

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

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**Form 10-Q**

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(Mark One)

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

**For the quarterly period ended October 3, 2015**

**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 Westminster 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 October 16, 2015, there were 273,670,398 shares of common stock outstanding.

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**TEXTRON INC.**  
**Index to Form 10-Q**  
**For the Quarterly Period Ended October 3, 2015**

		<b>Page</b>
<b><u>PART I.</u></b>	<b><u>FINANCIAL INFORMATION</u></b>	
<u>Item 1.</u>	<u>Financial Statements</u>	
	<u>Consolidated Statements of Operations (Unaudited)</u>	3
	<u>Consolidated Statements of Comprehensive Income (Unaudited)</u>	4
	<u>Consolidated Balance Sheets (Unaudited)</u>	5
	<u>Consolidated Statements of Cash Flows (Unaudited)</u>	6
	<u>Notes to the Consolidated Financial Statements (Unaudited)</u>	
	<u>Note 1. Basis of Presentation</u>	8
	<u>Note 2. Retirement Plans</u>	9
	<u>Note 3. Earnings Per Share</u>	9
	<u>Note 4. Accounts Receivable and Finance Receivables</u>	10
	<u>Note 5. Inventories</u>	12
	<u>Note 6. Accrued Liabilities</u>	12
	<u>Note 7. Derivative Instruments and Fair Value Measurements</u>	12
	<u>Note 8. Accumulated Other Comprehensive Loss and Other Comprehensive Income</u>	14
	<u>Note 9. Commitments and Contingencies</u>	16
	<u>Note 10. Segment Information</u>	16
<u>Item 2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	17
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	28
<u>Item 4.</u>	<u>Controls and Procedures</u>	28
<b><u>PART II.</u></b>	<b><u>OTHER INFORMATION</u></b>	
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	28
<u>Item 6.</u>	<u>Exhibits</u>	29
	<u>Signatures</u>	29

## PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

**TEXTRON INC.**  
**Consolidated Statements of Operations (Unaudited)**

<i>(In millions, except per share amounts)</i>	Three Months Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
<b>Revenues</b>				
Manufacturing revenues	\$ 3,163	\$ 3,405	\$ 9,437	\$ 9,701
Finance revenues	17	25	63	81
Total revenues	3,180	3,430	9,500	9,782
<b>Costs and expenses</b>				
Cost of sales	2,584	2,845	7,728	8,077
Selling and administrative expense	303	304	969	959
Interest expense	41	47	126	141
Acquisition and restructuring costs	—	3	—	39
Total costs and expenses	2,928	3,199	8,823	9,216
Income from continuing operations before income taxes	252	231	677	566
Income tax expense	76	71	204	174
<b>Income from continuing operations</b>	176	160	473	392
Loss from discontinued operations, net of income taxes	—	(1)	(2)	(4)
<b>Net income</b>	\$ 176	\$ 159	\$ 471	\$ 388
<b>Basic earnings per share</b>				
Continuing operations	\$ 0.64	\$ 0.57	\$ 1.71	\$ 1.40
Discontinued operations	—	—	(0.01)	(0.02)
<b>Basic earnings per share</b>	\$ 0.64	\$ 0.57	\$ 1.70	\$ 1.38
<b>Diluted earnings per share</b>				
Continuing operations	\$ 0.63	\$ 0.57	\$ 1.69	\$ 1.39
Discontinued operations	—	—	(0.01)	(0.02)
<b>Diluted earnings per share</b>	\$ 0.63	\$ 0.57	\$ 1.68	\$ 1.37
<b>Dividends per share</b>				
Common stock	\$ 0.02	\$ 0.02	\$ 0.06	\$ 0.06

See Notes to the Consolidated Financial Statements.

**TEXTRON INC.**  
**Consolidated Statements of Comprehensive Income (Unaudited)**

<i>(In millions)</i>	Three Months Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
<b>Net income</b>	\$ 176	\$ 159	\$ 471	\$ 388
Other comprehensive income (loss), net of tax:				
Pension and postretirement benefits adjustments, net of reclassifications	22	17	133	62
Foreign currency translation adjustments	1	(43)	(45)	(47)
Deferred gains (losses) on hedge contracts, net of reclassifications	(1)	(5)	(9)	2
Other comprehensive income (loss)	22	(31)	79	17
<b>Comprehensive income</b>	<b>\$ 198</b>	<b>\$ 128</b>	<b>\$ 550</b>	<b>\$ 405</b>

*See Notes to the Consolidated Financial Statements.*

**TEXTRON INC.**  
**Consolidated Balance Sheets (Unaudited)**

<i>(Dollars in millions)</i>	<b>October 3, 2015</b>	<b>January 3, 2015</b>
<b>Assets</b>		
<b>Manufacturing group</b>		
Cash and equivalents	\$ 497	\$ 731
Accounts receivable, net	1,159	1,035
Inventories	4,574	3,928
Other current assets	507	579
<b>Total current assets</b>	<b>6,737</b>	<b>6,273</b>
Property, plant and equipment, less accumulated depreciation and amortization of \$3,854 and \$3,685	2,488	2,497
Goodwill	2,026	2,027
Other assets	2,234	2,279
<b>Total Manufacturing group assets</b>	<b>13,485</b>	<b>13,076</b>
<b>Finance group</b>		
Cash and equivalents	117	91
Finance receivables, net	1,138	1,238
Other assets	158	200
<b>Total Finance group assets</b>	<b>1,413</b>	<b>1,529</b>
<b>Total assets</b>	<b>\$ 14,898</b>	<b>\$ 14,605</b>
<b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
<b>Manufacturing group</b>		
Short-term debt and current portion of long-term debt	\$ 414	\$ 8
Accounts payable	1,173	1,014
Accrued liabilities	2,602	2,616
<b>Total current liabilities</b>	<b>4,189</b>	<b>3,638</b>
Other liabilities	2,426	2,587
Long-term debt	2,391	2,803
<b>Total Manufacturing group liabilities</b>	<b>9,006</b>	<b>9,028</b>
<b>Finance group</b>		
Other liabilities	229	242
Debt	967	1,063
<b>Total Finance group liabilities</b>	<b>1,196</b>	<b>1,305</b>
<b>Total liabilities</b>	<b>10,202</b>	<b>10,333</b>
<b>Shareholders' equity</b>		
Common stock	36	36
Capital surplus	1,561	1,459
Treasury stock	(551)	(340)
Retained earnings	5,077	4,623
Accumulated other comprehensive loss	(1,427)	(1,506)
<b>Total shareholders' equity</b>	<b>4,696</b>	<b>4,272</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 14,898</b>	<b>\$ 14,605</b>
<b>Common shares outstanding (in thousands)</b>	<b>273,862</b>	<b>276,582</b>

See Notes to the Consolidated Financial Statements.

**TEXTRON INC.**  
**Consolidated Statements of Cash Flows (Unaudited)**  
For the Nine Months Ended October 3, 2015 and September 27, 2014, respectively

<i>(In millions)</i>	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 471	\$ 388
Less: Loss from discontinued operations	(2)	(4)
Income from continuing operations	473	392
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Non-cash items:		
Depreciation and amortization	332	325
Deferred income taxes	(11)	(41)
Other, net	78	80
Changes in assets and liabilities:		
Accounts receivable, net	(122)	(55)
Inventories	(654)	(370)
Other assets	6	24
Accounts payable	156	(120)
Accrued and other liabilities	(18)	137
Income taxes, net	64	61
Pension, net	61	31
Captive finance receivables, net	58	107
Other operating activities, net	(4)	(2)
Net cash provided by operating activities of continuing operations	419	569
Net cash used in operating activities of discontinued operations	(4)	(3)
Net cash provided by operating activities	415	566
<b>Cash flows from investing activities</b>		
Capital expenditures	(286)	(255)
Net cash used in acquisitions	(81)	(1,580)
Finance receivables repaid	66	77
Other investing activities, net	31	33
Net cash used in investing activities	(270)	(1,725)
<b>Cash flows from financing activities</b>		
Principal payments on long-term and nonrecourse debt	(196)	(462)
Proceeds from long-term debt	55	1,187
Increase in short-term debt	—	25
Purchases of Textron common stock	(211)	(302)
Dividends paid	(17)	(17)
Other financing activities, net	25	33
Net cash provided by (used in) financing activities	(344)	464
Effect of exchange rate changes on cash and equivalents	(9)	(5)
<b>Net decrease in cash and equivalents</b>	<b>(208)</b>	<b>(700)</b>
Cash and equivalents at beginning of period	822	1,211
Cash and equivalents at end of period	\$ 614	\$ 511

See Notes to the Consolidated Financial Statements.

**TEXTRON INC.**  
**Consolidated Statements of Cash Flows (Unaudited) (Continued)**  
For the Nine Months Ended October 3, 2015 and September 27, 2014, respectively

<i>(In millions)</i>	<b>Manufacturing Group</b>		<b>Finance Group</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>				
Net income	\$ 458	\$ 378	\$ 13	\$ 10
Less: Loss from discontinued operations	(2)	(4)	—	—
Income from continuing operations	460	382	13	10
Adjustments to reconcile income from continuing operations to net cash provided by (used in) operating activities:				
Non-cash items:				
Depreciation and amortization	324	315	8	10
Deferred income taxes	(3)	(25)	(8)	(16)
Other, net	74	69	4	11
Changes in assets and liabilities:				
Accounts receivable, net	(122)	(55)	—	—
Inventories	(661)	(344)	—	—
Other assets	(6)	38	12	(14)
Accounts payable	156	(120)	—	—
Accrued and other liabilities	(10)	145	(8)	(8)
Income taxes, net	58	57	6	4
Pension, net	61	31	—	—
Dividends received from Finance Group	20	—	—	—
Other operating activities, net	(4)	(2)	—	—
Net cash provided by (used in) operating activities of continuing operations	347	491	27	(3)
Net cash used in operating activities of discontinued operations	(4)	(3)	—	—
Net cash provided by (used in) operating activities	343	488	27	(3)
<b>Cash flows from investing activities</b>				
Capital expenditures	(286)	(255)	—	—
Net cash used in acquisitions	(81)	(1,580)	—	—
Finance receivables repaid	—	—	269	307
Finance receivables originated	—	—	(145)	(123)
Other investing activities, net	2	(12)	36	19
Net cash provided by (used in) investing activities	(365)	(1,847)	160	203
<b>Cash flows from financing activities</b>				
Principal payments on long-term and nonrecourse debt	—	(201)	(196)	(261)
Proceeds from long-term debt	—	1,093	55	94
Increase in short-term debt	—	25	—	—
Purchases of Textron common stock	(211)	(302)	—	—
Dividends paid	(17)	(17)	(20)	—
Other financing activities, net	25	33	—	—
Net cash provided by (used in) financing activities	(203)	631	(161)	(167)
Effect of exchange rate changes on cash and equivalents	(9)	(5)	—	—
<b>Net increase (decrease) in cash and equivalents</b>	<b>(234)</b>	<b>(733)</b>	<b>26</b>	<b>33</b>
Cash and equivalents at beginning of period	731	1,163	91	48
Cash and equivalents at end of period	\$ 497	\$ 430	\$ 117	\$ 81

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. (Textron) 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 3, 2015. 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.

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

*Use of Estimates*

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

During 2015 and 2014, we changed our estimates of revenues and costs on certain long-term contracts that are accounted for under the percentage-of-completion method of accounting. These changes in estimates increased income from continuing operations before income taxes in the third quarter of 2015 and 2014 by \$14 million and \$10 million, respectively, (\$9 million and \$6 million after tax, or \$0.03 and \$0.02 per diluted share, respectively). For the third quarter of 2015 and 2014, the gross favorable program profit adjustments totaled \$20 million and \$25 million, respectively, and the gross unfavorable program profit adjustments totaled \$6 million and \$15 million, respectively.

The changes in estimates increased income from continuing operations before income taxes in the first nine months of 2015 and 2014 by \$68 million and \$69 million, respectively, (\$43 million after tax, or \$0.15 per diluted share for both periods). For the first nine months of 2015 and 2014, the gross favorable program profit adjustments totaled \$93 million and \$90 million, respectively, and the gross unfavorable program profit adjustments totaled \$25 million and \$21 million, respectively. Gross favorable program profit adjustments for the first nine months of 2014 included \$16 million related to the settlement of the System Development and Demonstration phase of the Armed Reconnaissance Helicopter (ARH) program, which was terminated in October 2008.

*Recently Issued Accounting Standards*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers, that outlines a comprehensive five-step revenue recognition model based on the principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. In July 2015, the FASB approved a one-year deferral of the effective date of the standard to the beginning of 2018 for public companies, with an option that would permit companies to adopt the standard as early as the original effective date of 2017. The new standard may be adopted either retrospectively or on a modified retrospective basis whereby it would be applied to new contracts and existing contracts with remaining performance obligations as of the effective date, with a cumulative catch-up adjustment recorded to beginning retained earnings at the effective date for those contracts. We are currently evaluating the impacts of adoption on our consolidated financial position, results of operations and related disclosures, along with the implementation approach to be used.

**Note 2. 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>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 3 , 2015</b>	<b>September 27, 2014</b>	<b>October 3, 2015</b>	<b>September 27, 2014</b>
<b>Pension Benefits</b>				
Service cost	\$ 27	\$ 27	\$ 86	\$ 81
Interest cost	82	86	245	250
Expected return on plan assets	(121)	(117)	(363)	(345)
Amortization of prior service cost	4	3	12	11
Amortization of net actuarial loss	35	28	113	84
Curtailement and other charges	—	—	6	—
<b>Net periodic benefit cost</b>	<b>\$ 27</b>	<b>\$ 27</b>	<b>\$ 99</b>	<b>\$ 81</b>
<b>Postretirement Benefits Other Than Pensions</b>				
Service cost	\$ 1	\$ 1	\$ 3	\$ 3
Interest cost	4	5	12	15
Amortization of prior service credit	(6)	(5)	(18)	(16)
Amortization of net actuarial loss	1	—	1	1
<b>Net periodic benefit cost (credit)</b>	<b>\$ —</b>	<b>\$ 1</b>	<b>\$ (2)</b>	<b>\$ 3</b>

In April 2015, our Bell segment announced cost reduction actions that resulted in a headcount reduction of approximately 12% of the Bell workforce. We determined that a curtailment had occurred in Bell's pension plan as a result of this reduction, which triggered a remeasurement of the projected benefit obligation. We remeasured Bell's pension plan incorporating a 50 basis-point increase in the discount rate to 4.75%, while other assumptions remained consistent with year-end. The remeasurement reduced our unrealized losses by approximately \$98 million which was recorded in other comprehensive income in the second quarter of 2015.

**Note 3. Earnings Per Share**

We calculate basic and diluted earnings per share (EPS) based on net income, which approximates income available to common shareholders for each period. Basic EPS is calculated using the two-class method, which includes the weighted-average number of common shares outstanding during the period and restricted stock units to be paid in stock that are deemed participating securities as they provide nonforfeitable rights to dividends. Diluted EPS considers the dilutive effect of all potential future common stock, including stock options. In addition, diluted EPS for the three and nine months ended September 27, 2014 includes the impact of the initial delivery of shares under an Accelerated Share Repurchase agreement (ASR), which was settled in December 2014 as disclosed in Note 9 of our 2014 Annual Report on Form 10-K.

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

<i>(In thousands)</i>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 3 , 2015</b>	<b>September 27, 2014</b>	<b>October 3, 2015</b>	<b>September 27, 2014</b>
Basic weighted-average shares outstanding	276,334	278,860	277,317	280,096
Dilutive effect of:				
Stock options	1,705	1,892	2,083	2,027
ASR	—	278	—	301
<b>Diluted weighted-average shares outstanding</b>	<b>278,039</b>	<b>281,030</b>	<b>279,400</b>	<b>282,424</b>

Stock options to purchase 4 million and 2 million of common shares outstanding are excluded from the calculation of diluted weighted average shares outstanding for the three and nine months ended October 3, 2015, respectively, as their effect would have been anti-dilutive. For both the three and nine months ended September 27, 2014, stock options to purchase 2 million of common shares outstanding are excluded from the calculation of diluted weighted average shares, as their effect would have been anti-dilutive.

**Note 4. Accounts Receivable and Finance Receivables**

**Accounts Receivable**

Accounts receivable is composed of the following:

<i>(In millions)</i>	October 3, 2015	January 3, 2015
Commercial	\$ 920	\$ 765
U.S. Government contracts	273	300
	1,193	1,065
Allowance for doubtful accounts	(34)	(30)
<b>Total</b>	<b>\$ 1,159</b>	<b>\$ 1,035</b>

We have unbillable receivables, primarily on U.S. Government contracts, that arise when the revenues we have appropriately recognized based on performance cannot be billed yet under terms of the contract. Unbillable receivables within accounts receivable totaled \$133 million at October 3, 2015 and \$151 million at January 3, 2015.

**Finance Receivables**

Finance receivables are presented in the following table:

<i>(In millions)</i>	October 3, 2015	January 3, 2015
Finance receivables *	\$ 1,187	\$ 1,289
Allowance for losses	(49)	(51)
<b>Total finance receivables, net</b>	<b>\$ 1,138</b>	<b>\$ 1,238</b>

\* Includes finance receivables held for sale of \$32 million and \$35 million at October 3, 2015 and January 3, 2015, respectively.

*Credit Quality Indicators and Nonaccrual Finance Receivables*

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

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

Finance receivables categorized based on the credit quality indicators discussed above are summarized as follows:

<i>(In millions)</i>	October 3, 2015	January 3, 2015
Performing	\$ 985	\$ 1,062
Watchlist	76	111
Nonaccrual	94	81
<b>Total</b>	<b>\$ 1,155</b>	<b>\$ 1,254</b>
<b>Nonaccrual as a percentage of finance receivables</b>	<b>8.14%</b>	<b>6.46%</b>

We measure delinquency based on the contractual payment terms of our finance receivables. 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.

[Table of Contents](#)

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

<i>(In millions)</i>	October 3, 2015	January 3, 2015
Less than 31 days past due	\$ 995	\$ 1,080
31-60 days past due	94	117
61-90 days past due	28	28
Over 90 days past due	38	29
<b>Total</b>	<b>\$ 1,155</b>	<b>\$ 1,254</b>
60 + days contractual delinquency as a percentage of finance receivables	5.71%	4.55%

*Impaired Loans*

On a quarterly basis, we evaluate individual finance receivables for impairment in non-homogeneous portfolios and larger balance accounts in homogeneous loan portfolios. A finance receivable is considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement based on our review of the credit quality indicators discussed above. Impaired finance receivables include both nonaccrual accounts and accounts for which full collection of principal and interest remains probable, but the account's original terms have been, or are expected to be, significantly modified. If the modification specifies an interest rate equal to or greater than a market rate for a finance receivable with comparable risk, the account is not considered impaired in years subsequent to the modification. Interest income recognized on impaired loans was not significant in the first nine months of 2015 or 2014.

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

<i>(In millions)</i>	October 3, 2015	January 3, 2015
Recorded investment:		
Impaired loans with related allowance for losses	\$ 60	\$ 68
Impaired loans with no related allowance for losses	40	42
<b>Total</b>	<b>\$ 100</b>	<b>\$ 110</b>
Unpaid principal balance	\$ 105	\$ 115
Allowance for losses on impaired loans	16	20
<b>Average recorded investment</b>	<b>102</b>	<b>115</b>

A summary of the allowance for losses on finance receivables that are evaluated on an individual basis and on a collective basis is provided below. The finance receivables included in the table below specifically exclude leveraged leases in accordance with generally accepted accounting principles.

<i>(In millions)</i>	October 3, 2015	January 3, 2015
Allowance based on collective evaluation	\$ 33	\$ 31
Allowance based on individual evaluation	16	20
Finance receivables evaluated collectively	\$ 937	\$ 1,023
Finance receivables evaluated individually	100	110

*Allowance for Losses*

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

We also establish an allowance for losses to cover probable but specifically unknown losses existing in the portfolio. This allowance is established as a percentage of non-recourse finance receivables, which have not been identified as requiring specific

[Table of Contents](#)

reserves. The percentage is based on a combination of factors, including historical loss experience, current delinquency and default trends, collateral values and both general economic and specific industry trends. Finance receivables are charged off at the earlier of the date the collateral is repossessed or when no payment has been received for six months, unless management deems the receivable collectible.

A rollforward of the allowance for losses on finance receivables is provided below:

<i>(In millions)</i>	Nine Months Ended	
	October 3, 2015	September 27, 2014
Balance at the beginning of period	\$ 51	\$ 55
Provision for losses	(4)	7
Charge-offs	(8)	(11)
Recoveries	10	5
Balance at the end of period	\$ 49	\$ 56

**Note 5. Inventories**

Inventories are composed of the following:

<i>(In millions)</i>	October 3, 2015	January 3, 2015
Finished goods	\$ 1,871	\$ 1,582
Work in process	3,235	2,683
Raw materials and components	609	546
	5,715	4,811
Progress/milestone payments	(1,141)	(883)
Total	\$ 4,574	\$ 3,928

**Note 6. 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 contract liability are as follows:

<i>(In millions)</i>	Nine Months Ended	
	October 3, 2015	September 27, 2014
Balance at the beginning of period	\$ 281	\$ 223
Provision	224	240
Settlements	(237)	(240)
Acquisitions	3	65
Adjustments*	(6)	(8)
Balance at the end of period	\$ 265	\$ 280

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

**Note 7. Derivative Instruments and Fair Value Measurements**

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

**Assets and Liabilities Recorded at Fair Value on a Recurring Basis**

We manufacture and sell our products in a number of countries throughout the world, and, therefore, we are exposed to movements in foreign currency exchange rates. We utilize foreign currency exchange contracts to manage this volatility. Our foreign currency exchange contracts are measured at fair value using the market method valuation technique. The inputs to this technique utilize current foreign currency exchange forward market rates published by third-party leading financial news and data providers. These are observable data that represent the rates that the financial institution uses for contracts entered into at that date; however, they are not based on actual transactions so they are classified as Level 2. At October 3, 2015 and January 3, 2015, we had foreign currency exchange contracts with notional amounts upon which the contracts were based of \$394 million and \$696 million, respectively. At October 3, 2015, the fair value amounts of our foreign currency exchange contracts were a \$12 million asset and a \$31 million liability. At January 3, 2015, the fair value amounts of our foreign currency exchange contracts were a \$16 million asset and a \$26 million liability.

We primarily utilize forward exchange contracts which have maturities of no more than three years. These contracts qualify as cash flow hedges and are intended to offset the effect of exchange rate fluctuations on forecasted sales, inventory purchases and overhead expenses. At October 3, 2015, we had a net deferred loss of \$22 million in Accumulated other comprehensive loss related to these cash flow hedges. Net gains and losses recognized in earnings and Accumulated other comprehensive loss on cash flow hedges, including gains and losses related to hedge ineffectiveness, were not significant in the periods presented.

We hedge our net investment position in major currencies and generate foreign currency interest payments that offset other transactional exposures in these currencies. To accomplish this, we borrow directly in foreign currency and designate a portion of foreign currency debt as a hedge of a net investment. We record changes in the fair value of these contracts in other comprehensive income to the extent they are effective as cash flow hedges. Currency effects on the effective portion of these hedges, which are reflected in the foreign currency translation adjustments within Accumulated other comprehensive loss, were not significant in the periods presented.

**Assets Recorded at Fair Value on a Nonrecurring Basis**

During the periods ended October 3, 2015 and January 3, 2015, the Finance group's impaired nonaccrual finance receivables of \$44 million and \$49 million, respectively, were measured at fair value on a nonrecurring basis using significant unobservable inputs (Level 3). Impaired nonaccrual finance receivables represent assets recorded at fair value on a nonrecurring basis since the measurement of required reserves on our impaired finance receivables is significantly dependent on the fair value of the underlying collateral. For impaired nonaccrual finance receivables secured by aviation assets, the fair values of collateral are determined primarily based on the use of industry pricing guides. Fair value measurements recorded on impaired finance receivables resulted in charges to provision for loan losses totaling \$2 million and \$8 million for the three and nine months ended October 3, 2015 and \$5 million and \$16 million for the three and nine months ended September 27, 2014, respectively.

**Assets and Liabilities Not Recorded at Fair Value**

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

<i>(In millions)</i>	October 3, 2015		January 3, 2015	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
<b>Manufacturing group</b>				
Long-term debt, excluding leases	\$ (2,734)	\$ (2,896)	\$ (2,742)	\$ (2,944)
<b>Finance group</b>				
Finance receivables, excluding leases	910	884	1,004	1,021
Debt	(967)	(924)	(1,063)	(1,051)

Fair value for the Manufacturing group debt is determined using market observable data for similar transactions (Level 2). At October 3, 2015 and January 3, 2015, approximately 74% and 75%, respectively, of the fair value of term debt for the Finance group was determined based on discounted cash flow analyses using observable market inputs from debt with similar duration, subordination and credit default expectations (Level 2). The remaining Finance group debt was determined based on observable market transactions (Level 1). Fair value estimates for finance receivables were determined based on internally developed discounted cash flow models primarily utilizing significant unobservable inputs (Level 3), which include estimates of the rate of return, financing cost, capital structure and/or discount rate expectations of current market participants combined with estimated loan cash flows based on credit losses, payment rates and expectations of borrowers' ability to make payments on a timely basis.

**Note 8. Accumulated Other Comprehensive Loss and Other Comprehensive Income**

The components of Accumulated Other Comprehensive Loss are presented below:

<i>(In millions)</i>	<b>Pension and Postretirement Benefits Adjustments</b>	<b>Foreign Currency Translation Adjustments</b>	<b>Deferred Gains (Losses) on Hedge Contracts</b>	<b>Accumulated Other Comprehensive Loss</b>
<b>For the nine months ended October 3, 2015</b>				
Balance at the beginning of the period	\$ (1,511)	\$ 18	\$ (13)	\$ (1,506)
Other comprehensive income (loss) before reclassifications	62	(45)	(22)	(5)
Reclassified from Accumulated other comprehensive loss	71	—	13	84
Other comprehensive income (loss)	133	(45)	(9)	79
Balance at the end of the period	\$ (1,378)	\$ (27)	\$ (22)	\$ (1,427)
<b>For the nine months ended September 27, 2014</b>				
Balance at the beginning of the period	\$ (1,110)	\$ 93	\$ (10)	\$ (1,027)
Other comprehensive income (loss) before reclassifications	9	(47)	(4)	(42)
Reclassified from Accumulated other comprehensive loss	53	—	6	59
Other comprehensive income (loss)	62	(47)	2	17
Balance at the end of the period	\$ (1,048)	\$ 46	\$ (8)	\$ (1,010)

[Table of Contents](#)

The before and after-tax components of Other Comprehensive Income are presented below:

<i>(In millions)</i>	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
<b>For the three months ended October 3, 2015</b>			
Pension and postretirement benefits adjustments:			
Amortization of net actuarial loss*	\$ 36	\$ (12)	\$ 24
Amortization of prior service credit*	(2)	—	(2)
Pension and postretirement benefits adjustments, net	34	(12)	22
Deferred gains (losses) on hedge contracts:			
Current deferrals	(10)	2	(8)
Reclassification adjustments	9	(2)	7
Deferred losses on hedge contracts, net	(1)	—	(1)
Foreign currency translation adjustments	4	(3)	1
<b>Total</b>	<b>\$ 37</b>	<b>\$ (15)</b>	<b>\$ 22</b>
<b>For the three months ended September 27, 2014</b>			
Pension and postretirement benefits adjustments:			
Amortization of net actuarial loss*	\$ 28	\$ (10)	\$ 18
Amortization of prior service credit*	(2)	1	(1)
Pension and postretirement benefits adjustments, net	26	(9)	17
Deferred gains (losses) on hedge contracts:			
Current deferrals	(9)	3	(6)
Reclassification adjustments	2	(1)	1
Deferred losses on hedge contracts, net	(7)	2	(5)
Foreign currency translation adjustments	(39)	(4)	(43)
<b>Total</b>	<b>\$ (20)</b>	<b>\$ (11)</b>	<b>\$ (31)</b>
<b>For the nine months ended October 3, 2015</b>			
Pension and postretirement benefits adjustments:			
Amortization of net actuarial loss*	\$ 114	\$ (40)	\$ 74
Unrealized gains	98	(36)	62
Amortization of prior service credit*	(4)	1	(3)
Pension and postretirement benefits adjustments, net	208	(75)	133
Deferred gains (losses) on hedge contracts:			
Current deferrals	(28)	6	(22)
Reclassification adjustments	18	(5)	13
Deferred losses on hedge contracts, net	(10)	1	(9)
Foreign currency translation adjustments	(39)	(6)	(45)
<b>Total</b>	<b>\$ 159</b>	<b>\$ (80)</b>	<b>\$ 79</b>
<b>For the nine months ended September 27, 2014</b>			
Pension and postretirement benefits adjustments:			
Amortization of net actuarial loss*	\$ 85	\$ (30)	\$ 55
Amortization of prior service credit*	(5)	3	(2)
Recognition of prior service cost	15	(6)	9
Pension and postretirement benefits adjustments, net	95	(33)	62
Deferred gains (losses) on hedge contracts:			
Current deferrals	(7)	3	(4)
Reclassification adjustments	9	(3)	6
Deferred gains on hedge contracts, net	2	—	2
Foreign currency translation adjustments	(46)	(1)	(47)
<b>Total</b>	<b>\$ 51</b>	<b>\$ (34)</b>	<b>\$ 17</b>

\* These components of other comprehensive income are included in the computation of net periodic pension cost. See Note 11 of our 2014 Annual Report on Form 10-K for additional information.

**Note 9. 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; alleged lack of compliance with applicable laws and regulations; production partners; product liability; patent and trademark infringement; employment disputes; and environmental, safety and health matters. Some of these legal proceedings and claims seek damages, fines or penalties in substantial amounts or remediation of environmental contamination. As a government contractor, we are subject to audits, reviews and investigations to determine whether our operations are being conducted in accordance with applicable regulatory requirements. Under federal government procurement regulations, certain claims brought by the U.S. Government could result in our suspension or debarment from U.S. Government contracting for a period of time. On the basis of information presently available, we do not believe that existing proceedings and claims will have a material effect on our financial position or results of operations.

**Note 10. Segment Information**

We operate in, and report financial information for, the following five business segments: Textron Aviation, 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 acquisition and restructuring costs related to the Beechcraft acquisition. The measurement for the Finance segment includes interest income and expense along with intercompany interest income and expense.

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

<i>(In millions)</i>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 3, 2015</b>	<b>September 27, 2014</b>	<b>October 3, 2015</b>	<b>September 27, 2014</b>
<b>Revenues</b>				
Textron Aviation	\$ 1,159	\$ 1,080	\$ 3,334	\$ 3,048
Bell	756	1,182	2,419	3,174
Textron Systems	420	358	1,057	1,003
Industrial	828	785	2,627	2,476
Finance	17	25	63	81
<b>Total revenues</b>	<b>\$ 3,180</b>	<b>\$ 3,430</b>	<b>\$ 9,500</b>	<b>\$ 9,782</b>
<b>Segment Profit</b>				
Textron Aviation	\$ 107	\$ 62	\$ 262	\$ 104
Bell	99	146	276	383
Textron Systems	39	27	88	100
Industrial	61	53	229	213
Finance	6	5	22	16
<b>Segment profit</b>	<b>312</b>	<b>293</b>	<b>877</b>	<b>816</b>
Corporate expenses and other, net	(27)	(22)	(102)	(103)
Interest expense, net for Manufacturing group	(33)	(37)	(98)	(108)
Acquisition and restructuring costs	—	(3)	—	(39)
<b>Income from continuing operations before income taxes</b>	<b>\$ 252</b>	<b>\$ 231</b>	<b>\$ 677</b>	<b>\$ 566</b>

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

**Consolidated Results of Operations**

<i>(Dollars in millions)</i>	Three Months Ended			Nine Months Ended*		
	October 3, 2015	September 27, 2014	Percentage Change	October 3, 2015	September 27, 2014	Percentage Change
Revenues	\$ 3,180	\$ 3,430	(7)%	\$ 9,500	\$ 9,782	(3)%
Operating expenses	2,887	3,149	(8)%	8,697	9,036	(4)%
Cost of sales	2,584	2,845	(9)%	7,728	8,077	(4)%
Gross margin percentage of Manufacturing revenues	18.3%	16.4%		18.1%	16.7%	
Selling and administrative expense	\$ 303	\$ 304	—	\$ 969	\$ 959	1%

\* On March 14, 2014, we completed the acquisition of Beechcraft and as a result, the nine-month period ended September 27, 2014 does not reflect a full nine months of Beechcraft operating results.

An analysis of our consolidated operating results is set forth below. A more detailed analysis of our segments' operating results is provided in the Segment Analysis section on pages 19 to 24.

**Revenues**

Revenues decreased \$250 million, 7%, in the third quarter of 2015, compared with the third quarter of 2014, as decreases in the Bell segment were partially offset by higher revenues in the Textron Aviation, Textron Systems and Industrial segments. The net revenue decrease included the following factors:

- Lower Bell revenues of \$426 million, largely due to a decrease of \$365 million in V-22 program revenues, primarily reflecting lower aircraft deliveries, and a decrease of \$69 million in commercial revenues, largely related to lower aftermarket volume of \$35 million and a change in mix of commercial aircraft that offset higher deliveries during the period.
- Higher Textron Aviation revenues of \$79 million, primarily due to higher Citation jet volume of \$81 million and higher military volume of \$44 million.
- Higher Textron Systems revenues of \$62 million, primarily due to higher volume of \$41 million in the Weapons and Sensors product line and higher volume of \$31 million in the Unmanned Systems product line.
- Higher Industrial segment revenues of \$43 million, primarily due to higher volume of \$100 million, largely in the Fuel Systems and Functional Components product line, partially offset by an unfavorable foreign exchange impact of \$59 million.

Revenues decreased \$282 million, 3%, in the first nine months of 2015, compared with the first nine months of 2014, as decreases in the Bell segment were partially offset by higher revenues in the Textron Aviation, Industrial and Textron Systems segments. The net revenue decrease included the following factors:

- Lower Bell revenues of \$755 million, largely due to a decrease of \$597 million in V-22 program revenues, primarily reflecting lower aircraft deliveries, a decrease of \$108 million in commercial revenues, largely related to a change in mix of aircraft sold during the period, and a decrease of \$50 million in other military revenues, primarily due to \$41 million related to the settlement of the System Development and Demonstration (SDD) phase of the Armed Reconnaissance Helicopter (ARH) program in the second quarter of 2014.
- Higher Textron Aviation revenues of \$286 million, primarily due to the impact of the Beechcraft acquisition of \$219 million and higher volume and mix of \$68 million, primarily due to higher military volume.
- Higher Industrial segment revenues of \$151 million, primarily due to higher volume of \$291 million, largely in the Fuel Systems and Functional Components product line, and an impact of \$61 million from acquisitions, partially offset by an unfavorable foreign exchange impact of \$190 million.
- Higher Textron Systems revenues of \$54 million, primarily due to higher volume of \$93 million in the Unmanned Systems product line, largely reflecting higher unmanned aircraft systems deliveries, partially offset by lower volume in other product lines.

**Cost of Sales and Selling and Administrative Expense**

Manufacturing cost of sales and selling and administrative expense together comprise our operating expenses. Cost of sales decreased \$261 million, 9%, in the third quarter of 2015, compared with the third quarter of 2014, largely due to lower volume at the Bell segment, partially offset by higher volume in the Industrial, Systems and Textron Aviation segments, and a favorable foreign exchange impact of \$52 million mostly related to the strengthening of the U.S. dollar against the Euro. The 190 basis point improvement in gross margin in the third quarter was largely driven by the Textron Aviation segment, primarily reflecting higher volume and mix, lower amortization of fair value step-up adjustments related to acquired Beechcraft inventories and the benefit of the integrated cost structure of Beechcraft and Cessna, as well as performance improvements at the Bell segment, largely related to ongoing cost reduction activities.

Cost of sales decreased \$349 million, 4%, in the first nine months of 2015, compared with the first nine months of 2014, largely due to lower volume at the Bell segment, partially offset by an increase from acquired businesses, primarily Beechcraft, higher volume in the Industrial segment and a favorable foreign exchange impact of \$166 million mostly related to the strengthening of the U.S. dollar against the Euro. The 140 basis point improvement in gross margin was largely driven by Textron Aviation, primarily reflecting the net impact of the Beechcraft acquisition, which includes the benefit of the integrated cost structure of Beechcraft and Cessna, and lower amortization of fair value step-up adjustments related to acquired Beechcraft inventories.

Selling and administrative expense was relatively unchanged in the third quarter of 2015, compared with the third quarter of 2014. In the first nine months of 2015, selling and administrative expense increased \$10 million, compared with the first nine months of 2014, largely reflecting higher operating expenses related to acquired businesses, primarily Beechcraft, partially offset by lower provision for loan losses of \$11 million and a favorable foreign exchange impact of \$8 million, mostly from the strengthening of the U.S. dollar against the Euro.

**Acquisition and Restructuring Costs**

In connection with the integration of Beechcraft, we initiated a restructuring program in our Textron Aviation segment in the first quarter of 2014 to align the Cessna and Beechcraft businesses, reduce operating redundancies and maximize efficiencies. During the third quarter and first nine months of 2014, we recorded charges of \$3 million and \$28 million, respectively, related to these restructuring activities that were included in the Acquisition and restructuring costs line on the Consolidated Statements of Operations, along with \$11 million of transaction costs incurred during the first quarter of 2014.

**Interest Expense**

<i>(Dollars in millions)</i>	Three Months Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Interest expense	\$ 41	\$ 47	\$ 126	\$ 141
% change compared with prior period	(13)%		(11)%	

Interest expense on the Consolidated Statement of Operations includes interest for both the Finance and Manufacturing borrowing groups with interest related to intercompany borrowings eliminated. Interest expense for the Finance segment is included within segment profit and includes intercompany interest. Consolidated interest expense decreased \$6 million, 13%, and \$15 million, 11%, in the third quarter and first nine months of 2015, respectively, compared with the corresponding periods of 2014, primarily due to favorable borrowing costs and lower average debt outstanding.

**Backlog**

<i>(In millions)</i>	October 3, 2015	January 3, 2015
Bell	\$ 5,148	\$ 5,524
Textron Systems	2,598	2,790
Textron Aviation	1,382	1,365
Total backlog	\$ 9,128	\$ 9,679

Bell's backlog decreased \$376 million during 2015, as total deliveries, largely under the V-22 program, exceeded new orders. Backlog at Textron Systems decreased \$192 million during 2015, primarily due to deliveries in excess of new orders.

**Segment Analysis**

We operate in, and report financial information for, the following five business segments: Textron Aviation, 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 acquisition and restructuring costs related to the Beechcraft acquisition. The measurement for the Finance segment includes interest income and expense along with intercompany interest income and expense.

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

Approximately 28% of our 2014 revenues were derived from contracts with the U.S. Government. For our segments that have significant contracts with the U.S. Government, we typically express changes in segment profit related to the government business in terms of volume, changes in program performance or changes in contract mix. Changes in volume that are described in net sales typically drive corresponding changes in our segment profit based on the profit rate for a particular contract. Changes in program performance typically relate to profit recognition associated with revisions to total estimated costs at completion that reflect improved or deteriorated operating performance or award fee rates. Changes in contract mix refers to changes in operating margin due to a change in the relative volume of contracts with higher or lower fee rates such that the overall average margin rate for the segment changes.

**Textron Aviation**

	Three Months Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
<i>(Dollars in millions)</i>				
Revenues	\$ 1,159	\$ 1,080	\$ 3,334	\$ 3,048
Operating expenses	1,052	1,018	3,072	2,944
Segment profit	107	62	262	104
Profit margin	9.2%	5.7%	7.9%	3.4%

**Textron Aviation Revenues and Operating Expenses**

The following factors contributed to the change in Textron Aviation's revenues for the periods:

	Q3 2015 versus Q3 2014	YTD 2015 versus YTD 2014
<i>(In millions)</i>		
Acquisitions	\$ —	\$ 219
Volume and mix	91	68
Other	(12)	(1)
Total change	\$ 79	\$ 286

In the third quarter of 2015, Textron Aviation's revenues increased \$79 million, 7%, compared with the third quarter of 2014, primarily due to higher volume and mix, resulting from higher Citation jet volume of \$81 million and higher military volume of \$44 million. We delivered 37 Citation jets and 29 King Air turboprops in the third quarter of 2015, compared with 33 Citation jets and 30 King Air turboprops in the third quarter of 2014. The portion of the segment's revenues derived from aftermarket sales and services represented 30% of its total revenues in the third quarter of 2015, compared with 35% in the third quarter of 2014, largely reflecting higher proportional aircraft revenues.

In the first nine months of 2015, Textron Aviation's revenues increased \$286 million, 9%, compared with the first nine months of 2014, primarily due to the impact of the Beechcraft acquisition of \$219 million and higher volume and mix of \$68 million, mostly the result of higher military volume. We delivered 106 Citation jets and 84 King Air turboprops in the first nine months of 2015, compared with 104 Citation jets and 72 King Air turboprops in the first nine months of 2014. The portion of the segment's

[Table of Contents](#)

revenues derived from aftermarket sales and services represented 32% of its total revenues in the first nine months of 2015, compared with 33% in the first nine months of 2014.

Textron Aviation's operating expenses increased by \$34 million in the third quarter of 2015, compared with the third quarter of 2014, primarily due to higher volume as described above, partially offset by lower amortization of \$9 million related to fair value step-up adjustments of acquired Beechcraft inventories sold during the period.

Textron Aviation's operating expenses increased \$128 million in the first nine months of 2015, compared with the first nine months of 2014, primarily due to the incremental operating costs related to the Beechcraft acquisition in the first quarter and higher volume as described above, partially offset by lower amortization of \$43 million related to fair value step-up adjustments of acquired Beechcraft inventories sold during the period.

**Textron Aviation Segment Profit**

The following factors contributed to the change in Textron Aviation's segment profit for the periods:

<i>(In millions)</i>	Q3 2015 versus Q3 2014	YTD 2015 versus YTD 2014
Performance and other	\$ 13	\$ 99
Volume and mix	32	59
<b>Total change</b>	<b>\$ 45</b>	<b>\$ 158</b>

Segment profit at Textron Aviation increased \$45 million in the third quarter of 2015, compared with the third quarter of 2014, primarily due to higher volume as described above. The increase in performance and other includes lower amortization of \$9 million related to fair value step-up adjustments as described above.

Segment profit at Textron Aviation increased \$158 million in the first nine months of 2015, compared with the first nine months of 2014, primarily due to an increase in performance and other, reflecting the net profit impact of the Beechcraft acquisition, which includes the benefit of the integrated cost structure of Beechcraft and Cessna. Performance and other in the first nine months of 2015 also includes lower amortization of \$43 million related to fair value step-up adjustments as described above. The favorable impact from volume and mix was largely due to higher volume as described above as well as the mix of products sold.

**Bell**

<i>(Dollars in millions)</i>	Three Months Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Revenues:				
V-22 program	\$ 235	\$ 600	\$ 828	\$ 1,425
Other military	172	164	597	647
Commercial	349	418	994	1,102
Total revenues	756	1,182	2,419	3,174
Operating expenses	657	1,036	2,143	2,791
Segment profit	99	146	276	383
Profit margin	13.1%	12.4%	11.4%	12.1%

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.

**Bell Revenues and Operating Expenses**

The following factors contributed to the change in Bell's revenues for the periods:

<i>(In millions)</i>	Q3 2015 versus Q3 2014	YTD 2015 versus YTD 2014
Volume and mix	\$ (430)	\$ (766)
Other	4	11
<b>Total change</b>	<b>\$ (426)</b>	<b>\$ (755)</b>

Bell's revenues decreased \$426 million, 36%, in the third quarter of 2015, compared with the third quarter of 2014, primarily due to the following factors:

- \$365 million decrease in V-22 program revenues, primarily reflecting lower aircraft deliveries, as we delivered 4 V-22 aircraft in the third quarter of 2015 compared with 12 V-22 aircraft in the third quarter of 2014.
- \$69 million decrease in commercial revenues, largely related to lower aftermarket volume of \$35 million and a change in mix of commercial aircraft that offset higher deliveries during the period. Bell delivered 45 commercial aircraft in the third quarter of 2015, compared with 41 commercial aircraft in the third quarter of 2014.

Bell's revenues decreased \$755 million, 24%, in the first nine months of 2015, compared with the first nine months of 2014, primarily due to the following factors:

- \$597 million decrease in V-22 program revenues, primarily reflecting lower aircraft deliveries, as we delivered 16 V-22 aircraft in the first nine months of 2015, compared with 30 V-22 aircraft in the first nine months of 2014.
- \$108 million decrease in commercial revenues, largely related to a change in mix of commercial aircraft sold during the period. Bell delivered 119 commercial aircraft in the first nine months of 2015, compared with 121 commercial aircraft in the first nine months of 2014.
- \$50 million decrease in other military revenues primarily reflecting \$41 million recorded in the second quarter of 2014 related to the settlement of the SDD phase of the ARH program. Bell delivered 15 H-1 aircraft in the first nine months of 2015, compared with 17 H-1 aircraft in the first nine months of 2014.

Bell's operating expenses decreased \$379 million and \$648 million in the third quarter and first nine months of 2015, respectively, compared with the corresponding periods of 2014, primarily due to lower net sales volume as described above.

As a result of cost reduction actions announced in April 2015, Bell incurred approximately \$40 million in severance and benefit costs during the second quarter of 2015. The initial impact of the restructuring on Bell's segment profit in the second quarter of 2015 was not significant due to cost savings from headcount reductions and the impact of including a portion of these costs in our indirect cost rates. These actions reduced Bell's headcount by approximately 1,100 employees representing approximately 12% of the Bell workforce.

**Bell Segment Profit**

The following factors contributed to the change in Bell's segment profit for the periods:

<i>(In millions)</i>	Q3 2015 versus Q3 2014	YTD 2015 versus YTD 2014
Volume and mix	\$ (88)	\$ (177)
Performance and other	41	70
<b>Total change</b>	<b>\$ (47)</b>	<b>\$ (107)</b>

Bell's segment profit decreased \$47 million in the third quarter of 2015, compared with the third quarter of 2014, primarily due to an \$88 million unfavorable impact of volume and mix largely resulting from lower V-22 aircraft deliveries and lower commercial aftermarket volume, partially offset by favorable performance and other of \$41 million, largely related to ongoing cost reduction activities.

Bell's segment profit decreased \$107 million in the first nine months of 2015, compared with the first nine months of 2014. The \$177 million unfavorable impact of volume and mix was largely the result of lower V-22 aircraft deliveries, an unfavorable mix of commercial aircraft sold during the period, and a \$16 million favorable program profit adjustment in the second quarter of 2014 related to the ARH program as described above. Volume and mix was partially offset by favorable performance and other of \$70 million, largely related to ongoing cost reduction activities.

**Textron Systems**

<i>(Dollars in millions)</i>	Three Months Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Revenues	\$ 420	\$ 358	\$ 1,057	\$ 1,003
Operating expenses	381	331	969	903
Segment profit	39	27	88	100
Profit margin	9.3%	7.5%	8.3%	10.0%

**Textron Systems Revenues and Operating Expenses**

The following factors contributed to the change in Textron Systems' revenues for the periods:

<i>(In millions)</i>	Q3 2015 versus Q3 2014	YTD 2015 versus YTD 2014
Volume	\$ 61	\$ 50
Other	1	4
Total change	\$ 62	\$ 54

Revenues at Textron Systems increased \$62 million, 17%, in the third quarter of 2015, compared with the third quarter of 2014, primarily due to higher volume of \$41 million in the Weapons and Sensors product line, and higher volume of \$31 million in the Unmanned Systems product line.

Revenues at Textron Systems increased \$54 million, 5%, in the first nine months of 2015, compared with the first nine months of 2014, primarily due to higher volume of \$93 million in the Unmanned Systems product line, largely reflecting higher unmanned aircraft systems deliveries, partially offset by lower volume in other product lines.

Textron Systems' operating expenses increased \$50 million in the third quarter of 2015, compared with the third quarter of 2014, primarily due to higher volume as described above.

Textron Systems' operating expenses increased \$66 million in the first nine months of 2015, compared with the first nine months of 2014, primarily due to higher volume as described above and an unfavorable mix of products delivered.

**Textron Systems Segment Profit**

The following factors contributed to the change in Textron Systems' segment profit for the periods:

<i>(In millions)</i>	Q3 2015 versus Q3 2014	YTD 2015 versus YTD 2014
Volume and mix	\$ 10	\$ (12)
Performance	4	4
Other	(2)	(4)
Total change	\$ 12	\$ (12)

Textron Systems' segment profit increased \$12 million in the third quarter of 2015, compared with the third quarter of 2014, primarily due to the higher volume described above.

Textron Systems' segment profit decreased \$12 million in the first nine months of 2015, compared with the first nine months of 2014, primarily resulting from a decrease in volume and mix, reflecting an unfavorable product mix in 2015.

**Industrial**

<i>(Dollars in millions)</i>	Three Months Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Revenues:				
Fuel Systems and Functional Components	\$ 485	\$ 459	\$ 1,524	\$ 1,462
Other Industrial	343	326	1,103	1,014
Total revenues	828	785	2,627	2,476
Operating expenses	767	732	2,398	2,263
Segment profit	61	53	229	213
Profit margin	7.4%	6.8%	8.7%	8.6%

**Industrial Revenues and Operating Expenses**

The following factors contributed to the change in Industrial's revenues for the periods:

<i>(In millions)</i>	Q3 2015 versus Q3 2014	YTD 2015 versus YTD 2014
Volume	\$ 100	\$ 291
Foreign exchange	(59)	(190)
Acquisitions	6	61
Other	(4)	(11)
Total change	\$ 43	\$ 151

Industrial segment revenues increased \$43 million, 6%, in the third quarter of 2015, compared with the third quarter of 2014, primarily due to higher volume, partially offset by an unfavorable foreign exchange impact of \$59 million mostly related to the strengthening of the U.S. dollar primarily against the Euro. Higher volume reflected an \$82 million increase in the Fuel Systems and Functional Components product line, primarily due to automotive industry demand in Europe.

Industrial segment revenues increased \$151 million, 6%, in the first nine months of 2015, compared with the first nine months of 2014, primarily due to higher volume and the impact from acquisitions of \$61 million, primarily within our Specialized Vehicles and Equipment product line, partially offset by an unfavorable foreign exchange impact of \$190 million mostly related to the strengthening of the U.S. dollar primarily against the Euro. Higher volume reflected a \$228 million increase in the Fuel Systems and Functional Components product line, primarily due to automotive industry demand in Europe and North America.

Operating expenses for the Industrial segment increased \$35 million and \$135 million in the third quarter and first nine months of 2015, respectively, compared with the corresponding periods of 2014, largely due to the impact from higher volume as described above and additional operating expenses from acquisitions of \$10 million and \$63 million, respectively, partially offset by a favorable impact of \$55 million and \$179 million, respectively, from foreign exchange fluctuations.

**Industrial Segment Profit**

The following factors contributed to the change in Industrial's segment profit for the periods:

<i>(In millions)</i>	Q3 2015 versus Q3 2014	YTD 2015 versus YTD 2014
Volume	\$ 9	\$ 36
Performance	4	(11)
Foreign exchange	(4)	(11)
Other	(1)	2
Total change	\$ 8	\$ 16

Segment profit for the Industrial segment increased \$8 million in the third quarter of 2015, compared with the third quarter of 2014, primarily due to higher volume as described above.

Segment profit for the Industrial segment increased \$16 million in the first nine months of 2015, compared with the first nine months of 2014, largely due to the impact from higher volume as described above, partially offset by unfavorable performance of \$11 million and an unfavorable impact of \$11 million from foreign exchange fluctuations.

**Finance**

<i>(In millions)</i>	Three Months Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Revenues	\$ 17	\$ 25	\$ 63	\$ 81
Segment profit	6	5	22	16

Finance segment revenues decreased \$8 million and \$18 million in the third quarter and first nine months of 2015, respectively, compared with the corresponding periods of 2014, primarily attributable to average finance receivables being lower by \$182 million and \$202 million, respectively. Finance segment profit increased \$1 million and \$6 million in the third quarter and first nine months of 2015, respectively, compared with the corresponding periods of 2014, primarily due to lower provision for loan losses.

*Finance Portfolio Quality*

The following table reflects information about the Finance segment's credit performance related to finance receivables.

<i>(Dollars in millions)</i>	October 3, 2015	January 3, 2015
Finance receivables*	\$ 1,155	\$ 1,254
Nonaccrual finance receivables	94	81
Ratio of nonaccrual finance receivables to finance receivables	8.14%	6.46%
60+ days contractual delinquency	\$ 66	\$ 57
60+ days contractual delinquency as a percentage of finance receivables	5.71%	4.55%

\* Excludes finance receivables held for sale.

**Liquidity and Capital Resources**

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

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

<i>(Dollars in millions)</i>	October 3, 2015	January 3, 2015
<b>Manufacturing group</b>		
Cash and equivalents	\$ 497	\$ 731
Debt	2,805	2,811
Shareholders' equity	4,696	4,272
Capital (debt plus shareholders' equity)	7,501	7,083
Net debt (net of cash and equivalents) to capital	33%	33%
Debt to capital	37%	40%
<b>Finance group</b>		
Cash and equivalents	\$ 117	\$ 91
Debt	967	1,063

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

Textron has a senior unsecured revolving credit facility that expires in October 2018 for an aggregate principal amount of \$1.0 billion, of which up to \$100 million is available for the issuance of letters of credit. At October 3, 2015, there were no amounts

borrowed against the facility. We also 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.

### Manufacturing Group Cash Flows

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

<i>(In millions)</i>	Nine Months Ended	
	October 3, 2015	September 27, 2014
Operating activities	\$ 347	\$ 491
Investing activities	(365)	(1,847)
Financing activities	(203)	631

Cash flows from operating activities decreased \$144 million during the first nine months of 2015, compared with the first nine months of 2014, largely due to an unfavorable change in working capital, partially offset by higher net income of \$78 million. A significant factor contributing to the working capital change was an increase in cash used for inventory at Textron Aviation and Textron Systems to support sales growth.

Cash flows used in investing activities included capital expenditures of \$286 million and \$255 million in the first nine months of 2015 and 2014, respectively. Investing cash flows also included a \$1.5 billion aggregate cash payment to acquire Beechcraft in the first quarter of 2014.

Under a 2013 share repurchase authorization, we repurchased an aggregate of 5.0 million shares of our outstanding common stock for \$211 million in the first nine months of 2015 and an aggregate of 4.1 million shares of our outstanding common stock for \$152 million in the first nine months of 2014. In addition, in the first nine months of 2014, we repurchased 4.3 million shares of our outstanding common stock from a counterparty for \$150 million under an accelerated share repurchase agreement. Financing activities in the first nine months of 2014 also included proceeds of \$1.1 billion from long-term debt, which was used to finance a portion of the Beechcraft acquisition, partially offset by the repayment of \$201 million of outstanding debt.

### Finance Group Cash Flows

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

<i>(In millions)</i>	Nine Months Ended	
	October 3, 2015	September 27, 2014
Operating activities	\$ 27	\$ (3)
Investing activities	160	203
Financing activities	(161)	(167)

Cash flows from investing activities included collections on finance receivables totaling \$269 million and \$307 million in the first nine months of 2015 and 2014, respectively, partially offset by finance receivable originations of \$145 million and \$123 million, respectively.

In the first nine months of 2015, cash flows used in financing activities included repayment of long-term and nonrecourse debt of \$196 million, compared with \$261 million of payments in the first nine months of 2014. These cash outflows were partially offset by proceeds from long-term debt of \$55 million and \$94 million in the first nine months of 2015 and 2014, 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>	Nine Months Ended	
	October 3, 2015	September 27, 2014
Operating activities	\$ 419	\$ 569
Investing activities	(270)	(1,725)
Financing activities	(344)	464

[Table of Contents](#)

Cash flows from operating activities decreased \$150 million during the first nine months of 2015, compared with the first nine months of 2014, largely due to an unfavorable change in working capital, partially offset by higher net income of \$81 million. A significant factor contributing to the working capital change was an increase in cash used for inventory at Textron Aviation and Textron Systems to support sales growth.

Cash flows used in investing activities included capital expenditures of \$286 million and \$255 million in the first nine months of 2015 and 2014, respectively. Investing cash flows also included a \$1.5 billion aggregate cash payment to acquire Beechcraft in the first quarter of 2014. Collections on finance receivables totaled \$66 million and \$77 million in the first nine months of 2015 and 2014, respectively.

Total cash used in financing activities included \$211 million and \$302 million of share repurchases in the first nine months of 2015 and 2014, respectively, and payments on long-term and nonrecourse debt of \$196 million and \$462 million, respectively. Cash flows from financing activities in the first nine months of 2014 also included proceeds of \$1.2 billion from long-term debt, which was used primarily to finance a portion of the Beechcraft acquisition.

### Captive Financing and Other Intercompany Transactions

The Finance group finances retail purchases and leases for new and pre-owned aircraft and helicopters manufactured by our Manufacturing group, otherwise known as captive financing. In the Consolidated Statements of Cash Flows, cash received from customers 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 adjustments included in the Consolidated Statements of Cash Flows are summarized below:

<i>(In millions)</i>	Nine Months Ended	
	October 3, 2015	September 27, 2014
Reclassification adjustments from investing activities:		
Cash received from customers	\$ 203	\$ 230
Finance receivable originations for Manufacturing group inventory sales	(145)	(123)
Other	7	(26)
Total reclassification adjustments from investing activities	\$ 65	\$ 81
Reclassification adjustments from financing activities:		
Dividends received by Manufacturing group from Finance group	(20)	—
Total reclassification adjustments from financing activities	(20)	—
Total reclassification adjustments to cash flow from operating activities	\$ 45	\$ 81

### Critical Accounting Estimates

The accounting policies that we believe are most critical to the portrayal of our financial condition and results of operations are disclosed on pages 33 through 36 in our 2014 Annual Report on Form 10-K. The following section provides an update of the year-end disclosure for long-term contracts to include program profit adjustments made during the quarter.

### Long-Term Contracts

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

capital costs, manufacturing efficiencies and the achievement of contract milestones, including product deliveries, technical requirements, or schedule.

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

<i>(In millions)</i>	Three Months Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Gross favorable	\$ 20	\$ 25	\$ 93	\$ 90
Gross unfavorable	(6)	(15)	(25)	(21)
Net adjustments	\$ 14	\$ 10	\$ 68	\$ 69

### Forward-Looking Information

Certain statements in this Quarterly Report on Form 10-Q and other oral and written statements made by us from time to time are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements, which may describe strategies, goals, outlook or other non-historical matters, or project revenues, income, returns or other financial measures, often include words such as “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “guidance,” “project,” “target,” “potential,” “will,” “should,” “could,” “likely” or “may” and similar expressions intended to identify forward-looking statements. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause our actual results to differ materially from those expressed or implied by such forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update or revise any forward-looking statements. In addition to those factors described in our 2014 Annual Report on Form 10-K under “RISK FACTORS,” among the factors that could cause actual results to differ materially from past and projected future results are the following:

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

- Cybersecurity threats, including the potential misappropriation of assets or sensitive information, corruption of data or operational disruption;
- Difficulty or unanticipated expenses in connection with integrating acquired businesses; and
- The risk that anticipated synergies and opportunities as a result of acquisitions will not be realized or the risk that acquisitions do not perform as planned, including, for example, the risk that acquired businesses will not achieve revenue and profit projections.

**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There has been no significant change in our exposure to market risk during the fiscal quarter ended October 3, 2015. For discussion of our exposure to market risk, refer to Item 7A. Quantitative and Qualitative Disclosures about Market Risk contained in Textron's 2014 Annual Report on Form 10-K.

**Item 4. CONTROLS AND PROCEDURES**

We performed an evaluation of the effectiveness of our disclosure controls and procedures as of October 3, 2015. The evaluation was performed with the participation of senior management of each business segment and key Corporate functions, under the supervision of our Chairman, President and Chief Executive Officer (CEO) and our Executive Vice President and Chief Financial Officer (CFO). Based on this evaluation, the CEO and CFO concluded that our disclosure controls and procedures were operating and effective as of October 3, 2015.

There were no changes in our internal control over financial reporting during the fiscal quarter ended October 3, 2015 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION****Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following provides information about our third quarter 2015 repurchases of equity securities that are registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended:

<b>Period</b> <i>(shares in thousands)</i>	<b>Total Number of Shares Purchased (1)</b>	<b>Average Price Paid per Share (excluding commissions)</b>	<b>Total Number of Shares Purchased as part of Publicly Announced Plan (1)</b>	<b>Maximum Number of Shares that may yet be Purchased under the Plan</b>
July 5, 2015 – August 8, 2015	550	\$ 43.70	550	13,600
August 9, 2015 – September 5, 2015	1,470	40.67	1,470	12,130
September 6, 2015 – October 3, 2015	1,040	39.01	1,040	11,090
<b>Total</b>	<b>3,060</b>	<b>\$ 40.65</b>	<b>3,060</b>	

(1) These shares were purchased pursuant to a plan authorizing the repurchase of up to 25 million shares of Textron common stock that had been announced on January 23, 2013. This plan has no expiration date.

**Item 6.      EXHIBITS**

- 10.1      Amendment No. 1 to Textron Inc. Short-Term Incentive Plan (As amended and restated effective January 3, 2010), dated July 22, 2015.
- 10.2      Amended and Restated Hangar License and Services Agreement, made and entered into as of October 1, 2015, between Textron Inc. and Mr. Donnelly's limited liability company.
- 10.3      Amended and Restated Hangar License and Services Agreement, made and entered into on July 24, 2015, 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 October 3, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to the Consolidated Financial Statements.

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: October 28, 2015

TEXTRON INC.

/s/ Mark S. Bamford  
Mark S. Bamford  
Vice President and Corporate Controller  
(principal accounting officer)

**LIST OF EXHIBITS**

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**AMENDMENT NO. 1 TO**  
**TEXTRON INC.**  
**SHORT-TERM INCENTIVE PLAN**  
**(AS AMENDED AND RESTATED EFFECTIVE JANUARY 3, 2010)**

Pursuant to Section 10 of the Textron Inc. Short-Term Incentive Plan (As Amended and Restated effective January 3, 2010) (the “Plan”), Textron Inc. hereby amends the Plan, effective July 22, 2015, as follows:

1. Section 1.1 of the Plan is hereby amended to provide that the Plan shall continue in effect until April 30, 2017.
2. Section 9 of the Plan is hereby amended to add a new subsection 9.6 at the end of such section, as follows:

*9.6 Clawback Provision.* The Committee shall, in all appropriate circumstances, require reimbursement of any Final Award payment to an executive officer made following the effective date of this Amendment, where: (1) the payment was predicated upon achieving certain financial results that were subsequently the subject of a substantial restatement of Company financial statements filed with the Securities and Exchange Commission; (2) the Committee determines the executive engaged in intentional misconduct that caused or substantially caused the need for the substantial restatement; and (3) a lower payment would have been made to the executive based upon the restated financial results. In each such instance, the Company will, to the extent practicable, seek to recover from the individual executive the amount by which the individual executive’s incentive payments for the relevant period exceeded the lower payment that would have been made based on the restated financial results. For purposes of this provision, the term “executive officer” means any officer who has been designated an executive officer by the Board. In addition, all awards under the Plan are subject to all other clawback procedures of the Company, as in effect and as amended from time to time.

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

TEXTRON INC.

Dated: July 22, 2015

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

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**AMENDED AND RESTATED HANGAR LICENSE AND SERVICES AGREEMENT****TEXTRON – SCOTT DONNELLY**

This Amended and Restated Hangar License and Services Agreement (the "Agreement"), is made and entered into as of October 1, 2015 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 together with certain other hangar facilities at T.F. Green Airport in Warwick, Rhode Island (the "Premises"); and

WHEREAS, on April 25, 2011, Textron and Licensee entered into a Hangar License and Services Agreement with respect to Licensee's Cessna 208 Caravan aircraft; and

WHEREAS, Licensee has sold said Cessna 208 Caravan and permanently removed it from the Premises; and

WHEREAS, Licensee has purchased a Cessna Citation CJ3 aircraft; and

WHEREAS, Licensee desires to store said Citation CJ3 aircraft in a portion of the Premises, and obtain services from Textron, and Textron is willing to permit and provide same; and

WHEREAS, the parties desire to amend and restate the Agreement accordingly;

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 the above-referenced Cessna CJ3 aircraft and equipment and other items necessary for the support of the operation of such aircraft, within the Premises 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 Premises. 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 Licensee 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 shall be deemed to have commenced on the date on which Licensee's Citation CJ3 aircraft was first stored on the Premises, or if earlier, the date on which Textron first provided any services contemplated hereunder in connection with such Citation CJ3 aircraft (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.

3.3 Payment of Fees. Textron shall invoice Licensee at the beginning of each calendar month for the Monthly Rental Fee, together with any other fees or expenses incurred with respect to this Agreement during the prior calendar month, which shall be due and payable by the 25<sup>th</sup> 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 Rental 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 Rental Fee shall be made by Textron.

3.4 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.

3.5 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 Licensee's Citation CJ3 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 Licensee's 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 Licensee's 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 Licensee's invitees.

7.2 Liens. Licensee shall promptly pay all amounts owing to Licensee's 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 Licensee's 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 \$97.00 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 Citation CJ3 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 Upon reasonable request by Licensee, Textron shall provide or engage the services of a qualified pilot for flights of Licensee's Citation CJ3 aircraft that are not for Textron's business purposes. With respect to such pilot services for flights that are not for Textron's business purposes, Licensee shall either (a) reimburse Textron for the out-of-pocket costs of engaging a contract pilot for any such flight or (b) pay Textron the daily rate of \$800 for the use of a pilot employed by Textron, provided however that if the use of such a pilot employed by Textron does not result in any out-of-pocket cost to Textron for pilot services needed with respect to any of Textron's corporate aircraft, then Licensee shall pay \$100 per hour (not to exceed \$800 per day) for such pilot's services. In addition Licensee shall reimburse Textron for any applicable travel, food or lodging expenses of any such pilot, incurred in accordance with Textron's corporate aviation travel policy except as may be otherwise authorized by Licensee.

8.8 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 maintenance, towing, pilot or other 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 or such services. 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 of the 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 Licensee's 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, Licensee's 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 Licensee's 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 Licensee's CJ3 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 Licensee's property on the Premises, and at all times during the Term, Licensee shall insure Licensee's 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 Licensee's guests or invitees are present on the Premises, to clean up any mess caused by any such individuals, 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 Licensee's 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 subject matter hereof.

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 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.

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 Amended and Restated 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/ Cheryl Johnson

Title: \_\_\_\_\_ Executive Vice President Human Resources

LICENSEE

/s/ Scott C. Donnelly

Scott C. Donnelly on behalf of [Mr. Donnelly's limited liability corporation]

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

This Amended and Restated Hangar License and Services Agreement (the "Agreement"), is made and entered into on July 24, 2015 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 together with certain other hangar facilities at T.F. Green airport in Warwick, Rhode Island (the "Premises"); and

WHEREAS, on April 25, 2011 Textron and Licensee entered into a Hangar License and Services Agreement with respect to Licensee's Cessna 206 aircraft (the "Agreement"); and

WHEREAS, Licensee has sold said Cessna 206 aircraft and permanently removed it from the Premises; and

WHEREAS, Licensee has purchased a Cessna Citation M2 aircraft; and

WHEREAS, Licensee desires to store said Citation M2 aircraft in a portion of the Premises, and obtain certain services from Textron, and Textron is willing to permit and provide same; and

WHEREAS, the parties desire to amend and restate the Agreement accordingly,

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 the above-referenced Cessna Citation M2 aircraft and equipment and other items necessary for the support of the operation of such aircraft, within the Premises 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 Premises. 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.

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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 shall be deemed to have commenced on the date on which Licensee's Citation M2 aircraft was first stored on the Premises, or if earlier the date on which Textron first provided any services contemplated hereunder in connection with such M2 aircraft (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.

3.3 Payment of Fees. Textron shall invoice Licensee at the beginning of each calendar month for the Monthly Rental Fee, together with any other fees or expenses incurred with respect to this Agreement during the prior calendar month, which shall be due and payable by the 25<sup>th</sup> 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 Rental 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 Rental Fee shall be made by Textron.

3.4 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.

3.5 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 Licensee's Cessna M2 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. 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 Licensee's 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 Licensee's invitees.

7.2 Liens. Licensee shall promptly pay all amounts owing to Licensee's 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 Licensee's 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 \$97.00 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 Citation M2 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 Upon reasonable request by Licensee, Textron shall provide or engage the services of a qualified pilot for flights of Licensee's Cessna M2 aircraft that are not for Textron's business purposes. With respect to such pilot services for flights that are not for Textron's business purposes, Licensee shall either (a) reimburse Textron for the out-of-pocket costs of engaging a contract pilot for any such flight or (b) pay Textron the daily rate of \$800 for the use of a pilot employed by Textron, provided however that if the use of such a pilot employed by Textron does not result in any out-of-pocket cost to Textron for pilot services needed with respect to any of Textron's corporate aircraft, then Licensee shall pay \$100 per hour (not to exceed \$800 per day) for such pilot's services. In addition Licensee shall reimburse Textron for any applicable travel, food or lodging expenses of any such pilot, incurred in accordance with Textron's corporate aviation travel policy except as may be otherwise authorized by Licensee.

8.8 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 maintenance, towing, pilot or other 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 or such services. 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, and/or Licensee's 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 Licensee's 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 Licensee's 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 Licensee's guests or invitees are present on the Premises, to clean up any mess caused by any such individuals, 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 Licensee's 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 Licensee's 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 or 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 Licensee 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 Amended and Restated 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/ Cheryl Johnson

Title: \_\_\_\_\_ Executive Vice President and Chief Human Resources Officer

LICENSEE

/s/ Frank T. Connor

Frank T. Connor on behalf of [Mr. Connor's limited liability corporation]

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

	Nine Months Ended October 3, 2015
Fixed charges:	
Interest expense*	\$ 98
Estimated interest portion of rents	30
Total fixed charges	\$ 128
Income:	
Income from continuing operations before income taxes	\$ 677
Fixed charges	128
Dividends received from Finance group	20
Eliminate pretax income of Finance group	(22)
Adjusted income	\$ 803
Ratio of income to fixed charges	6.27

\* 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)

	Nine Months Ended October 3, 2015
Fixed charges:	
Interest expense*	\$ 126
Estimated interest portion of rents	30
Total fixed charges	\$ 156
Income:	
Income from continuing operations before income taxes	\$ 677
Fixed charges	156
Adjusted income	\$ 833
Ratio of income to fixed charges	5.34

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

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**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: October 28, 2015

/s/ Scott C. Donnelly  
Scott C. Donnelly  
Chairman, President and Chief Executive Officer

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**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: October 28, 2015

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

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

In connection with the Quarterly Report of Textron Inc. (the "Company") on Form 10-Q for the period ended October 3, 2015 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: October 28, 2015

/s/ Scott C. Donnelly  
Scott C. Donnelly  
Chairman, President and Chief Executive Officer

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

In connection with the Quarterly Report of Textron Inc. (the "Company") on Form 10-Q for the period ended October 3 , 2015 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: October 28, 2015

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

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