected with Licensee's use of such Textron facilities. In the event any action or proceeding is brought against Textron by reason of any such claim, Licensee, upon notice from Textron, shall defend the same at Licensee's expense.

17. NOTICES

17.1 Notices to Licensee. All notices to Licensee shall be in writing and shall be effective upon receipt after being sent by certified mail (return receipt requested) addressed to Licensee at 40 Westminster Street, Providence, RI 02903.

17.2 Notices to Textron. All notices to Textron shall be in writing and shall be effective upon receipt after being sent by certified mail (return receipt requested) addressed to Textron (Attention Textron Real Estate) at its business offices at 40 Westminster Street, Providence, Rhode Island 02903 or at such other address as Textron shall designate in writing to Licensee.

17.3 Other Forms of Notices. Notices may also be sent by overnight courier service or delivered by hand, in which case any such notice shall be effective upon receipt by the addressee.

17.4 Changes of Address. Notwithstanding any provisions in this Agreement to the contrary concerning modifications, a change in address may be effected by certified mail (return receipt requested) sent by either party to the other.

18. ENTIRE AGREEMENT AND MODIFICATION

18.1 Entire Agreement. Neither Textron nor Licensee nor any of their agents have made any statement, promise or agreements verbally or in writing in conflict with the terms of this Agreement. Any and all representations by either of the parties or their agents made during negotiations prior to execution of this Agreement and which representations are not contained in the provisions hereof shall not be binding upon either of the parties hereto. It is further agreed that this Agreement constitutes the entire, full and complete agreement between Textron and Licensee with respect to the Premises.

18.2 Amendments . No modification, alteration or amendment of this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

19. MISCELLANEOUS

19.1 Reserved Rights of RIAC . Licensee acknowledges that pursuant to the Prime Lease there was reserved to RIAC, its successors and assigns for the use and benefit of the public, a free and unrestricted right of flight for the passage of aircraft in the air space above the surface of the Airport including the Premises, together with a right to cause in said air space such noise, dust and fumes as may be inherent in the operation of aircraft now known or hereafter used, or navigation of or right in the air, using said air space for landing, taking off or operating on or above same Airport; and Licensee consents to be bound by such reservation of rights by RIAC.

19.2 No Partnership or Joint Venture; Notice Concerning RIAC . Neither a partnership nor a joint venture is created by this Agreement. Licensee acknowledges that Textron has notified Licensee that Textron has no authority to bind RIAC and that this Agreement or a summary of the arrangement contemplated thereby may need to be submitted to RIAC and to Federal and State authorities for review and approval in accordance with applicable law and provisions of this Agreement.

19.3 Assistance to RIAC . Licensee shall cooperate and assist RIAC in dealing with the Federal Aviation Administration and all other Federal, State and local agencies in all matters relating to the operation of the Airport.

19.4 Cooperation With RIAC . RIAC may, from time to time, employ various planning and engineering consultants in connection with RIAC's ownership and operation of the Airport; and Licensee shall cooperate with and reasonably assist such consultants as requested by RIAC.

19.5 Airport Communications . Licensee shall not, by either his activities upon or use of the Premises, interfere with radio communications, instrument landing systems, navigational aides or flight operations of the Airport.

19.6 National Emergency . During time of war or national emergency, RIAC shall have the right to lease the Airport area of any part thereof, including the Premises, to the United States Government for military use and, if such lease is executed, the provisions of this Agreement, insofar as they are inconsistent with the provisions of the lease to the Government, shall be subordinate to said lease. Textron shall not be obliged to make any adjustment in Licensee's fees hereunder in the event if such lease is executed.

19.7 Federal Aviation Act Compliance . Licensee agrees to comply with provisions of the Federal Aviation Act of 1958 (49 U.S.C. 1349(a)), and any future amendments or revisions thereto, or any rules or regulations promulgated thereunder and any provision of any agreements providing Federal assistance for the development of Airports entered into by Textron and the United States of America or its agencies. Notwithstanding the foregoing, if Section 19.7 is invoked against Licensee, Licensee may terminate this Agreement without further liability if in Licensee's reasonable discretion such invocation materially increases Licensee's obligations or materially decreases Licensee's rights under this Agreement.

19.8 Protection of Airport Operations . Licensee covenants and agrees that he will neither erect structures not permit nor operate equipment nor store material on the Premises, in such a manner as to create any obstruction to air navigation and radar

operations according to the criteria or standards as prescribed in Part 77 of the Federal Aviation Regulations or to create electrical interference with radio communications, radar or electromagnetic equipment between the Airport and aircraft, or to make it difficult for a flier to distinguish between same Airport lights and others, or to cause a glare in the eyes of fliers using same airport, or to impair visibility in the vicinity of same Airport by lights, smoke, or otherwise endanger the landing, taking-off or maneuvering of aircraft. If Licensee is in default of this provision, Licensee shall remedy the cause immediately after notification by Textron.

19.9 Regulated Services. Licensee will perform no services which are regulated by the Federal Aviation Administration ("FAA") without Textron's prior written consent. If such consent is given, Licensee will promptly supply Textron with copies of certificates issued by the FAA. Licensee will also supply copies of all such certificates when they are renewed along with any notices of cancellation or termination of said certificates.

19.10 Time of Essence. It is expressly agreed that time is of the essence in the performance of each and every provision and covenant of this Agreement.

19.11 Original Copies. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute but one and the same agreement.

19.12 Captions. The captions appearing in this Agreement are inserted only as a matter of convenience and for reference, and in no way define, limit or construe or describe the scope or intent of any provisions of this Agreement nor in any way affect this Agreement.

19.13 Binding Effect. The terms, covenants and conditions contained in this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns and any person or persons, natural or corporate, claiming through or under them, or any of them.

19.14 Taking Effect. This Agreement shall take effect only upon its proper execution by both Textron and Licensee.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as a sealed instrument, as of the date first written above.

TEXTRON INC.

By: /s/John D. Butler
Title: Executive Vice President and Chief Human Resources Officer

LICENSEE

/s/Frank T. Connor
Frank T. Connor on behalf of [Mr. Connor's LLC]

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

	Three Months Ended April 2, 2011
Fixed charges:	
Interest expense*	\$ 44
Estimated interest portion of rents	7
Total fixed charges	<u>\$ 51</u>
Income:	
Income from continuing operations before income taxes	\$ 46
Fixed charges	51
Dividends received from TFC	130
Capital contributions paid to TFC under Support Agreement	(63)
Eliminate pretax loss of Finance group	44
Adjusted income	<u>\$ 208</u>
Ratio of income to fixed charges	<u>4.08</u>

* Includes interest expense on all third-party indebtedness, except for interest related to unrecognized tax benefits, which is included in income tax expense.

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

	<u>Three Months Ended April 2, 2011</u>
Fixed charges:	
Interest expense*	\$ 62
Estimated interest portion of rents	8
Total fixed charges	<u>\$ 70</u>
Income:	
Income from continuing operations before income taxes	\$ 46
Fixed charges	70
Adjusted income	<u>\$ 116</u>
Ratio of income to fixed charges	<u>1.66</u>

* Includes interest expense on all third-party indebtedness, except for interest related to unrecognized tax benefits, which is included in income tax expense.

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

I, Scott C. Donnelly, Chairman, President and Chief Executive Officer of Textron Inc. certify that:

1. I have reviewed this quarterly report on Form 10-Q of Textron Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2011

/s/ Scott C. Donnelly

Scott C. Donnelly
Chairman, President and Chief Executive Officer

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

I, Frank T. Connor, Executive Vice President and Chief Financial Officer of Textron Inc. certify that:

1. I have reviewed this quarterly report on Form 10-Q of Textron Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2011

/s/ Frank T. Connor

Frank T. Connor
Executive Vice President and Chief Financial Officer

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

In connection with the Quarterly Report of Textron Inc. (the "Company") on Form 10-Q for the three months ended April 2, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott C. Donnelly, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2011

/s/ Scott C. Donnelly

Scott C. Donnelly
Chairman, President and Chief Executive Officer

TEXTRON INC.

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

In connection with the Quarterly Report of Textron Inc. (the "Company") on Form 10-Q for the three months ended April 2, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Frank T. Connor, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2011

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