

TEXTRON INC

FORM 10-K (Annual Report)

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 10-K

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

For the fiscal year ended December 30, 1995
Commission File Number 1-5480

Textron Inc.

(Exact name of registrant as specified in charter)

Delaware (State or other jurisdiction of incorporation or organization)	05-0315468 (I.R.S. Employer Identification No.)
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40 Westminster Street, Providence, R.I. 02903
(401) 421-2800
(Address and telephone number of principal executive
offices)

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

Title of Class	Name of Each Exchange on Which Registered
Common Stock - par value \$0.125; (85,978,117 shares outstanding at March 1, 1996)	New York Stock Exchange Pacific Stock Exchange Chicago Stock Exchange
Preferred Stock Purchase Rights	
\$2.08 Cumulative Convertible Preferred Stock, Series A- no par value	New York Stock Exchange
\$1.40 Convertible Preferred Dividend Stock, Series B (preferred only as to dividends) - no par value	New York Stock Exchange
9.25% Debentures due March 15, 2016 8.75% Debentures due July 1, 2022	New York Stock Exchange
7.92% Trust Preferred Securities of Subsidiary Trust (and Textron Guaranty with respect thereto)	New York Stock Exchange

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

None

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 X . No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [] The aggregate market value of voting stock held by non-affiliates of the registrant is \$6,886,686,124 as of March 1, 1996.

Portions of Textron's Annual Report to Shareholders for the fiscal year ended December 30, 1995 are incorporated by reference in Parts I and II of this Report. Portions of Textron's Proxy Statement for its Annual Meeting of Shareholders to be held on April 24, 1996 are incorporated by reference in Part III of this Report.

PART I

ITEM 1. BUSINESS OF TEXTRON*

Textron is a global multi-industry company with operations in six business segments - Aircraft, Automotive, Industrial, Systems and Components, Finance and Paul Revere. A listing of the Divisions within each business segment, including a description of the product lines of each Division, is incorporated herein by reference to pages 53 through 55 of Textron's 1995 Annual Report to Shareholders. Financial information by business segment and geographic area is incorporated herein by reference to pages 22 and 49 of Textron's 1995 Annual Report to Shareholders. Additional information regarding each business segment and Textron in general is set forth below.

Business Segments

Aircraft. The Aircraft segment consists of Bell Helicopter and The Cessna Aircraft Company. Based on unit sales, Bell Helicopter is the largest supplier of helicopters, spare parts and helicopter-related services in the world. Since it was founded in 1946, Bell has delivered over 33,000 aircraft to military and civilian customers in over 120 countries. Bell has four military and seven civilian helicopter models in current production. Its aircraft are turbine powered, and range in size from the five place Bell Model 206 series to the Bell Model 412P aircraft, which carries up to fifteen people.

Bell's military business includes both U.S. Government and non-U.S. Government customers. There are more helicopters in field service in the inventory of the U.S. Government manufactured by Bell than by any other helicopter company. Currently, Bell is supplying advanced military helicopters, spare parts and product support to the U.S. and Canadian Governments and to the governments of several countries in the Pacific Rim, Middle East and Europe. Military sales to non-U.S. customers are made only with the concurrence of the U.S. Government.

Bell is also a leading supplier of commercially-certified helicopters, with a market share of approximately 50% of current deliveries to charter, offshore, utility, police, fire, rescue and emergency medical helicopter operators. Bell's non-U.S. Government business (including non-U.S. military customers) typically represents 40% to 60% of its annual sales. In 1995, such sales accounted for 48% of Bell's business.

* Reference herein to "Textron" includes Textron Inc., its divisions and subsidiaries. A Textron "Division" is an operating unit which may be comprised of an unincorporated division of Textron, a subsidiary of Textron, or an unincorporated division of a subsidiary.

Bell is teamed with the Helicopter Division of the Boeing Company in the development of the V-22 Osprey tiltrotor aircraft for the U.S. Department of Defense. Tiltrotor aircraft are designed to utilize the benefits of both helicopters and fixed-wing aircraft. Production of V-22 aircraft is expected to begin in late 1996 or early 1997. In addition, Bell is developing an unmanned tiltrotor under contract with the Department of Defense.

Bell will introduce two new civilian helicopter models in 1996: the single-engine Bell Model 407 (a light helicopter), and the twin-engine intermediate size Bell Model 430. Other commercial products and product improvements continue to be developed.

In the light and medium helicopter market, Bell Helicopter has two major U.S. competitors and one major European competitor. Certain of its competitors are substantially larger and more diversified aircraft manufacturers. Bell Helicopter markets its products worldwide through its own sales force as well as through independent representatives. Price, financing terms, aircraft performance, reliability and product support are significant factors in the sale of helicopters. Bell has developed the world's largest distribution system to sell and support helicopters, serving customers in over 120 countries. Revenues of Bell Helicopter accounted for approximately 16%, 14% and 13% of Textron's total revenues in 1995, 1994 and 1993, respectively.

The Cessna Aircraft Company is, based on unit sales, the world's largest manufacturer of light and mid-size business jets and single-engine utility turboprop aircraft. Cessna designs, manufactures and sells general aviation aircraft, aircraft propellers and related accessories worldwide. Based on units shipped by manufacturers, Cessna's 1995 share of all manufacturers' worldwide sales of light and midsize jets was 52%.

Cessna currently has two major product lines, Citation business jets and single-engine turboprop Caravans. In addition, Cessna has commenced construction of a manufacturing facility for single-engine piston aircraft production in Independence, Kansas. The Independence facility is scheduled to begin production in late 1996 and will produce Cessna Model 172, 182 and 206 aircraft, orders for which are currently being taken.

The Cessna Caravan is the world's best selling utility turboprop. The delivery of the 750th Caravan will occur in 1996. Caravan deliveries have averaged over 60 aircraft per year since the Caravan's introduction in 1982. Caravans are used in the United States primarily to carry overnight express package shipments. International uses of Caravans include commuter airlines, relief flights, tourism and freight.

Cessna currently produces a family of Citation business jets ranging from the Citation Jet to the Citation X. The Citation X is the world's fastest business jet with a maximum operating speed of Mach .92. Full certification of the Citation X is expected in April 1996, with deliveries expected to commence in June 1996. In addition, deliveries of the new Citation Bravo and Citation Excel business jets will commence in 1997 and 1998, respectively.

Cessna markets its products worldwide primarily through its own sales force as well as through a network of authorized independent sales representatives. Cessna has five major competitors for its business jet products, two U.S. and three foreign. Cessna's aircraft compete with other aircraft that vary in size, speed, range, capacity, handling characteristics and price. Reliability and product support are significant factors in the sale of these aircraft. Cessna provides its business jet operators with factory-direct customer support offering 24 hour a day service and maintenance. More than 40% of the worldwide Citation fleet of 2,300 aircraft receive service through Cessna- owned service centers. Cessna Caravan customers receive product support through independently owned service stations and 24 hour spare parts support through Cessna.

Automotive. The Automotive segment, organized under an umbrella organization called Textron Automotive Company ("TAC"), consists of the Textron Automotive Trim Operations, CWC Castings, McCord Winn, Micromatic and Randall. These operations sell primarily to automotive original equipment manufacturers and their suppliers ("OEMs") operating in North America and, to a lesser extent, in Europe.

Through its Textron Automotive Trim Operations, TAC is a leading worldwide supplier of automotive interior and exterior plastic components. Products include totally integrated interior systems, including instrument panels, door and sidewall trim, airbag doors, console assemblies, trim components, package trays, armrests and headliner systems. In addition, TAC's trim facilities manufacture painted fascias, body side moldings and claddings, fender liners, lighting assemblies and structural composite bumper beams. Revenues of the Textron Automotive Trim Operations accounted for 13%, 13% and 10% of Textron's total revenues in 1995, 1994 and 1993, respectively.

TAC's other operations manufacture and sell a broad variety of functional components. CWC Castings designs and manufactures engine camshafts, balance shafts and vibration damper components. McCord Winn manufactures seating comfort systems, windshield washer systems and precision DC motors. Micromatic manufactures machine tools used in the production of automobile engines for precision bore and surface finishing, spline and gear production. Randall produces fuel filler systems, tubular seat frames, metal wheel covers and hub caps.

TAC is headquartered in Troy, Michigan and has over 30 facilities located in the United States, Canada, Mexico and the United Kingdom. TAC's newly opened plant in Saltillo, Mexico, provides components for the Dodge Ram pick-up truck. TAC also has a 50% interest in a joint venture in the Netherlands for the manufacture of instrument panels.

In 1995, TAC supplied on average approximately \$116 in components for every car and light truck built in North America.

More than 70 models currently carry parts made by TAC, including Chrysler's Jeep Grand Cherokee and Voyager and Caravan mini-vans, Ford's Lincoln Town Car and Windstar and Aerostar mini-vans, and GM's Cadillac Seville, Cutlass Supreme and Pontiac Transport minivan. TAC supplies almost \$800 of components in every Chrysler LH series car.

TAC's manufacturing operations are supported by a staff of research and design specialists at TAC's Automotive Technology Center. These specialists have developed new processes and products, many of which are patented, that allow TAC to offer its customers technology driven products and processes. In the plastics and coatings area, TAC is a recognized leader in alternative skin materials (including non-PVC materials), spray urethane and cloth integration, energy management foam (including impact and knee bolsters), the development of modular integrated assemblies and vertical body panels, and High Crystalline Polypropylene material for complete mold-in-color interior components. CWC Castings is a leader in the design and manufacture of automotive castings. It has developed a selective austempering heat treatment process for ductile camshafts as well as a vacuum casting system for hollow steel camshafts. McCord Winn is working with OEMs worldwide to develop advanced technologies in areas such as "intelligent" comfort seating systems, brushless motors and carbon commutation for flexible fuel applications. Micromatic machine tools are recognized throughout the world for their cylindrical form generation and surface finishing capabilities.

In the automotive business, there is often a long lead time from the time a supplier is selected to supply components on a new car model to the time the supplier can first begin shipping production parts. During this period, the supplier incurs engineering and development costs. Until recently, the OEMs reimbursed the supplier for these costs as incurred. Within the last few years, the OEMs have begun to require that these costs be recovered in the piece prices charged by the suppliers as the goods are shipped. In addition, automotive OEMs often require "just-in-time" delivery, so the manufacturer has to both plan shipments in advance and hold inventory.

Automotive OEMs and their suppliers are the principal customers of TAC. The only customers, the loss of which would have a material adverse effect on TAC, are the U.S. based automotive OEMs and their first-tier suppliers. However, because of the broad range of products sold to such customers, it is unlikely that such customers would cease all purchases from TAC.

Each of TAC's businesses faces competition from a number of other manufacturers, based primarily on price, quality, reputation and delivery. Although TAC is one of the largest manufacturers offering its range of products and services, it faces strong competition in all of its market segments. Because of the diversity of products and services offered, no single company is a competitor in all market segments. In certain markets, TAC also competes for business with the OEMs' own operations.

Industrial. The Industrial segment consists of three major product groups: Fastening Systems, Golf and Turf Care Equipment, and Diversified Products.

The Fastening Systems Group consists of the Avdel, Camcar, Cherry and Elco Divisions, which manufacture and sell fasteners, fastening systems and installation tools to the aerospace, appliance, automotive, business equipment, construction, do-it-yourself, general industrial and transportation markets. Sales are made to a wide range of customers, including OEMs, distributors and consumers. Fasteners manufactured by the Group include rivets, threaded and non-threaded fasteners and cold-formed special fasteners, as well as assemblies which incorporate such products with other products, such as metal stampings and molded plastics. Elco was acquired by Textron in 1995, as was the German-based Boesner unit of Camcar. In February 1996, Textron announced that it had signed a definitive agreement to acquire Valios Industries, a French based manufacturer of engineered fastening systems, subject to European Commission approval.

Although the Fastening Systems Group is one of the largest manufacturers of its products and services, there are hundreds of competitors of the Fastening Systems Group ranging from small proprietorships to multi-national companies. As is the case with all Divisions of the Industrial segment, competition is based primarily on price, quality, reputation and delivery. In addition, larger customers of fastening systems tend to procure products and services from the larger suppliers, except for "niche" products which may be sourced from smaller companies. The only customers, the loss of which would have a material adverse effect on the Fastening Systems Group, are the U.S. automotive OEMs and their first-tier suppliers. However, because of the broad range of products sold to such customers, it is unlikely that such customers will cease all purchases from the Fastening Systems Group.

The Golf and Turf Care Equipment Group consists of the E-Z-GO Division, which manufactures and sells electric powered and gasoline powered golf cars and multipurpose utility vehicles, and the Jacobsen Division, which manufactures and sells professional mowing and turf maintenance equipment. The customers of the Golf and Turf Care Equipment Group consist primarily of golf courses, resort communities and commercial and industrial users such as airports and factories. Sales are made directly through factory branches, through a network of distributors and to end-users. Many sales of golf and turf care equipment (both at the distributor and end-user level) are financed through Textron Financial Corporation, both for marketing purposes and as an additional source of revenue to Textron.

The Diversified Products Group consists of Divisions manufacturing a wide range of products, including double enveloping worm gear speed reducers, gear motors and gear sets (Cone Drive); powered equipment, electrical test instruments and hand tools (Greenlee); and watch attachments and fashion jewelry (Speidel). Products of the Diversified Products Group are sold to a wide variety of customers, including OEMs, distributors and end-users.

Systems and Components. The Systems and Components segment consists of seven Divisions which serve both commercial and military customers, primarily in aerospace markets, with an extensive offering of systems, subsystems, components, materials and services.

Fuel Systems designs, manufactures and overhauls gas turbine engine injection and metering devices, fuel distribution valves, and augmentor fuel injection systems for commercial and military aircraft, and industrial, marine, and vehicular markets. OEM sales are made directly to customers, and overhaul and repair services are sold directly to domestic customers and through a distributor for international customers. Fuel Systems invests in the design and development of innovative, proprietary products, provides on-site engineering support at customer facilities, and maintains a state-of-the-art development laboratory to extend customers' own design activities.

HR Textron ("HRT") designs and manufactures control systems and components for aircraft, armored vehicles and commercial applications. HRT markets its aerospace and defense products directly to the U.S. Government and OEMs and, in the aftermarket, both directly and through service centers. HRT has launched an initiative to diversify its business base by adapting aerospace technology to servovalves used in commercial and industrial applications, including timber milling, molding machinery, test equipment, and animated figures in entertainment theme parks. In addition, HRT is working with several automotive manufacturers to develop fast acting precision control products for active suspension, power steering, and braking systems.

Textron Aerostructures designs and manufactures structural assemblies for aircraft and space vehicles. The principal products of Textron Aerostructures, which are marketed directly to its customers, are wing components for the Airbus 330/340 aircraft, the empennage for the C130 military transport, the empennage for the Bell/Boeing V-22 Osprey, the wings for the Gulfstream GIV executive jet, and the nose cones and aft skirts for the Titan IV booster.

Textron Lycoming is the world leader in the design, manufacture and overhaul of reciprocating piston aircraft engines serving the worldwide general aviation market, with a worldwide market share of 80 percent of units sold. Textron Lycoming sells new products directly to general aviation airframe manufacturers, including Piper Aircraft, Robinson Helicopter and SOCATA, a division of Aerospatiale, and will build the engines for Cessna's new product line of single engine aircraft. Aftermarket sales are made to the more than 180,000 existing owners of Textron Lycoming products through a worldwide network of independently owned distributors.

Textron Marine & Land Systems ("TM&LS") is a world leader in the design and construction of advanced marine craft, including air cushion vehicles, surface effect ships and rugged monohulls. TM&LS's products also include light armored combat vehicles, turrets, gun systems and advanced suspension systems. TM&LS's products are in use in 35 countries by both military and commercial customers. TM&LS's products are marketed directly in the United States and through sales representatives and distributors internationally. TM&LS has been awarded a production contract from the U.S. Coast Guard for its 47' Motor Lifeboat and a contract from the U.S. Army for the design and production of its Armored Security Vehicle.

Textron Systems designs and manufactures products in three primary areas: sensor fuzed munitions, surveillance systems and aircraft landing systems. The focus of Textron Systems is on real-time control systems _ products that sense their environment, analyze and process data, make a decision, and take action in real time. Sales are made primarily to the U. S. Department of Defense, but Textron Systems also is applying its technologies to several commercial products, including aircraft landing systems and opto-electronic sensors. In February, 1996, Textron Systems become responsible for the operations of the former Textron Specialty Materials Division, which develops and manufactures high strength, lightweight, advanced composite materials for aircraft, automotive, industrial and sporting goods manufacturers, and fire protection materials for oil and chemical companies worldwide. Textron Systems generally sells its products directly to its customers, but Specialty Materials products are also sold through sales representatives and a small proportion of international sales are made through sales representatives and distributors.

Turbine Engine Components is one of the world's largest independent suppliers of internal components for gas turbine engines for aircraft and industrial applications. Its products include fan and compressor blades, vanes, shafts, disks, rotors, blisks and other rotating components; the forgings from which those products are machined; and stationary components of turbine engines, such as frames, diffusers, and air collectors. Turbine Engine Components manufactures its products to the specifications of its customers, and most of its sales are made directly to its customers.

The principal competitive factors affecting sales of the products of the Systems and Components segment are price, quality, customer service, performance, reliability, reputation and existing product base. In the case of programs requiring a large investment in inventory and tooling, such as those of Textron Aerostructures, competitive factors also include a willingness to invest in the customer's program.

Finance. The Finance segment consists of Avco Financial Services ("AFS") and Textron Financial Corporation ("TFC").

AFS is primarily engaged in consumer finance and insurance activities. AFS's finance operations mainly involve loans made by the Avco Financial Services Group, consisting of consumer loans which are unsecured or secured by personal property, real estate loans secured by real property, and retail installment contracts, principally covering personal property. AFS's insurance business consists primarily of the sale of credit life, credit disability and casualty insurance, offered through the Avco Insurance Services Group, a significant part of which is directly related to AFS's finance activities. AFS's consumer finance and insurance activities are conducted through its nearly 1,200 finance offices located in the United States, Australia, Canada, Hong Kong, New Zealand, Spain and the United Kingdom. AFS's loan business is regulated by laws that, among other things, generally limit maximum charges for loans and the maximum amount and term thereof. Such laws also require disclosure to customers of the interest rate and other basic terms of most credit transactions and give customers a limited right to cancel certain loans and retail

installment contracts without penalty. In addition, in certain jurisdictions, its retail installment business is subject to regulations that, among other things, limit the rates which may be charged and require that certain disclosures be made to customers. The insurance business is subject to licensing and regulation by state authorities.

The consumer finance business is highly competitive, with price and service being the principal competitive factors. AFS's competitors include not only other companies operating under consumer loan laws, but also other types of lending institutions not so regulated and usually not limited in the size of their loans, such as companies which finance the sale of their own merchandise or the merchandise of others, industrial banks, the personal loan departments of commercial banks and credit unions. AFS's strongest competition is from commercial banks and credit unions. The interest rates charged by these lenders are usually lower than the rates charged by AFS. AFS's insurance businesses, to the extent not related to AFS's finance activities, compete with many other insurance companies offering similar products. In January 1995, AFS purchased the stock of Household International, Inc.'s Australian subsidiary, HFC of Australia Ltd., adding approximately \$436 million to AFS's finance receivable portfolio. Revenues of AFS accounted for approximately 17%, 14% and 15% of Textron's total revenues in 1995, 1994 and 1993, respectively.

TFC is a diversified commercial finance company specializing in aircraft, golf and equipment financing and revolving credit arrangements. TFC provides commercial financing for a wide range of customers, including those who purchase or lease Textron products and certain suppliers to Textron Divisions. TFC presently offers its services primarily in the United States and, to a lesser extent, in Europe and Canada, through its eight business units. Each TFC business unit has a discrete market focus and specific profit objectives and is staffed to provide responsive services to its market. TFC's activities are subject to a variety of federal and state regulations.

The businesses in which TFC operates are highly competitive. TFC is subject to competition from various types of financing institutions, including banks, investment banks, leasing companies, insurance companies, independent finance companies associated with manufacturers and public utilities, and finance companies that are subsidiaries of banking institutions. Competition within the commercial finance industry is primarily focused on price and service.

Finance Receivables

The following table presents the Finance segment's outstanding finance receivables by country:

	December 31,	
	1995	1994
	(In millions)	
United States	\$6,750	\$6,627
Australia	1,026	626
Canada	1,013	942
United Kingdom	632	613
Other countries	473	276
	\$9,894	\$9,084

At December 31, 1995, finance receivables in the United States represented 68% of Textron's total finance receivables outstanding. At such date, no receivables outstanding in any one state other than California exceeded 7% of the United States portfolio. In California, outstanding receivables represented 16% of the United States portfolio and 11% of the consolidated portfolio.

Accrual of interest income is suspended for accounts which are contractually delinquent by more than three months (commercial) or three payments (consumer). Accrual of interest on commercial loans is resumed, and suspended interest income is recognized, when loans become contractually current, whereas subsequent interest income on consumer loans is recognized when collected. Nonearning consumer and commercial loans were \$115 million and \$99 million, respectively, at the end of 1995 and \$82 million and \$100 million, respectively, at the end of 1994.

The following table presents accruing loans on which one or more installments were more than 60 days past due (expressed as a percentage of the related gross receivables outstanding):

Years ended December 31,	Consumer loans	Commercial loans	Total loans
1995	2.89%	0.24%	2.10%
1994	2.28%	-	1.59%

The following table shows gross and net write-offs, the percentages which those amounts bear to average finance receivables, and the amount of the provision for losses charged to income (less recoveries):

Gross write-offs Recoveries Net write-offs Percentage from Percentage Provision of average receivables of average for losses Years ended
finance previously finance less December 31, Amount receivables written off Amount receivables recoveries
(In millions)

1995							
Consumer	\$177	2.6%	\$33	\$144	2.1%	\$149	
Commercial	25	0.9%	4	21	0.7%	19	
	\$202	2.1%	\$37	\$165	1.7%	\$168	
1994							
Consumer	\$ 142	2.5%	\$ 28	\$ 114	2.0%	\$ 136	
Commercial	27	1.0%	3	24	0.4%	24	
	\$ 169	2.0%	\$ 31	\$ 138	1.6%	\$ 160	

1993

Consumer \$ 138 2.7% \$ 26 \$ 112 2.1% \$ 121 Commercial 20 0.8% 3 17 0.7% 21

\$ 158 2.0% \$ 29 \$ 129 1.7% \$ 142

Paul Revere. Paul Revere, which is 83% owned by Textron, is the leading provider of individual non-cancelable disability insurance in the United States and Canada. In addition to its individual disability insurance products, Paul Revere also provides group disability, life and annuity products. Paul

Revere's products are marketed primarily through its brokerage organization, its national accounts program and its career sales agency system. Paul Revere is subject to regulation by the states in which its insurance subsidiaries are domiciled or transact business. In addition, Paul Revere's insurance subsidiaries are subject to various regulatory restrictions on the maximum amount of dividends and other payments that they can make to Paul Revere without obtaining prior regulatory approval. Paul Revere operates in a highly competitive environment. Insurance companies compete on the basis of many factors, including financial strength, pricing and other terms and conditions of products, commission structure, perceived stability of the insurer, claims paying ratings, service, name recognition and reputation.

Backlog

Information regarding Textron's backlog of government and commercial orders by business segment at the end of the past two fiscal years is contained on page 29 of Textron's 1995 Annual Report to Shareholders, which page is incorporated herein by reference.

Approximately 45% of Textron's total backlog at December 30, 1995, represents orders which are not expected to be filled within the 1996 fiscal year. Approximately 60% of the total backlog is funded.

Government Contracts

In 1995, 33% and 49% of the revenues of the Aircraft and the Systems and Components segments, respectively, constituting 13% of Textron's consolidated revenues, were generated by or resulted from contracts with the United States Government. U.S. Government business is subject to competition, changes in procurement policies and regulations, the continuing availability of Congressional appropriations, world events, and the size and timing of programs in which Textron may participate.

A substantial portion of Textron's government contracts are fixed-price or fixed-price incentive contracts. Contracts that contain incentive pricing terms provide for upward or downward adjustments in the prices paid by the U.S. Government thereunder upon completion of the contract or any agreed portion thereof, based on cost or other performance factors. U.S. Government contracts generally may be terminated in whole or in part at the convenience of the U.S. Government or if the contractor is in default. Upon termination of a contract for the convenience of the U.S. Government, the contractor is normally entitled to reimbursement for allowable costs incurred (up to a maximum equal to the contract price) and an allowance for profit or adjustment for loss if the contractor would have incurred a loss had the entire contract been completed. If, however, a contract is terminated for default: (i) the contractor is paid such amount as may be agreed upon for manufacturing materials and partially completed products accepted by the U.S. Government; (ii) the U.S. Government is not liable for the contractor's costs with respect to unaccepted items and is entitled to repayment of advance payments and progress payments, if any, related to the terminated portions of the contract; and (iii) the contractor may be liable for excess costs incurred by the U.S. Government in procuring undelivered items from another source.

Research and Development

Information regarding Textron's research and development expenditures is contained on page 45 of Textron's 1995 Annual Report to Shareholders, which page is incorporated herein by reference.

Patents and Trademarks

Textron owns, or is licensed under, a number of patents and trademarks throughout the world relating to methods of manufacturing and products. Patents and trademarks have been of value in the past and are expected to be of value in the future; however, the loss of any single patent or group of patents would not, in the opinion of Textron, materially affect the conduct of its business.

Environmental Considerations

Textron's operations, like those of other companies engaged in similar businesses, are subject to numerous laws and regulations designed to protect the environment. Compliance with such laws and expenditures for environmental control facilities have not had, and are not expected to have, a material effect on capital expenditures, earnings or the competitive position of Textron. Additional information regarding environmental matters is contained on pages 29, 38 and 48 of Textron's 1995 Annual Report to Shareholders, which pages are incorporated herein by reference.

Employees

At December 30, 1995, Textron had approximately 57,000 employees.

ITEM 2. PROPERTIES

At December 30, 1995, Textron operated a total of 136 plants located throughout the United States and 9 plants outside the United States. Of the total of 145 plants, Textron owned 104 and the balance was leased. In the aggregate, the total manufacturing space was approximately 25 million square feet.

In addition, Textron owns or leases offices, warehouse and other space at various locations throughout the United States and outside the United States. Textron also owns or leases such machinery and equipment as is necessary in the operation of its Divisions. Textron considers the productive capacity of the plants operated by each of its business segments to be adequate. In general, the plants and machinery are in good condition, are considered to be adequate for the uses to which they are being put, and are substantially in regular use.

ITEM 3. LEGAL PROCEEDINGS

There are pending or threatened against Textron and its subsidiaries lawsuits and other proceedings, some of which allege violations of federal government procurement regulations, involve environmental matters, or are or purport to be class actions. Among these suits and proceedings are some which seek compensatory, treble or punitive damages in substantial amounts; fines, penalties or restitution; or the remediation of allegedly hazardous wastes; or which under federal government procurement regulations could result in suspension or debarment of Textron or its subsidiaries from U.S. Government contracting for a period of time. On the basis of information presently available, Textron believes that any liability for these suits and proceedings, or the impact of the application of such government regulations, would not have a material effect on Textron's net income or financial condition.

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

No matters were submitted to a vote of Textron's security holders during the last quarter of the period covered by this Report.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information concerning the executive officers of Textron as of March 4, 1996. Unless otherwise indicated, the employer is Textron.

Name	Age	Position
James F. Hardymon	61	Chairman since 1993, and Chief Executive Officer since 1992; formerly President, 1989 through 1993, and Chief Operating Officer, 1989 through 1991; Director since 1989.

CORPORATE OPERATING MANAGEMENT

Lewis B. Campbell	49	President and Chief Operating Officer since 1994; formerly Executive Vice President and Chief Operating Officer, 1992 to 1993; Vice President of General Motors (1988 to 1992) and General Manager of its GMC Truck Division (1991 to 1992), and General Manager of its Flint Automotive Division Buick - Oldsmobile - Cadillac Group (1988 to 1991); Director since 1994.
Harold K. McCard	64	Senior Vice President Operations since August 1995; formerly President of Textron Systems Division, 1985 to August 1995.
Herbert L. Henkel	47	President, Textron Industrial Products since August 1995;

		formerly Group Vice President, Textron Inc., 1993 to August 1995; President of the Greenlee Textron Division, 1987 to 1993.
Derek Plummer	62	Chairman, Textron Automotive Company since April 1994; formerly Group Vice President, Textron Inc., 1986 to 1994.
Terry D. Stinson	54	President, Textron Systems and Components since August 1995; formerly Group Vice President, Textron Inc., 1991 to August 1995; President of the Hamilton Standard Division of United Technologies Corporation, 1986 to 1991.

CORPORATE STAFF MANAGEMENT

Mary L. Howell	43	Executive Vice President, Government and International since August 1995; formerly Senior Vice President Government and International Relations 1993 to August 1995; Vice President - Government Affairs, 1985 to 1993.
Wayne W. Juchatz	49	Executive Vice President and General Counsel since April 1995; formerly Executive Vice President and General Counsel of R.J. Reynolds Tobacco Company, 1994 to 1995; and Senior Vice President, General Counsel and Secretary of R.J. Reynolds Tobacco Company, 1987 to 1994.
Stephen L. Key	52	Executive Vice President and Chief Financial Officer since March 1995; formerly Executive Vice President and Chief Financial Officer of ConAgra, Inc., 1992 to March 1995; Managing Partner of the New York office of Ernst & Young (formerly Arthur Young), 1988 to 1992.
Richard A. McWhirter	61	Executive Vice President and Corporate Secretary since March 1995; formerly Executive Vice President and Chief Financial Officer, 1993 to March 1995; Senior Vice President and Secretary, 1991 to 1993; Senior Vice President - Insurance and Environmental Affairs, 1988 to 1991.
William F. Wayland	60	Executive Vice President Administration and Chief Human Resources Officer since January 1993; formerly Executive Vice President - Human Resources, 1989 to January 1993.
Richard A. Watson	51	Senior Vice President and Treasurer since October 1995; formerly Senior Vice President, Financial Services, August 1995 to October 1995; Group Vice President, 1990 to August 1995.

Carl D. Burtner	53	Vice President - Human Resources since September 1995; also served as Acting President of Speidel Textron, September 1995 to January 1996; formerly President of Greenlee Textron, 1993 to September 1995; Vice President Operations of Greenlee Textron, 1991 to 1993; and Vice President, Administration of Greenlee Textron, 1985 to 1991.
Peter B. S. Ellis	42	Vice President Strategic Planning since March 1995; formerly Managing Director, Telecommunications Practice of Arthur D. Little, Inc., 1991 to March 1995; Vice President, Business Development of Contel Corporation, 1988 to 1991.
Douglas A. Fahlbeck	50	Vice President - Mergers and Acquisitions since August 1995; formerly Executive Vice President, Chief Financial Officer and Director of Textron Financial Corporation, 1994 to August 1995; Senior Vice President and Chief Financial Officer of Textron Financial Corporation, 1985 to 1994.
Arnold M. Friedman	53	Vice President and Deputy General Counsel since 1984.
William B. Gauld	42	Vice President - Corporate Information Management and Chief Information Officer since August 1995; formerly Staff Vice President, Corporate Information Management and Chief Information Officer, 1994 to August 1995; Chief Information Officer of General Electric (Electrical Distribution and Control business) 1992 to 1994; Manager, Manufacturing Systems of General Electric (Appliances), 1989 to 1992.
Gregory E. Hudson	49	Vice President - Taxes since 1987.
William P. Janovitz	53	Vice President - Financial Reporting since October 1995; formerly Vice President and Controller, 1983 to October 1995.
Mary F. Lovejoy	40	Vice President - Investor Relations since August 1995; formerly Director of Investor

Relations, 1993 to August 1995; Vice President and Senior Corporate Banker of The First National Bank of Chicago, 1991 to 1993; Vice President and Senior Transaction Manager of The First National Bank of Chicago, 1989 to 1991.

Frank W. McNally 56 Vice President - Employee Relations and Benefits since August 1995; formerly Staff Vice President, Employee Relations and Benefits, 1993 to August 1995, Staff Vice President Employee Relations, 1992 to 1993; Director, Employee Relations, 1991 to

Gero K.H. Meyersiek	49	Vice President - International since February 1996; formerly Vice President of Textron International Inc., February 1995 to February 1996; Vice President, International Business Development of GE Financial Services, 1991 to 1994; Managing Director, European Business Development of GE Financial Services, 1988 to 1991.
Daniel L. Shaffer	59	Vice President Audit and Business Ethics since November 1994; formerly President of Textron's Aircraft Engine Components Division, 1992 to November 1994; Vice President Finance of the Textron Systems Division, 1984 to 1992.
Richard F. Smith	57	Vice President - Government Affairs since August 1995; Staff Vice President - Government Affairs, March 1995 to August 1995; Director - Government Affairs, 1985 to March 1995.
Richard L. Yates	45	Vice President and Controller since November 1995; formerly

Executive Vice President, Chief Financial Officer and Treasurer of Paul Revere, 1994 to November 1995; Senior Vice President, Chief Financial Officer and Treasurer of Paul Revere, 1991 to 1994.

John F. Zugschwert 62 Vice President - Government Marketing since August 1995; Staff Vice President, Washington Operations 1993 to August 1995; Vice President, Washington Operations of Bell Helicopter Textron, 1991 to 1993.

No family relationship exists between any of the individuals named above.

PART II

ITEM 5. MARKETS FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Textron's common stock is traded on the New York, Chicago and Pacific Stock Exchanges. Additional information regarding "Markets for the Registrant's Common Equity and Related Stockholder Matters" is contained on pages 51 and 52 and on the inside back cover of Textron's 1995 Annual Report to Shareholders, which pages are incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

Information regarding "Selected Financial Data" is contained in the Five Year Summary on page 52 of Textron's 1995 Annual Report to Shareholders, which page is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations is contained on pages 23 through 29 of Textron's 1995 Annual Report to Shareholders, which pages are incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and the supplementary information listed in the accompanying index to financial statements and financial statement schedules are filed as part of this Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding Textron's directors is contained on pages 2 through 6 and page 9 of Textron's Proxy Statement for the Annual Meeting of Shareholders to be held on April 24, 1996, which pages are incorporated herein by reference.

Information regarding Textron's executive officers is included on pages 14 through 17 of Part I of this Report.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding "Executive Compensation" is contained on pages 10 through 20 of Textron's Proxy Statement for the Annual Meeting of Shareholders to be held on April 24, 1996, which pages are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information regarding "Security Ownership of Certain Beneficial Holders" and "Security Ownership of Management" is contained on pages 8 and 9 of Textron's Proxy Statement for the Annual Meeting of Shareholders to be held on April 24, 1996, which pages are incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding certain relationships and related transactions is contained on page 19 of Textron's Proxy Statement for the Annual Meeting of Shareholders to be held on April 24, 1996, which page is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Financial Statements and Schedules The consolidated financial statements, supplementary information and financial statement schedules listed in the accompanying index to financial statements and financial statement schedules are filed as part of this Report.

Exhibits

- | | |
|-----|---|
| 3.1 | Restated Certificate of Incorporation of Textron as filed March 24, 1988. Incorporated by reference to Exhibit 3.1 to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1988. |
| 3.2 | By-Laws of Textron, restated December 10, 1992. Incorporated by reference to Exhibit 3.2 to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1993. |

NOTE: Exhibits 10.1 through 10.21 below are management contracts or compensatory plans, contracts or agreements.

- 10.1 Annual Incentive Compensation Plan For
Textron Employees.
- 10.2 Deferred Income Plan For Textron Key
Executives.

10.3 Severance Plan For Textron Key Executives.

10.4 Special Benefits for Textron Key Executives.

10.5 Supplemental Benefits Plan For Textron Key Executives with Market Square Profit Sharing Plan Schedule.

10.6 Supplemental Retirement Plan For Textron Key Executives.

10.7 Survivor Benefit Plan For Textron Key Executives. 10.8A Textron 1982 Long-Term Incentive Plan ("1982 Plan"). Incorporated by reference to Exhibit

- 10.8B 10.5(a) to Textron's Annual Report on Form 10-K for the fiscal year ended December 31, 1988.
First Amendment to 1982 Plan. Incorporated by reference to Exhibit 10.5(b) to Textron's Annual Report on Form 10-K for the fiscal year ended January 3, 1987.
- 10.8C Second Amendment to 1982 Plan. Incorporated by reference to Exhibit 10.5(c) to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1988.
- 10.9A Textron 1987 Long-Term Incentive Plan ("1987 Plan"). Incorporated by reference to Exhibit 10.6 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1989.
- 10.9B First Amendment to 1987 Plan. Incorporated by reference to Exhibit 10.6(b) to Textron's Annual Report on Form 10-K for the fiscal year ended December 28, 1991.
- 10.10A Textron 1990 Long-Term Incentive Plan ("1990 Plan"). Incorporated by reference to Exhibit 10.7 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1989.
- 10.10B First Amendment to 1990 Plan. Incorporated by reference to Exhibit 10.7(c) to Textron's Annual Report on Form 10-K for the fiscal year ended December 28, 1991.
- 10.10C Second Amendment to 1990 Plan. Incorporated by reference to Exhibit 10.7(c) to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1993.

10.11 Textron 1994 Long-Term Incentive Plan. Incorporated by reference to Exhibit 10 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 2, 1994.

10.12 Form of Indemnity Agreement between Textron and its directors and executive officers. Incorporated by reference to Exhibit A to Textron's Proxy Statement for its Annual Meeting of Shareholders on April 29, 1987.

10.13A Pension Plan for Directors as amended by a First Amendment. Incorporated by reference to Exhibit 10.14 to Textron's Annual Report on Form 10-K for the fiscal year ended December 31, 1988. 10.13B Second Amendment to Pension Plan for Directors. Incorporated by reference to Exhibit 10.16(b) to Textron's Annual Report on Form 10-K for the fiscal year ended December 29, 1990.

10.14 Deferred Income Plan for Textron Directors. Incorporated by reference to Exhibit 10.18 to

- Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 1994.
- 10.15A Employment Agreement between Textron and James F. Hardyman dated November 24, 1989 ("Employment Agreement"). Incorporated by reference to Exhibit 10.9 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1989.
- 10.15B Amendment dated as of December 15, 1994 to Employment Agreement. Incorporated by reference to Exhibit 10.10B to Textron's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.
- 10.16A Employment Agreement between Textron and Lewis B. Campbell dated September 22, 1992. Incorporated by reference to Exhibit 10.9 to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1993.
- 10.16B Retention Award granted to Lewis B. Campbell on December 14, 1995.
- 10.17 Employment Agreement between Textron and Mary L. Howell dated May 4, 1993. Incorporated by reference to Exhibit 10.11 to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 1994.
- 10.18 Employment Agreement between Textron and Wayne W. Juchatz dated November 1, 1995.
- 10.19 Employment Agreement between Textron and Stephen L. Key dated November 1, 1995.
- 10.20 Employment Agreement between Textron and Richard A. McWhirter dated February 16, 1993. Incorporated by reference to Exhibit 10.11 to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1993.

10.21 Employment Agreement between Textron and William F. Wayland dated January 1, 1989. Incorporated by reference to Exhibit 10.12 to

- Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1989.
- 10.22A Credit Agreement dated as of November 1, 1993 among Textron, the Lenders listed therein and Bankers Trust Company as Administrative Agent ("Credit Agreement"). Incorporated by reference to Exhibit 10.20A to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 1994.

10.22B	First Amendment dated as of October 30, 1994 to Credit Agreement. Incorporated by reference to Exhibit 10.22B to Textron's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.
10.22C	Second Amendment to Credit Agreement dated as of July 1, 1995. Incorporated by reference to Exhibit (b) (3) to Schedule 14D-1 filed by Textron on September 19, 1995.
12.1	Computation of ratio of income to fixed charges of the Textron Parent Company Borrowing Group.
12.2	Computation of ratio of income to fixed charges of Textron Inc. including all majority-owned subsidiaries.

13 A portion (pages 22 and following) of Textron's 1995 Annual Report to Shareholders. Except for pages or items specifically incorporated by reference herein, such portion of Textron's 1995 Annual Report to Shareholders is furnished for the information of the Commission and is not filed as part of this Report.

21 Certain subsidiaries of Textron. Other subsidiaries, which considered in the aggregate do not constitute a significant subsidiary, are omitted from such list.

23	Consent of Independent Auditors.
24.1	Power of attorney.
24.2	Certified copy of a resolution of the Board of Directors of Textron.
27	Financial Data Schedule.

(b) Reports on Form 8-K No reports on Form 8-K were filed during the last quarter of the period covered by this Report.

SIGNATURES

Pursuant to the requirement of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on this 14th day of March, 1996.

TEXTRON INC. Registrant

By: /s/ Michael D. Cahn
Michael D. Cahn
Attorney-in-fact

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on this 14th day of March, 1996, by the following persons on behalf of the registrant and in the capacities indicated:

NAME TITLE

* James F. Hardymon	Chairman and Chief Executive Officer, Director (principal)
* Lewis B. Campbell	President and Chief Operating Officer, Director
* H. Jesse Arnelle	Director
* R. Stuart Dickson	Director

* B.F. Dolan	Director
* Paul E. Gagne	Director
* John D. Macomber	Director
* Barbara Scott Preiskel	Director
* Brian H. Rowe	Director
* Sam F. Segnar	Director
* Jean Head Sisco	Director
* John W. Snow	Director
* Martin D. Walker	Director

*
Thomas B. Wheeler

Director

*
Stephen L. Key

Executive Vice President and
Chief Financial Officer
(principal financial officer)

*
Richard L. Yates

Vice President and Controller
(principal accounting
officer)

*By: /s/ Michael D. Cahn
Michael D. Cahn
Attorney-in-fact

**TEXTRON INC.
INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES**

Item 14(a)

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Consolidated Balance Sheet at December 30, 1995 and December 31, 1994		33
Consolidated Statement of Cash Flows for each of the three years in the period ended December 30, 1995		34
Consolidated Statement of Changes in Shareholders' Equity for each of the three years in the period ended December 30, 1995		35
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Quarterly Financial Information 1995 and 1994		51
Financial Statement Schedules for each of the three years in the period ended December 30, 1995		
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II Valuation and qualifying accounts	28	

All other schedules are omitted because the conditions requiring the filing thereof do not exist or because the information required is included in the financial statements and notes thereto.

TEXTRON INC.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

For each of the three years in the period ended December 30, 1995

Financial information of the Registrant is omitted because condensed financial information of the Textron Parent Company Borrowing Group, which includes the Registrant and all of its majority-owned subsidiaries other than its finance and insurance subsidiaries, is shown on page 30 of Textron's 1995 Annual Report to Shareholders. Management believes that the disclosure of financial information on the basis of the Textron Parent Company Borrowing Group results in a more meaningful presentation, since this group constitutes the Registrant's basic borrowing entity and the only restrictions on net assets of Textron's subsidiaries relate to its finance and insurance subsidiaries. The Registrant's investment in its finance and insurance subsidiaries is shown on page 30 of Textron's 1995 Annual Report to Shareholders under the caption "Investments in finance and insurance subsidiaries."

The Textron Parent Company Borrowing Group received dividends of \$126 million, \$115 million and \$94 million from its finance and insurance subsidiaries in 1995, 1994 and 1993, respectively. The portion of the net assets of Textron's finance and insurance subsidiaries available for cash dividends and other payments to the Textron Parent Company Borrowing Group is restricted by the terms of lending agreements and insurance statutory requirements. As of December 30, 1995, approximately \$376 million of their net assets of \$2.6 billion was available to be transferred to the Textron Parent Company Borrowing Group pursuant to these restrictions.

For information concerning the Textron Parent Company Borrowing Group's long-term debt and restrictions contained in its debt agreements, see Note 7 to the consolidated financial statements appearing on pages 42-43 of Textron's 1995 Annual Report to Shareholders.

TEXTRON INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

For each of the three years in the period ended December 30, 1995

(In millions)

Allowance for credit losses

Changes in the allowance for credit losses for the years indicated were as follows:

	1995	1994	1993
Balance of the allowance for credit losses at the beginning of the year	\$250	\$225	\$212
Add - charge to income:			
Consumer	149	136	121
Commercial	19	24	21
	168	160	142
Deduct - balances charged off:			
Gross charge offs:			
Consumer	(177)	(142)	(138)
Commercial	(25)	(27)	(20)
	(202)	(169)	(158)
Recoveries:			
Consumer	33	28	26
Commercial	4	3	3
	37	31	29
Net charge offs	(165)	(138)	(129)
Other	17	3	-
Balance of the allowance for credit losses at the end of the year	\$ 270	\$ 250	\$ 225
Balance of the allowance for credit losses at the end of the year applicable to:			
Consumer	\$ 195	\$ 181	\$ 155
Commercial	75	69	70
	\$ 270	\$ 250	\$ 225

TEXTRON INC.

Index of Exhibits

Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1994

Exhibits	Description
3.1	Restated Certificate of Incorporation of Textron as filed March 24, 1988. Incorporated by

reference to Exhibit 3.1 to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1988.

3.2	By-Laws of Textron, restated December 10, 1992. Incorporated by reference to Exhibit 3.2 to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1993.
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NOTE: Exhibits 10.1 through 10.21 below are management contracts or compensatory plans, contracts or agreements.

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10.2	Deferred Income Plan For Textron Key Executives.

10.3 Severance Plan For Textron Key Executives.

10.4 Special Benefits for Textron Key Executives.

10.5 Supplemental Benefits Plan For Textron Key Executives with Market Square Profit Sharing Plan Schedule.

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10.10B First Amendment to 1990 Plan. Incorporated by reference to Exhibit 10.7(c) to Textron's Annual Report on Form 10-K for the fiscal year ended December 28, 1991.

10.10C Second Amendment to 1990 Plan. Incorporated by reference to Exhibit 10.7(c) to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1993.

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- 10.22B First Amendment dated as of October 30, 1994 to Credit Agreement. Incorporated by reference to Exhibit 10.22B to Textron's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.
- 10.22C Second Amendment to Credit Agreement dated as of July 1, 1995. Incorporated by reference to Exhibit (b) (3) to Schedule 14D-1 filed by Textron on September 19, 1995.
- 12.1 Computation of ratio of income to fixed charges of the Textron Parent Company Borrowing Group.
- 12.2 Computation of ratio of income to fixed charges of Textron Inc. including all majority-owned subsidiaries.
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- 21 Certain subsidiaries of Textron. Other subsidiaries, which considered in the aggregate do not constitute a significant subsidiary, are omitted from such list.
- 23 Consent of Independent Auditors.
- 24.1 Power of attorney.
- 24.2 Certified copy of a resolution of the Board of Directors of Textron.
- 27 Financial Data Schedule.

ANNUAL INCENTIVE COMPENSATION PLAN FOR TEXTRON EMPLOYEES

This Plan is designed to provide financial incentives for the successful achievement of pre-established financial and non-financial objectives to selected officers and other employees of Textron's Corporate Office.

This Plan as restated shall be effective from and after January 1, 1994, except as otherwise provided.

Article I - Definitions

Whenever used in this document, the following terms shall have the meanings set forth in this Article, unless a contrary or different meaning is expressly provided:

1.01 "Beneficiary" means the person or persons entitled under this Plan to receive Plan benefits after a Participant's death.

1.02 "Benefits Committee" means the Benefits Committee appointed by the Board.

1.03 "Board" means the Board of Directors of Textron.

1.04 "Incentive Compensation" means compensation from a Textron Company for the successful achievement of pre-established financial and non-financial objectives.

1.05 "Key Executive" means an employee of a Textron Company who has been and continues to be designated as a Key Executive under the Plan by the Chief Executive Officer and Chief Human Resources Officer of Textron.

1.06 "Participant" means an employee who is participating or has participated in this Plan.

1.07 "Plan" means this Annual Incentive Compensation Plan for Textron Employees, as amended from time to time.

1.08 "Textron" means Textron Inc., a Delaware corporation, and any successor of Textron Inc.

1.09 "Textron Company" means Textron or any company controlled by or under common control with Textron.

1.10 "Textron Employment" means employment with a Textron Company. Leaves of absence for such periods and purposes as are approved by Textron and transfers of employment within or between Textron Companies shall not be deemed interruptions of Textron Employment.

Article II - Employees Eligible to Participate

2.01 Officers and other employees of Textron's Corporate Office covered by Textron's Executive Compensation Structure are eligible for selection as Participants. Participants are approved by the Chief Executive Officer.

Article III - Partial Years of Plan Participation

3.01 In order to be eligible to receive Incentive Compensation for a fiscal year, a Participant must be an employee of Textron on the last day of that fiscal year. However, if a Participant was employed for only part of a fiscal year, the Participant or her beneficiary may receive Incentive Compensation at the discretion of the Chief Executive Officer.

Article IV - Factors in Determining Awards

4.01 The following factors will be taken into consideration in determining the amount of Incentive Compensation to be paid to a Participant:

(a) For each salary grade in Textron's Executive Compensation Structure, Textron's Human Resources Department, with the approval of the Chief Executive Officer of Textron, will establish a specified percentage of Base Salary ("Target Level Percentage") which, when multiplied by the Participant's Base Salary, will yield the Participant's "Target Incentive Compensation." "Base Salary" is the annual salary of a Participant as of November 1 of the fiscal year to which an award relates (or such other date as may be established by the Chief Executive Officer), exclusive of overtime pay, bonuses, incentive compensation, expense reimbursements or any other compensation which supplements annual salary.

(b) A number of objectives ("Objectives") will be established for each fiscal year. Objectives may be financial or non-financial and will be related to individual, Division, Group or overall Corporate performance. Corporate financial Objectives and the Chief Executive Officer's non-financial Objectives will be established by the Organization and Compensation Committee of the Board subject to the approval of the Board. All Objectives for Key Executives will be approved by the Chief Executive Officer. Individual Objectives of each other Participant will be approved by the senior officer responsible for the Participant's function.

(c) For the purpose of establishing the relative importance of Objectives, they may be assigned weighting factors which may vary from

Participant to Participant.

4.02 Each Participant's Incentive Compensation for a fiscal year is based on the achievement of applicable Objectives, his Target Incentive Compensation and any other factors which Textron deems appropriate. The Incentive Compensation of Key Executives will be approved by the Organization and Compensation Committee or the Board, as appropriate. Each other Participant's Incentive Compensation will be approved by the Chief Executive Officer or his designee.

4.03 If there is minimal achievement of individual, Division, Group or Corporate Objectives, or if Textron or the Participant performs below expectations, the Participant's award will fall below her Target Incentive Compensation. If Textron and a Participant substantially meet their Objectives for the fiscal year, the Participant's award may equal or exceed her Target Incentive Compensation. For outstanding performance by Textron or the Participant, the Participant's Incentive Compensation may range up to 200% of her Target Incentive Compensation. Awards in excess of that level may be granted for exceptional performance, at the discretion of the Chief Executive Officer, the Organization and Compensation Committee or the Board, as appropriate.

4.04 Notwithstanding any of the previous provisions of this Plan, the Participant is not likely to receive Incentive Compensation if Textron's achievement of financial Objectives or the Participant's achievement of individual Objectives for a fiscal year is unsatisfactory.

Article V - Payment and Accounting

5.01 A Participant's Incentive Compensation shall generally be payable in cash within 60 days after the end of the fiscal year for which it is paid. However, with respect to any Participant who is a Key Executive, certain amounts of Incentive Compensation may be payable in stock units, which are fictional shares of Textron Common Stock accumulated and accounted for under the Deferred Income Plan for Textron Key Executives for the sole purpose of determining the cash amount of any distribution on account of this portion of Incentive Compensation.

5.02 Each Key Executive's Incentive Compensation shall be payable in stock units and not in cash, to the extent her Incentive Compensation exceeds 100% of her Target Incentive Compensation for any fiscal year.

5.03 Textron shall credit stock units to a Key Executive's stock unit account on the same date on which that portion of his Incentive Compensation which is payable in cash is, or would be but for its deferral, paid to him.

Article VI - Plan Administration

6.01 The Organization and Compensation Committee will be responsible for interpreting the Plan, subject to the approval of the Board. All such interpretations of the Organization and Compensation Committee will be final, conclusive and binding on all Participants. Subject to the foregoing, the Chief Executive Officer of Textron or his designee will have authority to administer the Plan.

Article VII - Miscellaneous

7.01 Unless a contrary or different meaning is expressly provided, each use in this Plan of the masculine or feminine gender shall include the other and each use of the singular number shall include the plural.

7.02 No benefit payable at any time under this Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge or encumbrance of any kind unless specifically approved in writing in advance by the Benefits Committee. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any such benefit, whether presently or subsequently payable, shall be void unless so approved. Except as required by law, no benefit payable under this Plan shall in any manner be subject to garnishment, attachment, execution or other legal process, or be liable for or subject to the debts or liability of any Participant or Beneficiary.

7.03 The Board or its designee shall have the right to amend, modify, suspend or terminate this Plan at any time by written ratification of such action. Individual, Division, Group or Corporate Objectives, or the weighting of Objectives, may be changed during the year with the approval of the appropriate entity identified in Section 4.01(b).

Notwithstanding the foregoing, no action which is described in the preceding paragraph and which is taken after a Change in Control may affect adversely any Participant's rights under this Plan, with respect to the fiscal year in which the Change in Control occurs, without the Participant's express written consent.

7.04 Notwithstanding any other provision of this Plan, each individual who is a Participant on the day on which a Change in Control of Textron occurs shall receive Incentive Compensation for the fiscal year in which the Change in Control occurs. Such Incentive Compensation shall equal or exceed the greater of the Participant's (1) Target Incentive Compensation for that year, or (2) most recent Incentive Compensation award, such greater amount to be multiplied by the number of months in which the Participant was an employee during the year in which the Change in Control occurs, and divided by 12.

For purposes of this Plan, a "Change in Control" shall occur if (i) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Act")) other than Textron, any trustee or other fiduciary holding Textron Common Stock under an employee benefit plan of Textron or a related company, or any corporation which is owned, directly or indirectly, by the stockholders of Textron in substantially the same proportions as their ownership of Textron Common Stock, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act) of more than 30% of the then outstanding voting stock of Textron, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board (and any new director whose election by the Board

or whose nomination for election by the stockholders of Textron was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority thereof, or (iii) the stockholders of Textron approve a merger or consolidation of Textron with any other corporation, other than a merger or consolidation which would result in the voting securities of Textron outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 80% of the combined voting power of the voting securities of Textron or such surviving entity outstanding immediately after such merger or consolidation, or (iv) the stockholders of Textron approve a plan of complete liquidation of Textron or an agreement for the sale or disposition by Textron of all or substantially all of Textron's assets.

7.05 This Plan shall be construed in accordance with the laws of the State of Delaware.

7.06 Nothing contained in this Plan shall be construed as a contract of employment between any Participant and any Textron Company, or to suggest or create a right in any Participant to be continued in employment as a Key Executive or other employee of any Textron Company.

7.07 Textron, the Chief Executive Officer and the Chief Human Resources Officer, and the Benefits Committee may impose such other lawful terms and conditions on participation in this Plan as deemed desirable. The Chief Executive Officer, the Chief Human Resources Officer and members of the Benefits Committee may participate in this Plan.

IN WITNESS WHEREOF, Textron Inc. has caused this restated Plan to be executed by its duly authorized officer to be effective as of January 1, 1994.

TEXTRON INC.

By: */s/William F. Wayland*
William F. Wayland
Executive Vice President
Administration and
Chief Human Resources Officer

Date: November 27, 1995

DEFERRED INCOME PLAN FOR TEXTRON KEY EXECUTIVES

This Plan has been established for the benefit of certain Textron Key Executives to secure their goodwill, loyalty and achievement and to attract to and retain in the employ of Textron Companies persons of outstanding competence.

This Plan as restated shall be effective from and after January 1, 1994, except as otherwise provided.

Article I - Definitions

Whenever used in this document, the following terms shall have the meanings set forth in this Article, unless a contrary or different meaning is expressly provided:

- 1.01 "Beneficiary" means the person or persons entitled under this Plan to receive Plan benefits after a Participant's death.
- 1.02 "Benefits Committee" means the Benefits Committee appointed by the Board.
- 1.03 "Board" means the Board of Directors of Textron.
- 1.04 "Compensation" means base salary, annual incentive compensation, cash distributions for performance units and performance share units under a long term incentive compensation plan, and any other item of gross salary from a Textron Company designated as Compensation under this Plan by the Benefits Committee or its designee.
- 1.05 "Deferral Period" means for a Participant (1) any complete months remaining in the calendar year in which she becomes a Key Executive, and (2) each succeeding calendar year in which she is a Key Executive.
- 1.06 "Deferred Income" means any Compensation the receipt of which is deferred under this Plan. "Automatic Deferred Income" means amounts in excess of 100% of a Participant's annual incentive compensation target. "Elective Deferred Income" means amounts elected by the Participant to be deferred under this Plan. "Discretionary Deferred Income" means additional contributions made at Textron's discretion to any account maintained for a Participant under this Plan.
- 1.07 "Determination Date" means the last day of each calendar month.
- 1.08 "Interest" means interest computed under Article III of this Plan.
- 1.09 "Key Executive" means an employee of a Textron Company who has been and continues to be designated as a Key Executive under the Plan by the Chief Executive Officer and Chief Human Resources Officer of Textron.
- 1.10 "Participant" means an employee who is participating or has participated in this Plan.
- 1.11 "Participation Agreement" means an agreement in a form prescribed by the Benefits Committee or its designee, by which a Key Executive elects to defer the receipt of Compensation pursuant to this Plan.
- 1.12 "Plan" means this Deferred Income Plan for Textron Key Executives, as amended from time to time.
- 1.13 "Textron" means Textron Inc., a Delaware corporation, and any successor of Textron Inc.
- 1.14 "Textron Company" means Textron or any company controlled by or under common control with Textron.
- 1.15 "Textron Employment" means employment with a Textron Company. Leaves of absence for such periods and purposes as are approved by Textron and transfers of employment within or between Textron Companies shall not be deemed interruptions of Textron Employment.
- 1.16 "Total Disability" has the same meaning under this Plan as in the Textron Pension Plan with respect to any Participant at the date his Textron Employment ends.

Article II - Participation and Deferred Income

2.01 A Key Executive may participate in this Plan for a Deferral Period by filing a Participation Agreement with the Benefits Committee or its designee within the time specified by that committee or designee.

2.02 For any complete calendar months remaining in the calendar year in which a Participant becomes a Key Executive, she may defer up to 100% of her Compensation otherwise payable during those months. For any subsequent Deferral Period, a Participant may defer up to 25% of her base salary, and up to 100% of her Compensation other than base salary, otherwise payable during that period. (For purposes of this 25% limitation, "base salary" includes any base salary the receipt of which by the Participant is deferred under the Textron Savings Plan or this Plan.) A Participant may not defer any Compensation which she has earned at the time she files her Participation Agreement relating thereto.

2.03 The Benefits Committee may, at a Participant's request but in its sole discretion, suspend in whole or in part a Participant's commitment under any Participation Agreement for such time as it may deem necessary upon a finding that the Participant has suffered a financial hardship. For purposes of this Plan, a financial hardship shall include, but not be limited to, an unexpected need for cash arising from (1) an accident, illness or disability of,

(2) a casualty or theft loss suffered by, (3) the rendering of a judgment against, or (4) a sudden financial reversal or curtailment of income of a Participant or a family member or dependent, or (5) the transfer of a Participant to another place of employment.

2.04 If at any time a Participant shall cease to be a Key Executive, his Participation Agreements and Deferral Periods shall terminate at that time and no further Deferred Income shall be withheld from his Compensation.

2.05 No Deferred Income, Interest or dividends shall be payable to a Participant while he is employed by a Textron Company.

2.06 Textron shall withhold for taxes or other reasons as required by law.

Article III - Participant's Accounts, Interest, and Earnings

3.01(a) For record-keeping purposes only, Textron shall maintain a Moody's Account and a Stock Unit Account or an Interest Account for each Participant who has the receipt of Compensation deferred under this Plan.

(b) Textron may in its sole discretion from time to time make additional contributions to any account maintained for a Participant. These additional contributions, if any, may be subject to a vesting schedule set by the Benefits Committee.

(c) The existence of these accounts shall not require any segregation of assets.

(d) A Participant's right to receive Elective Deferred Income shall always be nonfor-feitable.

3.02 The Moody's Account shall reflect a Participant's investment in an interest-bearing account.

(a) The Moody's Account shall be adjusted as of each Determination Date and shall consist of (1) the balance of the Account as of the immediately preceding Determination Date, (2) amounts of Deferred Income credited to the Account in the intervening month, and (3) Interest earned since the immediately preceding Determination Date based on one-twelfth of the applicable interest rate(s) described in Sections 3.03 or 3.04 on the average daily balance of the Account (or portion thereof) during the intervening month; reduced by (4) any distributions from the account (or portion thereof) during the intervening month.

(b) The interest rates applicable to the Moody's Account shall be the Moody's Rate and the Moody's Plus Rate.

3.03 The Moody's Rate shall be the greater of (1) the average for the calendar month in which the applicable Determination Date falls of the Moody's Corporate Bond Yield Index as published by Moody's Investors Service, Inc. (or any successor thereto), or, if such monthly yield is no longer published, a substantially similar average selected by the Benefits Committee, or (2) eight percent per year.

3.04(a) The Moody's Plus Rate applicable on a Determination Date to any portion of the Moody's Account which is attributable to Deferred Income deferred before 1988 shall be the greater of (1) the average described in clause (1) of Section 3.03, plus three percentage points, or (2) eleven percent per year.

(b) The Moody's Plus Rate applicable on a Determination Date to any portion of the Moody's Account which is not described in Section 3.04(a) shall be the greater of (1) the average described in clause (1) of Section 3.03, plus two percentage points, or (2) ten percent per year.

3.05 The Stock Unit Account shall consist of stock units, which are fictional shares of Textron Common Stock, accumulated and accounted for under this Plan for the sole purpose of determining the cash amount of any distribution on account of this portion of Deferred Income.

(a) Notwithstanding any Plan provision to the contrary, not less than 50% of elected Deferred Income in years after 1995 must be deferred to the Stock Unit Account.

(b) Notwithstanding any Plan provision to the contrary, 100% of Automatic Deferred Income shall be deferred to the Stock Unit Account.

3.06 The Stock Unit Account shall be adjusted as of each Determination Date and shall consist of the stock units

(1) in the account as of the immediately preceding Determination Date, (2) credited under Section 3.07 and 3.08 during the intervening month, and (3) credited under Section 3.09 during the intervening month.

3.07(a) To the extent that a Participant puts Elective Deferred Income in the Stock Unit Account, the amount initially credited to her Account shall equal 125% of such Compensation.

(b) The amount in excess of 100% of the Elective Deferred Income is the "Textron stock unit contribution." A Participant's right to receive the

Textron stock unit contribution, as adjusted under Section 3.09, shall become nonforfeitable according to this schedule:

(1) 50% on December 31 of the calendar year in which that Elective Deferred Income otherwise would have been paid to him, but only if his Textron Employment continues on that December 31; and

(2) the remaining 50% on the next December 31, but only if his Textron Employment continues on that next December 31.

(c) A Participant's right to receive her Textron stock unit contribution shall be nonforfeitable in the event her Textron employment ends because of disability or death.

(d) If a Participant's employment ends at a time she is eligible for an early or normal retirement benefit under a Textron salaried employees' pension plan, her Textron stock unit contribution shall be nonforfeitable according to the above schedule.

3.08 Each month Textron shall credit stock units to a Participant's Stock Unit Account, equal in number to the number of shares of Textron Common Stock that were or could have been purchased at a price per share equal to the average price per share of Textron Common Stock contributed to the Textron Savings Plan as amended from time to time (the "Savings Plan"), for that month or purchased by the Savings Plan during that month, with the amount credited to the Account for that month under 3.07(a).

3.09 From time to time, Textron shall credit Stock Units to a Participant's Stock Unit Account equal in number to the number of shares of Textron Common Stock that would have been allocated on account of dividends to the Participant's Stock Unit Account as of that date, based on the average price per share of Textron Common Stock contributed to the Savings Plan for that month or purchased by the Savings Plan for that purpose during the month, if the Stock Units credited to that Account instead had been shares of Textron Common Stock.

3.10 The number of Stock Units credited to a Participant's account under this Article III shall be adjusted, without receipt of any consideration by Textron, on account of any recapitalization, stock split, stock dividend or similar increase or decrease affecting Textron Common Stock, as if the Stock Units were actually shares of Textron Common Stock.

3.11 The Interest Account shall be established when the benefits relating to a Participant's Stock Unit Account become due to the Participant under Article IV. The Interest Account shall earn interest at the Moody's Rate.

(a) Any transfer made shall be made in cash and shall be in an amount equal to the product of (x) the "current value" of Textron Common Stock on the date on which the stock units are converted and transferred to the Interest Account, times (y) the number of whole and fractional stock units which are nonforfeitable.

(b) As used in the Plan, the current value of a share of Textron Common Stock on any date shall be the average of the composite closing prices, as reported in The Wall Street Journal, for the ten trading days next following that date.

Article IV - Benefits

4.01 If a Key Executive's Textron Employment ends other than by death or for less than acceptable performance (1) at or after age 62, or (2) as a result of Total Disability, the amount credited to his Moody's Account at the Moody's Plus Rate, and the amount in his Stock Unit Account which is then nonforfeitable according to Section 3.07, each valued as of the Determination Date immediately following the date on which his Textron Employment ends, shall be distributed in accordance with Article V.

4.02(a) If a Participant's Textron Employment ends because of death, the greater of (1) the amount credited to her Moody's Account (computed at the Moody's Plus Rate) and her Stock Unit Account as of the Determination Date immediately following her death, or (2) an amount equal to ten times the sum of her Deferred Income, if any, during the period of twelve complete calendar months ending with or immediately before her death shall be distributable to her Beneficiary pursuant to Article V. For the purposes of this Section 4.02 only, any annual incentive compensation or cash distributions for performance units or performance share units which are deferred shall be deemed to have been deferred on March 1 of the year in which they otherwise would have been paid.

(b) Notwithstanding the foregoing Section 4.02(a), any annual incentive compensation or long-term incentive compensation that would otherwise be payable in 1993, but which was instead paid in 1992 and was deferred by the Participant, shall be deemed to have been deferred on March 1, 1993.

4.03 If a Key Executive's Textron Employment ends other than as described in Section 4.01 or a Participant's Textron Employment ends other than as described in Section 4.02, the amount credited to his Moody's Account computed at the Moody's Rate (unless the Chief Executive Officer and Chief Human Resources Officer of Textron in their sole discretion approve computation at the Moody's Plus Rate) and the amount in his Stock Unit Account which is then nonforfeitable according to Section 3.07, each valued as of the Determination Date immediately following the date on which his Textron Employment ends, shall be distributed in accordance with Article V.

4.04 In the event of a Change in Control as defined in Section 9.03, the amount credited to her Moody's Account (computed at the Moody's Plus Rate) and the Stock Unit Account (transferred immediately to an Interest Account) shall be distributed in accordance with Article V.

4.05 Benefits shall be payable to a Participant or Beneficiary under only one Section of this Article IV. Article V - Payment of Benefits

5.01 The Benefits Committee or its designee shall choose in its sole discretion the methods in Section 5.02 by which benefits payable under Article IV shall be distributed, after considering any method of payment requested by the Participant or by the Beneficiaries entitled to receive the benefits.

5.02 After benefits relating to a Participant's Moody's Account and his Interest Account become payable under Article IV, Textron, upon the written instructions of the Benefits Committee or its designee, shall distribute the benefits in accordance with any one of the following methods:

(1) payment in a single sum; or

(2) payment in a number of annual installments, each payable as soon as practicable after the end of each successive calendar year, over a period not exceeding the life expectancy of the payee or his primary Beneficiary (whichever is greater) determined as of the date on which the benefits first became payable. The annual installments shall be calculated in a manner which provides substantially equal annual installments, or shall be calculated each year by dividing the unpaid amount of the benefits as of January 1 of that year by the remaining number of unpaid installments; or

(3) payment through a combination of the foregoing methods.

5.03(a) Plan benefits payable under Section 5.02 shall begin to be paid not later than February 15 of the first calendar year which begins on or after the date on which (1) the final payment of the Participant's Compensation is scheduled to be made, or (2) the Participant attains or would have attained age sixty-five, whichever is later. Interest shall be credited as of each Determination Date on the unpaid balance of Plan benefits, based on the interest rates described in Section 3.03 or Section 3.10, as appropriate.

(b) If Plan benefits are paid from a Moody's Account in accordance with Section 5.02(2) or 5.02(3), amounts (if any) described in Section 3.04 (b) shall be paid before any amounts described in Section 3.04(a).

5.04 Notwithstanding any Plan provision to the contrary, the amount then credited to the Moody's Account and Interest Account of each Key Executive shall become due and payable immediately upon a Change in Control as defined in Section 9.03.

Article VI - Beneficiaries

6.01 A Participant may designate one or more Beneficiaries to receive Plan benefits payable on the Participant's account after his death. A Beneficiary may designate one or more Beneficiaries to receive any unpaid Plan benefits to the extent this designation does not contravene any designation filed by the deceased Participant through whom the Beneficiary himself claims under this Plan. Beneficiaries shall be designated only upon forms made available by or satisfactory to the Benefits Committee or its designee, and filed by the Participant or Beneficiary with that committee or designee.

6.02 At any time prior to his death, a Participant or Beneficiary may change his own designation of Beneficiary by filing a substitute designation of Beneficiary with the Benefits Committee or its designee.

6.03 In the absence of an effective designation of Beneficiary, or if all persons so designated shall have predeceased the Participant or shall have died before the complete distribution of Plan benefits, the balance of Plan benefits shall be paid to the Participant's surviving spouse or, if none, to the Participant's issue per stirpes or, if no issue, to the executor or administrator of the Participant's or Beneficiary's estate, or as otherwise determined by the Benefits Committee in its sole discretion.

6.04 If a Participant's Compensation or a Plan benefit is community property, any designation of Beneficiary shall be valid or effective only as permitted under applicable law.

6.05 If a Plan benefit is payable to a minor or person declared incompetent or to a person incapable of handling the disposition of his property, the Benefits Committee may direct Textron to pay such Plan benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or person. The Benefits Committee may require proof of incompetency, minority, incapacity or guardianship as it deems appropriate prior to distribution of the Plan benefit. Such distribution shall completely discharge the Benefits Committee and any Textron Company from all liability with respect to such benefit.

Article VII - Unfunded Plan

7.01 Benefits to be provided under this Plan are unfunded obligations of Textron. Nothing contained in this Plan shall require Textron to segregate any monies from its general funds, to create any trust, to make any special deposits, or to purchase any policies of insurance with respect to such obligations. If Textron elects to purchase individual policies of insurance on one or more of the Participants to help finance its obligations under this Plan, such individual policies and the proceeds therefrom shall at all times remain the sole property of Textron and neither the Participants whose lives are insured nor their Beneficiaries shall have any ownership rights in such policies of insurance.

7.02 This Plan is intended to provide benefits for a select group of management employees who are highly compensated, pursuant to Section 110 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Labor Department Regulations Section 2520.104-23.

Article VIII - Plan Administration

8.01 Textron shall be the plan administrator of this Plan and shall be solely responsible for its general administration and interpretation. Textron shall have all such powers as may be necessary to carry out the respective provisions hereof. Textron may from time to time establish rules for the administration of this Plan and the transaction of its business. Subject to Section 8.04, any action by Textron shall be final, conclusive and binding on each Participant and all persons claiming by, through or under any Participant.

8.02 Textron may employ or engage such agents, accountants, actuaries, counsel, other experts and other persons as it deems necessary or desirable in connection with the interpretation and administration of this Plan. Textron shall be entitled to rely upon all certifications made by an accountant selected by Textron. Textron and its committees, officers, directors and employees shall not be liable for any action taken, suffered or omitted by them in good faith in reliance upon the advice or opinion of any such agent, accountant, actuary, counsel or other expert. All action so taken, suffered or omitted shall be conclusive upon each of them and upon all other persons interested in this Plan.

8.03 Textron may require proof of the death or Total Disability of any Participant, former Participant or Beneficiary and evidence of the right of any person to receive any Plan benefit.

8.04 Claims under this Plan shall be filed with Textron on its prescribed forms. If a claim is denied, wholly or in part, it shall be denied within a reasonable time after its filing in a writing delivered to the claimant with the reasons for the denial, citations to pertinent provisions of the Plan, a description of any additional material or information to be furnished by the claimant and the reasons therefor, and an explanation of the Plan's claim review procedure. If the claimant wishes further consideration of her claim, she or her authorized representative shall submit to Textron within 90 days after her claim has been denied a written request for a hearing. Such claimant or her authorized representative may then review pertinent documents and submit issues and comments in writing. Textron shall schedule an opportunity for a full and fair hearing of the issue within the next 60 days. Within 60 days after the hearing, Textron shall communicate its decision to the claimant in writing, stating the reasons for its decision and referring to pertinent Plan provisions.

8.05 Textron shall withhold from benefits paid under this Plan any taxes or other amounts required to be withheld by law.

Article IX - Miscellaneous

9.01 Unless a contrary or different meaning is expressly provided, each use in this Plan of the masculine or feminine gender shall include the other and each use of the singular number shall include the plural.

9.02 No benefit payable at any time under this Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge or encumbrance of any kind unless specifically approved in writing in advance by the Benefits Committee or its designee. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any such benefit, whether presently or subsequently payable, shall be void unless so approved. Except as required by law, no benefit payable under this Plan shall in any manner be subject to garnishment, attachment, execution or other legal process, or be liable for or subject to the debts or liability of any Participant or Beneficiary.

9.03 The Board or its designee shall have the right to amend, modify, suspend or terminate this Plan at any time by written ratification of such action; provided, however, that no amendment, modification, suspension or termination:

(1) shall reduce the amount credited to any Moody's Account, Stock Unit Account or Interest Account immediately before the effective date of the amendment, modification, suspension or termination; or

(2) shall be made to Article V or this Section 9.03 following a Change in Control. If after a Change in Control any claim is made or any litigation is brought by a Participant or Beneficiary to enforce or interpret any provision contained in this Plan, Textron and the "person" or "group" described in the next following sentence shall be liable, jointly and severally, to indemnify the Participant or Beneficiary for the Participant's or Beneficiary's reasonable attorney's fees and disbursements incurred in any such claim or litigation and for prejudgment interest at the Bankers Trust Company prime interest rate on any money award or judgment obtained by the Participant or Beneficiary. For purposes of this Plan, a "Change in Control" shall occur if (i) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Act")) other than Textron, any trustee or other fiduciary holding Textron Common Stock under an employee benefit plan of Textron or a related company, or any corporation which is owned, directly or indirectly, by the stockholders of Textron in substantially the same proportions as their ownership of Textron Common Stock, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act) of more than 30% of the then outstanding voting stock of Textron, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board (and any new director whose election by the Board or whose nomination for election by the stockholders of Textron was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority thereof, or (iii) the stockholders of Textron approve a merger or consolidation of Textron with any other corporation, other than a merger or consolidation which would result in the voting securities of Textron outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 80% of the combined voting power of the voting securities of Textron or such surviving entity outstanding immediately after such merger or consolidation, or (iv) the stockholders of Textron approve a plan of complete liquidation of Textron or an agreement for the sale or disposition by Textron of all or substantially all of Textron's assets.

9.04 This Plan shall be construed in accordance with the laws of the State of Delaware.

9.05 Nothing contained in this Plan shall be construed as a contract of employment between any Participant and any Textron Company, or to

suggest or create a right in any Participant to be continued in employment as a Key Executive or other employee of any Textron Company.

9.06 Textron, the Chief Executive Officer and the Chief Human Resources Officer, and the Benefits Committee may impose such other lawful terms and conditions on participation in this Plan as deemed desirable. The Chief Executive Officer, the Chief Human Resources Officer and members of the Benefits Committee may participate in this Plan.

IN WITNESS WHEREOF, Textron Inc. has caused this restated Plan to be executed by its duly authorized officer to be effective as of January 1, 1994.

TEXTRON INC.

By: /s/William F. Wayland
William F. Wayland
Executive Vice President
Administration and
Chief Human Resources Officer

Date: November 27, 1995

SEVERANCE PLAN FOR TEXTRON KEY EXECUTIVES

This Plan has been established for the benefit of certain Textron Executives to secure their goodwill, loyalty and achievement, and in consideration of their past service.

This Plan as restated shall be effective from and after January 1, 1994, except as otherwise provided.

Article I - Definitions

Whenever used in this document, the following terms shall have the meanings set forth in this Article, unless a contrary or different meaning is expressly provided:

1.01 "Benefits Committee" means the Benefits Committee appointed by the Board.

1.02 "Board" means the Board of Directors of Textron.

1.03 A "Change in Control" shall occur if (i) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Act")) other than Textron, any trustee or other fiduciary holding Textron Common Stock under an employee benefit plan of Textron or a related company, or any corporation which is owned, directly or indirectly, by the stockholders of Textron in substantially the same proportions as their ownership of Textron Common Stock, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act) of more than 30% of the then outstanding voting stock of Textron, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board (and any new director whose election by the Board or whose nomination for election by the stockholders of Textron was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority thereof, or (iii) the stockholders of Textron approve a merger or consolidation of Textron with any other corporation, other than a merger or consolidation which would result in the voting securities of Textron outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 80% of the combined voting power of the voting securities of Textron or such surviving entity outstanding immediately after such merger or consolidation, or (iv) the stockholders of Textron approve a plan of complete liquidation of Textron or an agreement for the sale or disposition by Textron of all or substantially all of Textron's assets.

1.04 "Chief Executive Officer" means the Chief Executive Officer of Textron, or such person(s) as he may designate from time to time to exercise any of his responsibilities under this Plan.

1.05 "Key Executive" means an employee of a Textron Company who has been and continues to be designated as a Key Executive under the Plan by the Chief Executive Officer and Chief Human Resources Officer of Textron. A Key Executive may subsequently waive participation in this Plan by an express written instrument to that effect.

1.06 "Plan" means this Severance Plan for Textron Key Executives.

1.07 "Severance" means a termination or other action or situation which is described in Article II.

1.08 "Severance Pay" means the amount described in and payable under Sections 3.01 and 3.02. Notwithstanding any provision of any other plan, contract or arrangement to which a Textron Company is a party, including without limitation any employee benefit plan, Severance Pay shall not be taken into account in determining the amount of any benefit or compensation thereunder.

1.09 "Textron" means Textron Inc., a Delaware corporation, and any successor of Textron Inc.

1.10 "Textron Company" means Textron or any company controlled by or under common control with Textron.

1.11 "Textron Employment" means employment with a Textron Company. Leaves of absence for such periods and purposes as are approved by Textron and transfers of employment within or between Textron Companies shall not be deemed interruptions of Textron Employment.

Article II - Severance

2.01 A Severance shall occur for purposes of this Plan if a Key Executive's Textron Employment is terminated (other than for less than acceptable performance, as determined by Textron) by express notice in writing given by Textron.

2.02 In addition, a Severance shall occur for purposes of this Plan if, within the two-year period immediately following a Change in Control:

(1) the Key Executive's position, authority or responsibilities, the type of work which the Key Executive is asked to perform, the Key Executive's base salary or opportunity to earn incentive compensation, the Key Executive's working conditions and perquisites, or the status

and stature of the people with whom the Key Executive is asked to work, are not comparable to that existing with respect to the Key Executive on the day before the date of the Change in Control (except to the extent, if any, to which the Key Executive expressly agrees in writing); or

(2) the Key Executive's services may not be performed at the location where the Key Executive was employed on the day before the date of the Change in Control or at such other location as may be mutually agreed by Textron and the Key Executive.

Article III - Severance Pay and Severance Benefits

3.01 Severance Pay shall be determined as of the date of the Key Executive's Severance, and shall equal 150% of the sum of:

(1) the Key Executive's annual rate of base salary at the date of Severance, except that any reduction in base salary following a Change in Control shall be disregarded; and

(2) either (a) the greatest of the Key Executive's three most recent awards, actually granted, of annual incentive compensation, whether or not deferred, from Textron, or (b) the Key Executive's current Target Incentive Compensation under a Textron annual incentive compensation plan, whichever is larger.

3.02 Textron shall pay Severance Pay to the Key Executive in a single sum within 30 days immediately following Severance. If the Key Executive dies before this payment has been made, Textron shall pay Severance Pay to the Key Executive's surviving spouse, or, if none, to the Key Executive's issue per stirpes, or, if no surviving spouse or issue, to the executor or administrator of the Key Executive's estate.

3.03 In addition, if the Severance occurs following a Change in Control or under other circumstances approved in writing by Textron's Chief Executive Officer and Chief Human Resources Officer, Textron shall provide, at its sole cost, medical and dental benefits ("Severance Benefits") to the Key Executive and to his dependents, on terms which are not less favorable to them than the terms existing immediately before the Severance of that Key Executive. Such benefits shall be continued for the period provided by Internal Revenue Code section 4980B (f).

Article IV - Unfunded Plan

4.01 Severance Pay and Severance Benefits to be provided under this Plan are unfunded obligations of Textron. Nothing contained in this Plan shall require Textron to segregate any monies from its general funds, to create any trust, to make any special deposits, or to purchase any policies of insurance with respect to such obligations.

4.02 This Plan is intended to be a welfare plan providing benefits for a select group of management employees who are highly compensated, pursuant to Sections 3(1) and 104(a)(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Labor Department Regulations Section 2520.104-24.

4.03 No Key Executive shall be required or permitted to make contributions to this Plan.

Article V - Plan Administration

5.01 For the purposes of ERISA, Textron shall be the plan administrator of this Plan and shall be solely responsible for its general administration and interpretation. Textron shall have all such powers as may be necessary to carry out the respective provisions hereof. Textron may from time to time establish rules for the administration of this Plan and the transaction of its business. Subject to Section 5.03, any action by Textron shall be final, conclusive and binding on each Key Executive and all persons claiming by, through or under any Key Executive.

5.02 Textron may employ or engage such agents, accountants, actuaries, counsel, other experts and other persons as it deems necessary or desirable in connection with the interpretation and administration of this Plan. Textron shall be entitled to rely upon all certifications made by an accountant selected by Textron. Textron and its committees, officers, directors and employees shall not be liable for any action taken, suffered or omitted by them in good faith in reliance upon the advice or opinion of any such agent, accountant, actuary, counsel or other expert. All action so taken, suffered or omitted shall be conclusive upon each of them and upon all other persons interested in this Plan.

5.03 Claims under this Plan shall be filed with Textron on its prescribed forms. If a claim is denied, wholly or in part, it shall be denied within a reasonable time after its filing in a writing delivered to the claimant with the reasons for the denial, citations to pertinent provisions of the Plan, a description of any additional material or information to be furnished by the claimant and the reasons therefor, and an explanation of the Plan's claim review procedure. If the claimant wishes further consideration of her claim, she or her authorized representative shall submit to Textron, within 90 days after her claim has been denied, a written request for a hearing. Such claimant or her authorized representative may then review pertinent documents and submit issues and comments in writing. Textron shall schedule an opportunity for a full and fair hearing of the issue within the next 60 days. Within 60 days after the hearing, Textron shall communicate its decision to the claimant in writing, stating the reasons for its decision and referring to pertinent Plan provisions.

5.04 Textron shall withhold from Severance Pay or Severance Benefits any taxes or other amounts required to be withheld by law.

Article VI - Miscellaneous

6.01 Unless a contrary or different meaning is expressly provided, each use in this Plan of the masculine or feminine gender shall include the other and each use of the singular number shall include the plural.

6.02 No Severance Pay or Severance Benefits shall be subject in any manner to alienation, sale, transfer, assignment, pledge, or encumbrance of any kind unless specifically approved in writing in advance by the Benefits Committee or its designee. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any Severance Pay or Severance Benefits, whether presently or thereafter payable, shall be void unless so approved. Except as required by law, no Severance Pay or Severance Benefits payable under this Plan shall in any manner be subject to garnishment, attachment, execution, or other legal process, or be liable for or subject to the debts or liability of any Key Executive.

6.03 Notwithstanding any Plan provision to the contrary, Textron shall have the right to amend, modify, suspend or terminate this Plan at any time by written ratification of the Board or its designee; provided, however, that no amendment, modification, suspension or termination:

(1) shall adversely affect the right of a Key Executive to receive Severance Pay and Severance Benefits, or amounts under Section 6.05, payable as the result of the Severance of the Key Executive which occurred before the effective date of the amendment, modification, suspension or termination; or

(2) shall be made to the Plan within the two-year period immediately following a Change in Control without the express written consent of the Key Executive affected.

6.04 Nothing contained in this Plan shall be construed as a contract of employment between any Key Executive and any Textron Company, or to suggest or create a right in any Key Executive to be continued in employment as a Key Executive or other employee of any Textron Company.

6.05 Following a Change in Control, if any claim is made or any litigation is brought by a Key Executive or any person claiming through a Key Executive, to enforce or interpret any provision contained in this Plan, Textron and the "person" or "group" described in Section 1.02 shall be liable, jointly and severally, to indemnify the Key Executive or other claimant for reasonable attorney's fees and disbursements incurred in any such claim or litigation and for prejudgment interest at the Bankers Trust Company prime interest rate on any money award or judgment obtained by the Key Executive or other claimant.

6.06 This document shall be construed in accordance with the laws of the State of Delaware.

6.07 Textron, the Chief Executive Officer and the Chief Human Resources Officer, and the Benefits Committee may impose such other lawful terms and conditions on participation in this Plan as deemed desirable. The Chief Executive Officer, the Chief Human Resources Officer and members of the Benefits Committee may participate in this Plan.

IN WITNESS WHEREOF, Textron Inc. has caused this restated Plan to be executed by its duly authorized officer to be effective as of January 1, 1994.

TEXTRON INC.

By: */s/William F. Wayland*
William F. Wayland
Executive Vice President
Administration and
Chief Human Resources Officer

Date: November 27, 1995

SPECIAL BENEFITS

Club Membership

Reimbursement for the cost of belonging to one company- approved club. Reimbursement includes, on a one-time basis, initiation or other entrance fees of up to \$10,000. In limited circumstances, the Chief Human Resources Officer of Textron may make exceptions to this dollar limit. Reimbursement also includes regular dues and assessments, limited to \$5,000 a year.

Financial Planning and Tax Preparation

Reimbursement for outside financial and estate planning services and for annual tax preparation services. Up to \$10,000 may be reimbursed for the initial plan preparation, and up to \$10,000 a year may be reimbursed for annual plan maintenance and tax preparation.

Physical Examination

Comprehensive annual physical examination.

Automotive Allowance

Company automobile and reimbursement of operating expenses.

SUPPLEMENTAL BENEFITS PLAN FOR TEXTRON KEY EXECUTIVES

This plan has been established for the benefit of certain Textron Key Executives to assure and provide the benefits promised to them as participants in certain Textron qualified plans that would have been payable under those plans except for limitations imposed under the Internal Revenue Code.

This Plan as restated shall be effective from and after January 1, 1994, except as otherwise provided.

Article I - Definitions

Whenever used in this document, the following terms shall have the meanings set forth in this Article, unless a contrary or different meaning is expressly provided:

1.01 "Administrative Committee" means the Administrative and Management Committee appointed by the Board.

1.02 "Bell Plan" means the Bell Helicopter Textron Retirement Plan, as amended and restated from time to time.

1.03 "Benefits Committee" means the Benefits Committee appointed by the Board.

1.04 "Board" means the Board of Directors of Textron.

1.05 "Deferral Plan" means the Deferred Income Plan for Textron Key Executives, as amended and restated from time to time.

1.06 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

1.07 "Excess Plan" means the Textron Excess Benefit Plan for Participating Executives, as amended. The Excess Plan was superseded by this Plan.

1.08 "Included Plan" means a Textron defined benefit or defined contribution plan specifically designated by the Administrative Committee under Article V.

1.09 "Key Executive" means an employee of a Textron Company who has been and continues to be designated as a Key Executive under the Plan by Textron's Chief Executive Officer and Chief Human Resources Officer.

1.10 "Participant" means a Key Executive who is participating in this Plan pursuant to Article II and, unless the context clearly indicates to the contrary, a former Participant who is entitled to benefits under this Plan.

1.11 "Pension Plan" means the Bell Plan, the Textron Pension Plan or an Included Plan which is a defined benefit plan.

1.12 "Plan" means this Supplemental Benefits Plan for Textron Key Executives, formerly the Supplemental Benefits Plan for Textron Employees, as amended and restated from time to time.

1.13 "Statutory Limit" means any limit on benefits under, or annual additions to, qualified plans imposed by section 401(a)(17) or 415 of the Internal Revenue Codes of 1954 or 1986, as amended from time to time.

1.14 "Savings Plan" means the Textron Savings Plan, as amended and restated from time to time.

1.15 "Textron" means Textron Inc., a Delaware corporation, and any successor of Textron Inc.

1.16 "Textron Company" means Textron or any company controlled by or under common control with Textron.

1.17 "Textron Pension Plan" means the Textron Pension Plan, as amended and restated from time to time.

Article II - Participation

2.01 A Key Executive shall participate in this Plan if

(1) her benefits under a Pension Plan, or (2) the annual additions to her accounts under the Savings Plan or any Included Plan which is a defined contribution plan, or (3) both such benefits and such additions, are limited by one or more Statutory Limits. In addition, a Key Executive shall participate in this Plan if her receipt of any compensation is deferred under the Deferred Income Plan for Textron Key Executives.

Article III - Supplemental Pension Benefits

3.01 Textron shall pay on account of each Participant who begins to receive payments under one or more of the Pension Plans the amount, if any, by which (1) the normal, early or vested retirement pension that would have been payable on the Participant's account under the Pension Plans but for (a) the operation of a Statutory Limit, (b) the deferral of compensation under the Deferral Plan, or (c) the calculation of annual incentive compensation on a cash rather than an accrual basis exceeds (2) the normal, early or vested retirement pension calculated under the Pension Plans on the Participant's account.

3.02 Textron shall pay to the beneficiary designated by the Participant under each Pension Plan the amount, if any, by which (1) the death benefit that would have been payable under that Pension Plan on the Participant's account but for (a) the operation of a Statutory Limit, (b) the deferral of compensation under the Deferral Plan, or (c) the calculation of annual incentive compensation on a cash rather than an accrual basis exceeds (2) the death benefit which is actually payable under that Pension Plan on the Participant's account. For the purposes of this Section 3.02, the term "death benefit" shall include any period certain death benefit and any surviving spouse benefit provided by a Textron Company at its sole cost through a Pension Plan.

3.03 In the event Textron transfers the liability of a Pension Plan on account of a Participant to another qualified plan, supplemental pension or death benefits under Sections 3.01 and 3.02, respectively, shall be determined as of such transfer, unless otherwise determined by Textron in its sole discretion.

Article IV - Supplemental Savings Benefits

4.01 Textron shall maintain a supplemental savings account for each Participant who participates in the Savings Plan at any time after December 31, 1983, to which account the credits, and from which the payments described in this Article IV, shall be made.

4.02 For the purposes of this Article IV, (1) the terms "Payroll Contributions," "Compensation Deferral," "Eligible Compensation," "Matching Account," and "Tax Credit Account" shall have the meanings assigned by the Savings Plan; (2) "Monthly Deferral" means any amount which would have been Eligible Compensation in a calendar month except for its deferral under the Deferral Plan; and (3) "Supplemental Shares" means fictional shares of Textron Common Stock accumulated and accounted for under this Plan for the sole purpose of determining the cash amount of each distribution from a Participant's supplemental savings account.

4.03 As of the end of each calendar month, beginning January 31, 1986, Textron shall credit Supplemental Shares to each supplemental savings account equal in number to the excess, if any, of:

(1) the number of shares of Textron Common Stock which could be purchased with an amount equal to (a) the sum of the Participant's Payroll Contributions and Compensation Deferral under the Savings Plan during that month, divided by (b) 10% (or such lesser percentage as Textron estimates to be the maximum permitted by the Statutory Limits) of the Participant's Eligible Compensation during that month excluding any Monthly Deferral, multiplied by (c) 5% of the sum of the Participant's Eligible Compensation during that month and her Monthly Deferral, at a price per share equal to the average price per share of Textron Common Stock contributed to the Savings Plan for that month or purchased by the Savings Plan with contributions made during that month; over

(2) the number of shares of Textron Common Stock actually credited as matching contributions to the Participant's Matching Account under the Savings Plan for that month.

4.04 As of the end of each calendar month, beginning January 31, 1986, Textron shall credit Supplemental Shares to each supplemental savings account equal in number to the excess, if any, of:

(1) the number of shares of Textron Common Stock that would have been allocated on account of dividends to the Participant's Matching Account under the Savings Plan as of that date, (based on the average price per share of Textron Common Stock contributed to the Savings Plan for that month or purchased by the Savings Plan for that purpose during that month), if the Supplemental Shares credited to the Participant's supplemental savings account had been credited instead as shares of Textron Common Stock to her Matching Account under the Savings Plan; over

(2) the number of shares of Textron Common Stock actually credited on account of dividends to the Participant's Matching Account under the Savings Plan for that month.

4.05 No Supplemental Shares shall be credited under this Plan on account of the failure to allocate any shares of Textron Common Stock to the Participant's Tax Credit Account under the Savings Plan due to (1) the operation of a Statutory Limit or (2) the deferral of compensation under the Deferral Plan.

4.06 The cash value of a Participant's supplemental savings account shall be transferred to a fixed income fund upon termination of the Participant's Textron employment. Said value shall be an amount equal to the product of (x) the current value of Textron Common Stock at the time of the Participant's termination of employment, times (y) the number of whole and fractional Supplemental Shares which are subject to distribution. If any portion of a Participant's accounts under the Savings Plan shall be forfeited, a proportionate part of the Participant's Supplemental Shares also shall be forfeited. The current value of a share of Textron Common Stock at any date shall be the average of the

composite closing prices, as reported in The Wall Street Journal, for the ten trading days next following that date.

4.07 The number of Supplemental Shares credited to a Participant's account under this Article IV shall be adjusted, without receipt of any consideration by Textron, on account of any stock split, stock dividend or similar increase or decrease affecting Textron Common Stock, as if the Supplemental Shares were actually shares of Textron Common Stock.

4.08 The balance, if any, to the credit of a Participant's supplemental stock savings account as of December 31, 1983 under the Excess Plan was credited as Supplemental Shares and constituted the opening balance in the Participant's supplemental stock savings account as of January 1, 1984 under Article IV of this Plan when first effective. The balance, if any, to the credit of a Participant's supplemental stock savings account as of December 31, 1985 under Article IV of this Plan constituted the opening balance in the Participant's supplemental savings account as of January 1, 1986 under this Article IV.

Article V - Supplemental Included Plan Benefits

5.01 The Administrative Committee may cause this Plan to provide supplemental benefits on account of an Included Plan by adopting a Schedule to this Plan. The Schedule shall specify any special terms or conditions upon which the supplemental benefits shall be provided. Except as specifically provided in a Schedule, all of the terms and conditions of this Plan shall apply in connection with an Included Plan.

Article VI - Unfunded Plan

6.01 Benefits to be provided under this Plan are unfunded obligations of Textron. Nothing contained in this Plan shall require Textron to segregate any monies from its general funds, to create any trust, to make any special deposits, or to purchase any policies of insurance with respect to such obligations. If Textron elects to purchase individual policies of insurance on one or more of the Participants to help finance its obligations under this Plan, such individual policies and the proceeds therefrom shall at all times remain the sole property of Textron and neither the Participants whose lives are insured nor their beneficiaries shall have any ownership rights in such policies of insurance.

6.02 This Plan is intended in part to provide benefits for a select group of management employees who are highly compensated, pursuant to section 110 of ERISA and Labor Department Regulations section 2520.104-23, and in part to be an excess benefit plan, pursuant to section 3 (36) of ERISA.

6.03 No Participant shall be required or permitted to make contributions to this Plan.

Article VII - Plan Administration

7.01 Textron shall be the plan administrator of this Plan and shall be solely responsible for its general administration and interpretation. Textron shall have all such powers as may be necessary to carry out the necessary provisions hereof. Textron may from time to time establish rules for the administration of this Plan and the transaction of its business. Subject to Section 7.05, any action by Textron shall be final, conclusive and binding on each Key Executive and all persons claiming by, through or under any Key Executive.

7.02(a) The payment of any benefit under Article III or the distribution of any account under Article IV or Article V shall be made at the same time, in the same manner, to the same persons and in the same proportions, as is made the payment or distribution under the related Qualified Plan, or otherwise as determined by the Benefits Committee in its sole discretion. Textron may withhold from benefits and accounts under this Plan, any taxes or other amounts required by law to be withheld. For purposes of this Section 7.02, "Qualified Plan" means a Pension Plan, the Savings Plan or any other Included Plan. Notwithstanding any provision to the contrary, no benefit shall be paid to any Participant while employed by Textron.

(b) Notwithstanding the first sentence of Section 7.02(a), each benefit then computed under Article III and each amount then credited to the accounts under Article V shall become due and payable to the respective Participants and beneficiaries immediately upon a Change in Control as defined in Section 8.03. For purposes of this Section 7.02, the present value of a benefit computed under Article III shall be based on the appropriate actuarial assumptions and factors set forth in the related Qualified Plan and, if no interest rate assumption has been set forth for any purpose, an interest rate of six percent per year.

(c) Any amounts credited to accounts under Article IV and Article V may be distributed only upon death, disability, retirement or termination of employment from Textron.

7.03 Textron may employ or engage such agents, accountants, actuaries, counsel, other experts and other persons as it deems necessary or desirable in connection with the interpretation and administration of this Plan. Textron shall be entitled to rely upon all certifications made by an accountant selected by Textron. Textron and its committees, officers, directors and employees shall not be liable for any action taken, suffered or omitted by them in good faith in reliance upon the advice or opinion of any such agent, accountant, actuary, counsel or other expert. All action so taken, suffered or omitted shall be conclusive upon each of them and upon all other persons interested in this Plan.

7.04 Textron may require proof of death or total disability of any Participant, former Participant or beneficiary and evidence of the right of any person to receive any Plan benefit.

7.05 Claims under this Plan shall be filed with Textron on its prescribed forms. If a claim is denied wholly or in part, it shall be denied within a reasonable time after its filing in a writing delivered to the claimant with the reasons for the denial, citations to pertinent provisions of the Plan, a description of any additional material or information to be furnished by the claimant and the reasons therefor and an explanation of the Plan's claim review procedure. If the claimant wishes further consideration of his claim, he or his authorized representative shall submit to Textron, within 90 days after his claim has been denied, a written request for a hearing. Such claimant or his authorized representative may then review pertinent documents and submit issues and comments in writing. Textron shall schedule an opportunity for a full and fair hearing of the issue within the next 60 days. Within 60 days after the hearing, Textron shall communicate its decision to the claimant in writing, stating the reasons for its decision and referring to pertinent Plan provisions.

7.06 Textron shall withhold from benefits paid under this Plan any taxes or other amounts required to be withheld by law.

Article VIII - Miscellaneous

8.01 Unless a contrary or different meaning is expressly provided, each use in this Plan of the masculine or feminine gender shall include the other and each use of the singular number shall include the plural.

8.02 No amount payable at any time under this Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge or encumbrance of any kind unless specifically approved in writing in advance by the Benefits Committee or its designee. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any such benefit, whether presently or subsequently payable, shall be void unless so approved. Except as required by law, no benefit payable under this Plan shall in any manner be subject to garnishment, attachment, execution or other legal process, or be liable for or subject to the debts or liability of any Participant or beneficiary.

8.03 Notwithstanding any Plan provision to the contrary, the Board or its designee shall have the right to amend, modify, suspend or terminate this Plan at any time by written ratification of such action; provided, however, that no amendment, modification, suspension or termination:

(1) shall reduce an amount payable under Article III or credited to any supplemental account under Article IV or Article V of this Plan immediately before the effective date of the amendment, modification, suspension or termination; or

(2) shall be made to Section 7.02 or 8.03 following a Change in Control. If after a Change in Control any claim is made or any litigation is brought by a Participant or beneficiary to enforce or interpret any provision contained in this Plan, Textron and the "person" or "group" described in the next following sentence shall be liable, jointly and severally, to indemnify the Participant or beneficiary for the Participant's or beneficiary's reasonable attorney's fees and disbursements incurred in any such claim or litigation and for prejudgment interest at the Bankers Trust Company prime interest rate on any money award or judgment obtained by the Participant or beneficiary.

For purposes of this Plan, a "Change in Control" shall occur if (i) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Act")) other than Textron, any trustee or other fiduciary holding Textron Common Stock under an employee benefit plan of Textron or a related company, or any corporation which is owned, directly or indirectly, by the stockholders of Textron in substantially the same proportions as their ownership of Textron Common Stock, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act) of more than 30% of the then outstanding voting stock of Textron, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board (and any new director whose election by the Board or whose nomination for election by the stockholders of Textron was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority thereof, or (iii) the stockholders of Textron approve a merger or consolidation of Textron with any other corporation, other than a merger or consolidation which would result in the voting securities of Textron outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 80% of the combined voting power of the voting securities of Textron or such surviving entity outstanding immediately after such merger or consolidation, or (iv) the stockholders of Textron approve a plan of complete liquidation of Textron or an agreement for the sale or disposition by Textron of all or substantially all of Textron's assets.

8.04 Effective January 1, 1984, this Plan superseded the Excess Plan with respect to all Participants. In no event shall sums be payable under both the Excess Plan and this Plan to any Participant or any person claiming through him.

8.05 This Plan shall be construed in accordance with the laws of the State of Delaware.

8.06 Nothing contained in this Plan shall be construed as a contract of employment between any Participant and any Textron Company, or to suggest or create a right in any Participant to be continued in employment as a Key Executive or other employee of any Textron Company.

8.07 Textron, the Chief Executive Officer and the Chief Human Resources Officer, and the Benefits Committee may impose such other lawful terms and conditions on participation in this Plan as deemed desirable. The Chief Executive Officer, the Chief Human Resources Officer and members of the Benefits Committee may participate in this Plan.

IN WITNESS WHEREOF, Textron Inc. has caused this restated Plan to be executed by its duly authorized officer to be effective as of January 1, 1994.

TEXTRON INC.

By: /s/ William F. Wayland
William F. Wayland
Executive Vice President
Administration and
Chief Human Resources Officer

Date: November 27, 1995

MARKET SQUARE PROFIT SHARING PLAN SCHEDULE

This Schedule to the Supplemental Benefits Plan for Textron Key Executives (the "Plan") has been adopted by the Administrative Committee effective December 10, 1991 pursuant to Article V of the Plan. This Schedule supersedes a schedule effective January 1, 1989.

Article I - Definitions

Terms used in this Schedule and defined in the Plan shall have the same meanings as in the Plan and the following terms shall have the meanings set forth in this Article.

1.01 "Market Square Plan" means The Market Square Profit Sharing Plan, as amended and restated from time to time.

1.02 "Eligible Employee" means an Eligible Employee under Section 1.01(j) of the Market Square Plan at any time after December 31, 1983.

1.03 "Key Executive" means an employee of a Textron Company who has been and continues to be designated as a Key Executive under the Plan by Textron's Chief Executive Officer and Chief Human Resources Officer.

1.04 "Stock Unit Account" means the account consisting of stock units, which are fictional shares of Textron Common Stock accumulated and accounted for under this Plan for the sole purpose of determining the cash amount of any supplemental benefits on account of the Market Square Plan.

Article II - Supplemental Market Square Benefits

2.01 Textron shall maintain a supplemental Market Square account for each Participant who is an Eligible Employee or a Key Executive, to which account the credits and from which the payments described in this Article II shall be made.

2.02 As of December 31 of each year, beginning December 31, 1991, Textron shall credit to the Participant's supplemental Market Square account the amount, if any, by which (1) the portion of the Textron contribution that would have been allocated to the Participant's account under the Market Square Plan for that calendar year but for (a) the operation of a Statutory Limit, (b) the deferral of compensation under the Deferral Plan, (c) the operation of Section 1.01(j) of the Market Square Plan, as restated effective January 1, 1989, and (d) the amendment of Section 1.01(m) of the Market Square Plan, effective January 1, 1991, exceeds (2) the portion of the Textron contribution actually allocated to that account for that year.

2.03 As of the close of business on each December 31, and as of the close of business at the end of each calendar quarter after December 31, 1990, the supplemental Market Square account of each Participant shall be adjusted as provided in Section 5.04 of the Market Square Plan to the same extent it would have been adjusted if it had been included in the Market Square Plan throughout the entire year, or in the case of quarterly adjustments after December 31, 1990, as if it had been included in the Market Square Plan throughout the entire quarter.

Article III - Stock Unit Account, Interest and Earnings

3.01 Article II shall continue in effect for all amounts credited before December 31, 1992, to a Participant's supplemental Market Square account in lieu of contributions to the Market Square Plan, and earnings thereon. This Article III shall apply to all amounts credited after December 30, 1992, to a Participant's supplemental Market Square account.

3.02 For record-keeping purposes only, Textron shall maintain a Stock Unit Account for each Participant to which account the credits, and from which the payments described in this Article III, shall be made.

3.03 As of December 31 of each year, Textron shall credit to the Participant's supplemental Market Square account an amount equal to the portion of the Textron contribution that would have been allocated to the Participant's account under the Market Square Plan for that calendar year but for (a) the operation of a Statutory Limit, (b) the deferral of compensation under the Deferral Plan, (c) the operation of Section 1.01(j) of the Market Square Plan, as restated effective January 1, 1989, and (d) the amendment of Section 1.01(m) of the Market Square Plan, effective January 1, 1991.

3.04 Using the formula set forth in Section 3.03, as of December 31 of each year beginning December 31, 1992, Textron shall credit Stock Units to the Participant's Stock Unit Account equal in number to the number of shares of Textron Common Stock that could have been

purchased with the Textron contribution at a price per share equal to the current value of a share of Textron Common Stock, as defined in Section 3.06, on that date.

3.05 From time to time beginning March 31, 1993, Textron shall credit stock units to a Participant's Stock Unit Account equal in number to the number of shares of Textron Common Stock that would have been allocated on account of dividends to the Participant's Stock Unit Account as of that date, based on the average price per share of Textron Common Stock purchased by the Textron Savings Plan (as amended from time to time, the "Savings Plan") for that purpose, as if the stock units were actually shares of Textron Common Stock.

3.06 As used in this Schedule, the "current value" of a share of Textron Common Stock on any date shall be the average of the composite closing prices, as reported in The Wall Street Journal, for the ten trading days next following that date.

Article IV - Transfer and Distribution

4.01 At termination of a Participant's Textron Employment, the Stock Unit Account shall be transferred to the general fund.

4.02 Any transfer pursuant to Section 4.01 shall be made in cash and shall be in an amount equal to the product of (x) the current value of Textron Common Stock as defined in Section 3.06, on the effective date of a Participant's termination of Textron Employment, times (y) the number of whole and fractional stock units in his Account.

IN WITNESS WHEREOF, Textron Inc. has caused this restated Plan to be executed by its duly authorized officer to be effective as of January 1, 1994.

SUPPLEMENTAL RETIREMENT PLAN FOR TEXTRON KEY EXECUTIVES

This Plan has been established for the benefit of certain Textron Key Executives to secure their goodwill, loyalty and achievement and to attract to and retain in the employ of Textron Companies persons of outstanding competence whose employment with a Textron Company began or begins at or after age 45.

This Plan shall be effective as of December 15, 1994.

Article I - Definitions

Whenever used in this document the following terms shall have the meanings set forth in this Article, unless a contrary or different meaning is expressly provided:

1.01 "Average Pay" means the average of a Participant's compensation paid during the five consecutive years in which the compensation is highest.

1.02 "Beneficiary" means the person or persons entitled under this Plan to receive Plan benefits.

1.03 "Benefits Committee" means the Benefits Committee appointed by the Board.

1.04 "Board" means the Board of Directors of Textron.

1.05 "Compensation" means base salary, accrued annual incentive compensation, performance units and performance share units, whether or not deferred under the Deferred Income Plan for Textron Key Executives.

1.06 "Key Executive" means an employee of a Textron Company who has been and continues to be designated as a Key Executive under the Plan by the Chief Executive Officer and Chief Human Resources Officer of Textron.

1.07 "Participant" means a Key Executive who is participating in this Plan.

1.08 "Plan" means this Supplemental Retirement Plan for Textron Key Executives, as amended from time to time.

1.09 "Surviving Spouse" means a Participant's spouse who is married to the Participant on the dates of the Participant's death and retirement.

1.10 "Textron" means Textron Inc., a Delaware corporation, and any successor of Textron Inc.

1.11 "Textron Company" means Textron or any company controlled by or under common control with Textron.

1.12 "Textron Employment" means employment with a Textron Company. Leaves of absence for such periods and purposes as are approved by Textron and transfers of employment within or between Textron Companies shall not be deemed interruptions of Textron Employment.

1.13 "Textron Pension Plan" means the qualified Textron Pension Plan, as amended and restated from time to time.

Article II - Participation

2.01 A Key Executive whose employment with a Textron Company commenced at or after age forty-five (45) is eligible for selection as a Participant. Participants are selected by Textron's Chief Executive Officer.

2.02 Notwithstanding any provision in this plan to the contrary, the Organization and Compensation Committee of the Board shall render all decisions under this Plan (including participation, plan benefits and benefit distributions) affecting Textron's Chief Executive Officer.

Article III - Benefit

3.01 Subject to Section 3.02, the benefit provided to Participants who qualify for benefits under this Plan is an annuity commencing upon retirement on or after the date the Participant reaches age sixty-five (65) equal to 50% of Average Pay.

3.02 The benefit provided by this Plan shall be reduced by any and all amounts payable to the Participant under the Textron Pension Plan, any Textron nonqualified pension plan or any pension arrangement provided to the Participant by a Textron Company or any prior employer. The qualified and nonqualified Avco Financial Services, Inc. Profit Sharing Retirement Plans are considered as pension plans for this section of this Plan. It shall be the obligation of each Participant to disclose to Textron any amounts which might be used under this section to reduce the benefits provided by this Plan. Such disclosure shall include information on annuity payments and lump sum cash payments from other plans.

3.03 One hundred percent of the benefit payable hereunder shall be provided to a Participant if the Participant has achieved at least fifteen years of employment with a Textron Company prior to age 65. Textron's Chief Executive Officer, in his sole discretion, may provide a full, partial or no benefit to a Participant who has less than fifteen years of Textron service at age 65 or whose employment with a Textron Company ends

prior to age 65.

3.04 A Participant's Surviving Spouse will receive an annuity equal to 50% of the annuity provided to the Participant by Textron, but only if the Surviving Spouse was married to the Participant on the dates of the Participant's death and retirement.

Article IV - Payment of Benefits

4.01 The payment of any benefit under Article III shall be paid as an annuity or otherwise as determined by Textron's Chief Executive Officer in his sole discretion after considering any method of payment requested by the Participant, Surviving Spouse, or other Beneficiary entitled to receive the benefits.

Article V - Unfunded Plan

5.01 Benefits to be provided under this Plan are unfunded obligations of Textron. Nothing contained in this Plan shall require Textron to segregate any monies from its general funds, to create any trust, to make any special deposits, or to purchase any policies of insurance with respect to such obligations. If Textron elects to purchase individual policies of insurance on one or more of the Participants to help finance its obligations under this Plan, such individual policies and the proceeds therefrom shall at all times remain the sole property of Textron and neither the Participants whose lives are insured nor their Beneficiaries shall have any ownership rights in such policies of insurance.

5.02 This Plan is intended in part to provide benefits for a select group of management employees who are highly compensated, pursuant to Section 110 of the Employee Retirement Income Security Act of 1974, as amended (ERISA) and Labor Department Regulations Section 2520.104-23, and in part to be an excess benefit plan, pursuant to Section 3(36) of ERISA.

5.03 No Participant shall be required or permitted to make contributions to this Plan.

Article VI - Plan Administration

6.01 Textron shall be the plan administrator of this Plan and shall be solely responsible for its general administration and interpretation. Textron shall have all such powers as may be necessary to carry out the respective provisions hereof. Textron may from time to time establish rules for the administration of this Plan and the transaction of its business. Subject to Section 6.03, any action by Textron shall be final, conclusive and binding on each Participant and all persons claiming by, through or under any Participant.

6.02 Textron may employ or engage such agents, accountants, actuaries, counsel, other experts and other persons as it deems necessary or desirable in connection with the interpretation and administration of this Plan. Textron shall be entitled to rely upon all certifications made by an accountant selected by Textron. Textron and its committees, officers, directors and employees shall not be liable for any action taken, suffered or omitted by them in good faith in reliance upon the advice or opinion of any such agent, accountant, actuary, counsel or other expert. All action so taken, suffered or omitted shall be conclusive upon each of them and upon all other persons interested in this Plan.

6.03 Claims under this Plan shall be filed with Textron on its prescribed forms. If a claim is denied, wholly or in part, it shall be denied within a reasonable time after its filing in writing delivered to the claimant with the reasons for the denial, citations to pertinent provisions of the Plan, a description of any additional material or information to be furnished by the claimant and the reasons therefor, and an explanation of the Plan's claim review procedure. If the claimant wishes further consideration of her claim, she or her authorized representative shall submit to Textron within 90 days after her claim has been denied a written request for a hearing. Such claimant or her authorized representative may then review pertinent documents and submit issues and comments in writing. Textron shall schedule an opportunity for a full and fair hearing of the issue within the next 60 days. Within 60 days after the hearing Textron shall communicate its decision to the claimant in writing, stating the reasons for its decision and referring to pertinent Plan provisions.

6.04 Textron shall withhold from benefits paid under this Plan any taxes or other amounts required to be withheld by law.

Article VII - Miscellaneous

7.01 Unless a contrary or different meaning is expressly provided, each use in this Plan of the masculine or feminine gender shall include the other and each use of the singular number shall include the plural.

7.02 No benefit payable at any time under this Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge or encumbrance of any kind unless specifically approved in writing in advance by the Benefits Committee or its designee. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any such benefit, whether presently or subsequently payable, shall be void unless so approved. Except as required by law, no benefit payable under this Plan shall in any manner be subject to garnishment, attachment, execution or other legal process, or be liable for or subject to the debts or liability of a Participant, Surviving Spouse, or other Beneficiary.

7.03 The Board or its designee shall have the right to amend, modify, suspend or terminate this Plan at any time by written notification of such action: provided, however, that no amendment, modification, suspension or termination:

- 1) shall reduce any vested accrued benefit.
- 2) shall be made to Section 7.04 following a Change in Control.

7.04 In the event that the Participant retires or his employment otherwise terminates at any time after a "Change in Control" as defined below, the Participant shall, in lieu of the benefit payable under Section 3.01, and regardless of his age at retirement or termination, receive a pro rata

portion of the benefit that would have been payable under

Section 3.01 in accordance with the following schedule or a benefit determined by the Chief Executive Officer pursuant to Section 3.03 of this Plan.

Years of Service	% of Benefit
15 or more	100
14	95
13	90
12	85
11	80
10	75
Less than 10	0

For the purpose of this Plan, a "Change in Control" shall occur if (i) any "person" or "group" (within the meaning of Sections 13(d) and 14(d) (2) of the Securities Exchange Act of 1934, as amended (the "Act")) other than Textron, any trustee or other fiduciary holding Textron Common Stock under an employee benefit plan of Textron or a related company, or any corporation which is owned, directly or indirectly, by the stockholders of Textron in substantially the same proportions as their ownership of Textron Common Stock, is or becomes the beneficial owner (as defined in Rule 13d-3 under the Act) of more than thirty percent (30%) of the then outstanding voting stock of Textron, or (ii) during any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board (and any new director whose election by the Board or whose nomination for election by Textron's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously approved) cease for any reason to constitute a majority thereof, or (iii) the shareholders of Textron approve a merger or consolidation of Textron with any other corporation, other than a merger or consolidation which would result in the voting securities of Textron outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than eighty percent (80%) of the combined voting securities of Textron or such surviving entity outstanding immediately after such merger or consolidation, or (iv) the shareholders of Textron approve a plan of complete liquidation of Textron or an agreement for the sale or disposition by Textron of all or substantially all of Textron's assets.

7.04 This Plan shall be construed in accordance with the laws of the State of Delaware.

7.05 Nothing contained in this Plan shall be construed as a contract of employment between any Participant and any Textron Company, or to suggest or create a right in any Participant to be continued in any capacity with, or as an employee of, any Textron Company.

IN WITNESS WHEREOF, Textron Inc. has caused this restated Plan to be executed by its duly authorized officer to be effective as of December 15, 1994.

TEXTRON INC.

By: /s/William F. Wayland
William F. Wayland
Executive Vice President
Administration and
Chief Human Resources Officer

Date: November 27, 1995

SURVIVOR BENEFIT PLAN FOR TEXTRON KEY EXECUTIVES

This Plan has been established for the benefit of certain Textron Key Executives to secure their goodwill, loyalty and achievement and to attract to and retain in the employ of Textron Companies persons of outstanding competence.

This Plan as restated shall be effective from and after January 1, 1994, except as otherwise provided.

Article I - Definitions

Whenever used in this document, the following terms shall have the meanings set forth in this Article, unless a contrary or different meaning is expressly provided:

1.01 "Base Salary" means the annual rate of base salary of a Participant from a Textron Company at the time of the Participant's death or termination of Textron Employment, as applicable. "Base Salary" shall not include incentive payments, bonuses, supplemental unemployment benefits, contributions to any profit sharing or bonus plan, or expense reimbursements. Any Base Salary, the receipt of which by the Participant is deferred under the Textron Savings Plan or the Deferred Income Plan for Textron Key Executives, shall be Base Salary under this Plan. The Benefits Committee or its designee shall determine whether a particular item of income constitutes Base Salary if a question arises.

1.02 "Beneficiary" means the person or persons entitled under Article V to receive a Survivor Benefit after a Participant's death.

1.03 "Benefits Committee" means the Benefits Committee appointed by the Board.

1.04 "Board" means the Board of Directors of Textron.

1.05 "Key Executive" means an employee of a Textron Company who has been and continues to be designated a Key Executive under the Plan by Textron's Chief Executive Officer and the Chief Human Resources Officer.

1.06 "Participant" means a present Key Executive or a former Key Executive who continues to be designated a Participant under the Plan by Textron's Chief Executive Officer and Chief Human Resources Officer.

1.07 "Plan" means this Survivor Benefit Plan for Textron Key Executives, as amended from time to time.

1.08 "Survivor Benefit" means a benefit payable under Article III of this Plan.

1.09 "Textron" means Textron Inc., a Delaware corporation, and any successor of Textron Inc.

1.10 "Textron Company" means Textron or any company controlled by or under common control with Textron.

1.11 "Textron Employment" means employment with a Textron Company. Leaves of absence for such periods and purposes as are approved by Textron and transfers of employment within or between Textron Companies shall not be deemed interruptions of Textron Employment.

1.12 "Total Disability" has the same meaning under this Plan as in the Textron Pension Plan with respect to any Participant at the date his Textron Employment ends.

Article II - Participation

The Chief Executive Officer and the Chief Human Resources Officer of Textron shall designate from time to time the present and former Key Executives who shall be Participants in this Plan. A Beneficiary shall be eligible for benefits only as hereinafter provided.

Article III - Survivor Benefit

3.01 If a Key Executive's Textron Employment ends because of death, his Beneficiary shall receive a Survivor Benefit equal to three times the Key Executive's Base Salary at the time of his death.

3.02 If a Participant's Textron Employment ends (a) at or after age 62 (other than for less than acceptable performance), (b) as a result of Total Disability, or (c) under circumstances approved in writing for this specific purpose by the Chief Executive Officer and the Chief Human Resources Officer of Textron, or because of death while she is no longer a Key Executive, her Beneficiary shall receive upon her death a Survivor Benefit equal to two times the Participant's Base Salary at the time her Textron Employment ended.

3.03 If a Participant's Textron Employment ends other than as described in Sections 3.01 or 3.02, no Survivor Benefit shall be payable on his account.

Article IV - Payment of Survivor Benefit

4.01 The Benefits Committee or its designee shall choose in its sole discretion the method described in Section 4.02 by which a Survivor Benefit payable under Article III shall be distributed, after considering any method of payment requested by the Participant or by the

Beneficiary entitled to receive the benefit.

4.02 As soon as practicable after a Survivor Benefit becomes payable under Article III, Textron, upon the written instructions of the Benefits Committee or its designee, shall distribute the benefit in accordance with any one of the following methods:

(1) payment in a single sum; or

(2) payment in a number of annual installments, each payable as soon as practicable after the end of each successive calendar year, over a period not exceeding ten years from the date on which the benefit first becomes payable. The annual installments shall be calculated in a manner which provides substantially equal installments or shall be calculated each year by dividing the unpaid amount of the benefit as of January 1 of that year by the remaining number of unpaid installments; or

(3) payment through a combination of the foregoing methods.

4.03 Simple interest shall be credited on any unpaid balance of a Survivor Benefit based on an annualized average of the monthly Moody's Corporate Bond Yield Index as published by Moody's Investors Service, Inc. (or any successor thereto), or, if such average is no longer published, a substantially similar average selected by the Benefits Committee.

4.04 (1) Notwithstanding any Plan provision to the contrary, upon a Change in Control as defined in Section 8.03, Textron shall transfer the assets described in Section 4.04(2) and 4.04(4) to each Participant who is then a Key Executive, and to each former Key Executive described in Section 3.02 or his Beneficiary.

(2) The assets transferable under Section 4.04(1) shall consist of life insurance, cash or a combination of life insurance and cash. The target value of the assets to be transferred shall equal: (a) two times the transferee's Base Salary immediately before the Change in Control, if her Textron Employment had not ended before that date; (b) two times the transferee's Base Salary at the time her Textron Employment ended, if she is then a former employee; or (c) the balance of the Survivor Benefit, calculated as of immediately before the Change in Control, if the transferee is a Beneficiary.

(3) For the purposes of Sections 4.04, the value of transferred assets shall consist of: (a) the face amount of one or more paid-up, non-cancellable life insurance policies (or portions of such policies) purchased from Pacific Mutual Life Insurance Company or a successor company or similarly-rated company, naming the Key Executive or former Key Executive as owner thereof and insured thereunder, and naming his Beneficiary or other person(s) designated by him as beneficiary thereof, and (b) in the case of cash transferred under Section 4.04 (1) to a Beneficiary, the amount of that cash.

(4) Upon a Change in Control, Textron shall make good faith efforts to transfer to each Key Executive or former Key Executive described in Section 4.04(1) transferred life insurance equal in value to the target value, as defined in Section 4.04(2), for that individual. If Textron is unable to transfer sufficient transferred life insurance, Textron shall pay a cash payment forthwith to the individual in a mutually-agreed amount.

Article V - Beneficiaries

5.01 A Participant may designate one or more Beneficiaries to receive a Survivor Benefit payable on the Participant's account under this Plan. A Beneficiary may designate one or more Beneficiaries to receive any unpaid balance of a Survivor Benefit, to the extent this designation does not contravene any designation filed by the deceased Participant through whom the Beneficiary himself claims under this Plan. Beneficiaries shall be designated only upon forms made available by or satisfactory to the Benefits Committee or its designee and filed by the Participant or Beneficiary with that committee or designee.

5.02 At any time prior to her death, a Participant or Beneficiary may change her own designation of Beneficiary by filing a substitute designation of Beneficiary with the Benefits Committee or its designee.

5.03 In the absence of an effective designation of Beneficiary, or if all persons so designated shall have predeceased the Participant or shall have died before the Survivor Benefit has been fully distributed, the balance of the Survivor Benefit shall be paid to the Participant's surviving spouse or, if none, to the Participant's issue per stirpes or, if no issue, to the executor or administrator of the Participant's or Beneficiary's estate or as otherwise determined by the Benefits Committee in its sole discretion.

5.04 If a Participant's Base Salary or a Survivor Benefit is community property, any designation of Beneficiary shall be valid or effective only as permitted under applicable law.

5.05 If a Survivor Benefit is payable to a minor or person declared incompetent or to a person incapable of handling the disposition of his property, the Benefits Committee may direct Textron to pay such Survivor Benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or person. The Benefits Committee may require proof of incompetency, minority, incapacity or guardianship as it deems appropriate prior to distribution of the Survivor Benefit. Such distribution shall completely discharge the Benefits Committee and any Textron Company from all liability with respect to such benefit.

Article VI - Unfunded Plan

6.01 Benefits to be provided under this Plan are unfunded obligations of Textron. Nothing contained in this Plan shall require Textron to segregate any monies from its general funds, to create any trust, to make any special deposits, or to purchase any policies of insurance with respect to such obligations. If Textron elects to purchase individual policies of insurance on one or more of the Participants to help finance its obligations under this Plan, then, except as provided in Section 4.04, such individual policies and the proceeds therefrom shall at all times remain the sole property of Textron, and neither the Participants whose lives are insured nor their Beneficiaries shall have any ownership rights in such policies of insurance.

6.02 This Plan is intended to be a welfare plan providing benefits for a select group of management employees who are highly compensated, pursuant to Sections 3(1) and 104(a)(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Labor Department Regulations Section 2520.104-24.

6.03 No Participant shall be required or permitted to make contributions to this Plan.

Article VII - Plan Administration

7.01 Textron shall be the plan administrator of this Plan and shall be solely responsible for its general administration and interpretation. Textron shall have all such powers as may be necessary to carry out the respective provisions hereof. Textron may from time to time establish rules for the administration of this Plan and the transaction of its business. Subject to Section 7.04, any action by Textron shall be final, conclusive and binding on each Participant and all persons claiming by, through or under any Participant.

7.02 Textron may employ or engage such agents, accountants, actuaries, counsel, other experts and other persons as it deems necessary or desirable in connection with the interpretation and administration of this Plan. Textron shall be entitled to rely upon all certifications made by an accountant selected by Textron. Textron and its committees, officers, directors and employees shall not be liable for any action taken, suffered or omitted by them in good faith in reliance upon the advice or opinion of any such agent, accountant, actuary, counsel or other expert. All action so taken, suffered or omitted shall be conclusive upon each of them and upon all other persons interested in this Plan.

7.03 Textron may require proof of the death or Total Disability of any Participant or Beneficiary and evidence of the right of any person to receive any Survivor Benefit.

7.04 Claims under this Plan shall be filed with Textron on its prescribed forms. If a claim is denied, wholly or in part, it shall be denied within a reasonable time after its filing in a writing delivered to the claimant with the reasons for the denial, citations to pertinent provisions of the Plan, a description of any additional material or information to be furnished by the claimant and the reasons therefor, and an explanation of the Plan's claim review procedure. If the claimant wishes further consideration of her claim, she or her authorized representative shall submit to Textron, within 90 days after her claim has been denied, a written request for a hearing. Such claimant or her authorized representative may then review pertinent documents and submit issues and comments in writing. Textron shall schedule an opportunity for a full and fair hearing of the issue within the next 60 days. Within 60 days after the hearing, Textron shall communicate its decision to the claimant in writing, stating the reasons for its decision and referring to pertinent Plan provisions.

7.05 Textron shall withhold from benefits paid under this Plan any taxes or other amounts required to be withheld by law.

ARTICLE VIII - Miscellaneous

8.01 Unless a contrary or different meaning is expressly provided, each use in this Plan of the masculine or feminine gender shall include the other and each use of the singular number shall include the plural.

8.02 No Survivor Benefit shall be subject in any manner to alienation, sale, transfer, assignment, pledge or encumbrance of any kind unless specifically approved in writing in advance by the Benefits Committee or its designee. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any Survivor Benefit, whether presently or subsequently payable, shall be void unless so approved. Except as required by law, no Survivor Benefit payable under this Plan shall in any manner be subject to garnishment, attachment, execution or other legal process, or be liable for or subject to the debts or liability of any Participant or Beneficiary.

8.03 Notwithstanding any Plan provision to the contrary, the Board or its designee shall have the right to amend, modify, suspend or terminate this Plan at any time by written ratification of such action; provided, however, that no amendment, modification, suspension or termination:

(1) shall adversely affect the right of a Beneficiary to receive a Survivor Benefit, as described in Article IV, payable as the result of the Participant's death or action taken pursuant to Section 3.02 that occurred before the effective date of such amendment, modification, suspension or termination; or

(2) shall be made to Article IV or this Section 8.03 following a Change in Control. If after a Change in Control any claim is made or any litigation is brought by a Participant or Beneficiary to enforce or interpret any provision contained in this Plan, Textron and the "person" or "group" described in the next following sentence shall be liable, jointly and severally, to indemnify the Participant or Beneficiary for the Participant's or Beneficiary's reasonable attorney's fees and disbursements incurred in any such claim or litigation and for prejudgment interest at the Bankers Trust Company prime interest rate on any money award or judgment obtained by the Participant or Beneficiary.

For purposes of this Plan, a "Change in Control" shall occur if (i) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Act")) other than Textron, any trustee or other fiduciary holding Textron Common Stock under an employee benefit plan of Textron or a related company, or any corporation which is owned, directly or indirectly, by the stockholders of Textron in substantially the same proportions as their ownership of Textron Common Stock, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act) of more than 30% of the then outstanding voting stock of Textron, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board (and any new director whose election by the Board or whose nomination for election by the stockholders of Textron was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority thereof, or (iii) the stockholders of Textron approve a merger or consolidation of Textron with any other corporation, other than a merger or consolidation which would result in the voting securities of Textron outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 80% of the combined voting power of the voting securities of Textron or such surviving entity outstanding immediately after such merger or consolidation, or (iv) the stockholders of Textron approve a plan of complete liquidation of Textron or an agreement for the sale or disposition by Textron of all or substantially all of Textron's assets.

8.04 This Plan shall be construed in accordance with the laws of the State of Delaware.

8.05 Nothing contained in this Plan shall be construed as a contract of employment between any Participant and any Textron Company, or to suggest or create a right in any Participant to be continued in employment as a Key Executive or other employee of any Textron Company.

8.06 Textron, the Chief Executive Officer and the Chief Human Resources Officer, and the Benefits Committee may impose such other lawful terms and conditions on participation in this Plan as deemed desirable. The Chief Executive Officer, the Chief Human Resources Officer and members of the Benefits Committee may participate in this Plan.

IN WITNESS WHEREOF, Textron Inc. has caused this restated Plan to be executed by its duly authorized officer to be effective as of January 1, 1994.

TEXTRON INC.

By: */s/William F. Wayland*
William F. Wayland
Executive Vice President
Administration and
Chief Human Resources Officer

Date: November 27, 1995

At its December 14, 1995 meeting, the Organization and Compensation Committee of the Board of Directors approved a 25,000 share retention award for Lewis B. Campbell (the "Executive"). The terms of the award are as follows:

- - The Executive will receive the cash equivalent of 25,000 shares of Textron common stock provided he remains in Textron's employment through January 1, 2001.
- - The cash payment will equal 25,000 times the average of the composite closing prices (as reported on the New York Stock Exchange consolidated tape) of Textron's common stock for the first ten trading days following January 1, 2001. Such award shall be paid to the Executive in a lump sum or in annual installments as may be determined by the Organization and Compensation Committee of the Board of Directors.
- - Except as otherwise provided herein, the Executive shall not be entitled to receive such award if his employment with Textron ends for any reason prior to January 1, 2001, provided that if the Executive's employment ends prior to such date because of his disability or death, the Executive or the Executive's estate may receive a pro-rata portion of the award in the discretion of Textron's Board of Directors.
- - Notwithstanding the above, if the Executive's employment terminates at any time after a "change in control" (as defined in the Textron 1994 Long-Term Incentive Plan), Textron shall, in lieu of the above award, award to the Executive (or to the Executive's estate in the event of his death prior to payment) upon such termination of employment, a cash amount equal to 25,000 times the highest closing price per share of Textron's common stock (as reported on the New York Stock Exchange consolidated tape) during the 30 day period ending on the date of such change in control.
- - Effective January 1, 1996, dividend equivalents shall be credited to the Executive and such dividend equivalents are to be accounted for as if reinvested in actual Textron common stock. Such dividend shares shall be paid at the same time as the retention shares and paid only if the retention shares are paid.
- - The number of retention shares awarded to the Executive hereunder shall be proportionately adjusted for any increase or decrease in the number of issued shares of Textron's common stock resulting from a stock split, stock dividend or any other increase or decrease in such shares effective without receipt of consideration by Textron.

Approved by the Organization and Compensation Committee of the Board of Directors December 14, 1995.

/s/ W. F. Wayland

Date January 16, 1996

Accepted: /s/ L.B. Campbell

Date January 23, 1996

EMPLOYMENT AGREEMENT

AGREEMENT, dated as of November 1, 1995, between Textron Inc., a Delaware corporation (the "Corporation"), and Wayne W. Juchatz (the "Executive").

WHEREAS, the Corporation currently employs the Executive in the position of Executive Vice President and General Counsel and desires to continue such employment during the term of this Agreement, and the Executive is willing to continue such employment upon the terms and conditions set forth below; NOW THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the parties hereto hereby agree as follows:

1. **Employment.** The Corporation hereby employs and engages the services of the Executive as one of its key principal executive officers with the initial position of Executive Vice President and General Counsel of the Corporation for the "term of employment" set forth in Section 2 of this Agreement. The Executive agrees to serve the Corporation in such position as set forth in Section 3 of this Agreement for the term of employment.

2. **Term of Employment.** The Executive's "term of employment" (as that phrase is used herein) shall continue in effect through and including December 31, 1997, provided, however, that on January 1 of each year during the term of employment, commencing January 1, 1996, the term of employment shall automatically be extended for an additional year unless prior to such January 1 the Corporation gives written notice to the Executive of the Corporation's intention not to so extend the term of employment, and provided, further, that in the event the Executive's status is converted to that of an employee-consultant pursuant to Section 6(b) of this Agreement, the Executive's term of employment shall expire no earlier than the second anniversary of the effective date of such conversion.

3. **Position and Duties.**

(a) During the term of employment the Executive's position, authority and responsibilities, the type of work he is asked to perform, and the status and stature of the people with whom he is asked to work, shall not be diminished during the term of employment, and the Executive's services shall be performed at the Corporation's headquarters in Providence, Rhode Island or at such other location (i) as may be mutually agreed between the Corporation and the Executive or (ii) to which the Corporation's corporate headquarters is relocated.

(b) The Executive agrees to devote his full business time during normal business hours to the business and affairs of the Corporation (except as otherwise provided herein) and to use his best efforts to promote the interests of the Corporation and to perform faithfully and efficiently the responsibilities assigned to him in accordance with the terms of this Agreement, to the extent necessary to discharge such responsibilities, except for (i) services on corporate, civic or charitable boards or committees not significantly interfering with the performance of such responsibilities and (ii) periods of vacation and sick leave to which he is entitled. It is expressly understood and agreed that the Executive's continuing service on any boards and committees with which he shall be connected, as a member or otherwise, as of the date hereof, or any such service approved by the Corporation during the term of employment, shall not be deemed to interfere with the performance of the Executive's services to the Corporation pursuant to this paragraph (b).

4. **Compensation and Other Terms of Employment.**

(a) **Base Salary.** During the term of employment, the Executive shall receive an annual base salary ("Base Salary"), payable in equal monthly installments, at an annual rate at least equal to the aggregate annual base salary payable to the Executive by the Corporation at the commencement of the term of employment. The Base Salary shall be reviewed and may be increased at any time and from time to time in accordance with the Corporation's regular practices. Any increase in the Base Salary shall not serve to limit or reduce any other obligation of the Corporation hereunder, and after any such increase the Base Salary shall not be reduced from such increased level.

(b) **Incentive Plans.** As further compensation, the Executive will be eligible during the term of employment for participation in the Corporation's short-term incentive compensation plan in a participation level commensurate with his level of employment. The Executive shall also be eligible during the term of employment for awards of stock options and performance units under the Corporation's long-term incentive plan. In the event such plans are amended or superseded, the Executive shall be entitled to participate in the amended or successor plan at a level substantially equivalent to his participation in the plans immediately prior to such amendment or succession. Any agreements existing as of the date hereof between the Corporation and the Executive providing for special incentive or similar benefits are continued by this Agreement.

(c) **Retirement, Savings and Other Executive Plans.** In addition to the Base Salary and incentive plans as hereinabove provided, during the term of employment the Executive shall be entitled to participate in all savings, retirement, employee benefit and key executive plans generally available to executive officers of the Corporation. Nothing herein shall be construed to prevent the Corporation from amending or terminating any such plans to the extent currently permitted by the terms of such plans. Any agreements existing as of the date hereof between the Corporation and the Executive providing for special pension, retirement or similar benefits are continued by this Agreement.

(d) **Expenses.** During the term of employment, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the policies and procedures of the Corporation in effect as of the date hereof.

(e) **Office and Support Staff.** During the term of employment, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to secretarial and other assistance, commensurate with his level of employment.

(f) **Vacation and Fringe Benefits.** During the term of employment, the Executive shall be entitled to paid vacation and fringe benefits (including, but not limited to, travel facilities) in accordance with the policies of the Corporation in effect as of the date hereof.

5. **Termination.**

(a) **Death.** Except for the obligations of the Corporation set forth in this paragraph (a), this Agreement shall terminate automatically upon the Executive's death. In the event of such termination, the Corporation shall pay to the Executive's estate all benefits and compensation accrued hereunder through the end of the month in which the Executive died.

(b) Cause. The Corporation may terminate the Executive's employment for Cause. For purposes of the Agreement, "Cause" shall mean (i) an act or acts of dishonesty on the Executive's part which are intended to result in his substantial personal enrichment at the expense of the Corporation or (ii) any material violation by the Executive of his responsibilities set forth in Section 3 or Section 6(c) hereof which are demonstrably willful and deliberate on the Executive's part and which result in material injury to the Corporation or (iii) any material violation by the Executive of Textron's Business Conduct Guidelines.

If the Executive's employment is terminated for Cause, the Corporation shall pay the Executive his full accrued Base Salary through the date of such termination at the rate in effect at the time of such termination, and the Corporation shall have no further obligations to the Executive under this Agreement.

6. Consulting Services.

(a) In the event of the Executive's Disability (as hereinafter defined), the Executive's status shall automatically become that of an employee-consultant for the remainder of the term of employment. During such period, the Executive shall be required to provide services to the Corporation in accordance with paragraph (c) of this Section 6, but only to the extent the Executive has the ability to provide such services. Upon the completion of the term of employment, the Executive shall be entitled to receive (in addition to any other payments and benefits accrued as of such time) such disability benefits and other benefits as may be payable to the Executive under the terms of the employee benefit plans referred to in Section 4(c) hereof. "Disability" shall mean a disability which prevents the Executive from performing the services contemplated by Section 3 hereof for the entire remainder of the term of employment.

(b) Notwithstanding any other provisions contained in this Agreement, the Corporation, at its option for any reason, or the Executive, for Good Reason (as hereinafter defined), may convert the Executive's status into that of an employee-consultant for the remainder of the term of employment in accordance with the procedures set forth in this paragraph (b). In the event the Corporation determines that the Executive shall no longer hold his present position or the Corporation intends to effect any change in the Executive's employment status that would constitute Good Reason, the Corporation shall give notice to the Executive of such determination or intention. In the event that the Executive claims that the Corporation has taken any action constituting Good Reason, the Executive shall give notice to the Corporation of such claim. In either event, the parties shall meet and attempt to reach a mutually satisfactory adjustment of the terms of the Executive's employment; provided, however, that the Executive shall not be obligated to accept any change in the terms of his employment proposed by the Corporation. If the Corporation and the Executive cannot reach a mutually satisfactory adjustment, either the Corporation or the Executive may then convert the Executive's status to that of an employee-consultant.

"Good Reason" shall mean:

(i) without the express written consent of the Executive, (A) the assignment of the Executive to any duties or location inconsistent in any significant respect with the provisions of Section 3(a) hereof, or (B) any other significant change in the position, authority or responsibilities of the Executive (except as permitted by this Section 6);

(ii) any failure by the Corporation to comply with any of the provisions of Section 4 hereof, other than an insubstantial and inadvertent failure remedied by the Corporation promptly after receipt of notice thereof given by the Executive; or

(iii) any purported termination by the Corporation of the Executive's employment hereunder other than in accordance with, and as permitted by, this Agreement, it being understood and agreed that any such purported termination shall not be effective for any purpose of this Agreement.

(c) In the event the Executive's status is converted to that of an employee-consultant as provided in this Section 6, the Executive shall continue to be a full-time employee of the Corporation and shall, except as limited by paragraph (a) of this Section 6, provide such advisory services concerning the business of the Corporation, of the same type and stature performed by the Executive prior to the conversion of his status to employee-consultant, as may reasonably be requested by the Corporation. The period during which the Executive serves as an employee-consultant pursuant to this

Section 6 shall for all purposes of this Agreement be considered part of the term of employment. During such period, the Corporation shall continue to be bound by, and obligated to perform in all respects, all of the provisions of Section 4 hereof (except Section 4(e)), and, to the extent not inconsistent with this Section 6, all of the other provisions of the Agreement shall continue in full force and effect. During such period, the Executive shall not engage in any activities in competition with the Corporation and shall continue to be deemed an employee under all benefit plans and programs of the Corporation.

7. Non-Exclusivity of Rights.

(a) Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Corporation or any of its affiliated companies and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any stock option or other agreements with the Corporation or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Corporation or any of its affiliated companies shall be payable in accordance with the terms of such plan or program.

(b) Notwithstanding the foregoing, and in consideration of the premises contained in this Agreement, the Executive specifically waives any rights he may have to receive any severance pay or other severance benefits under the Textron Executive Severance Plan and any other severance plan, program or agreement of the Corporation.

8. No Set-Off; Legal Fees. The Corporation's obligation to make the payments provided for herein and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including without limitation any set-off, counter-claim, recoupment, defense or other right which the Corporation may have against the Executive or others. Unless it is finally determined by a court of competent jurisdiction after all available appeals that the Corporation has validly terminated the Executive's employment for Cause, the Corporation agrees to pay, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest by the Corporation or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof, plus interest on the total unpaid amount determined to be payable hereunder, such interest to be calculated on the basis of the prime commercial

lending rate announced by Morgan Guaranty Trust Company in effect from time to time, for the period commencing on the date of such contest and ending on the date on which the Corporation shall pay such total amount (such interest to be compounded quarterly).

9. Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Corporation all secret or confidential information, knowledge or data relating to the Corporation or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during his employment by the Corporation or any of its affiliated companies and which shall not be public knowledge. During and after the end of the term of employment, the Executive shall not, without the prior written consent of the Corporation, communicate or divulge any such information, knowledge or data to anyone other than the Corporation and those designated by it.

10. No Assignment. This Agreement is personal to the Executive and without the prior written consent of the Corporation shall not be assignable by the Executive other than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

11. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Wayne W. Juchatz
199 Rumstick Road
Barrington, RI 02806

If to the Corporation:

Textron Inc.
40 Westminster Street
Providence, Rhode Island 02903

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Corporation may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) This Agreement contains the entire understanding of the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the day and year first above written.

/s/ Wayne W. Juchatz
Wayne W. Juchatz

TEXTRON INC.

By: /s/ William F. Wayland
William F. Wayland
Executive Vice President
Administration and
Chief Human Resources Officer

ATTEST:

/s/Michael D. Cahn
Michael D. Cahn
Assistant Secretary

(SEAL)

EMPLOYMENT AGREEMENT

AGREEMENT, dated as of November 1, 1995, between Textron Inc., a Delaware corporation (the "Corporation"), and Stephen L. Key (the "Executive").

WHEREAS, the Corporation currently employs the Executive in the position of Executive Vice President and Chief Financial Officer and desires to continue such employment during the term of this Agreement, and the Executive is willing to continue such employment upon the terms and conditions set forth below; NOW THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the parties hereto hereby agree as follows:

1. **Employment.** The Corporation hereby employs and engages the services of the Executive as one of its key principal executive officers with the initial position of Executive Vice President and Chief Financial Officer of the Corporation for the "term of employment" set forth in Section 2 of this Agreement. The Executive agrees to serve the Corporation in such position as set forth in Section 3 of this Agreement for the term of employment.

2. **Term of Employment.** The Executive's "term of employment" (as that phrase is used herein) shall continue in effect through and including December 31, 1997, provided, however, that on January 1 of each year during the term of employment, commencing January 1, 1996, the term of employment shall automatically be extended for an additional year unless prior to such January 1 the Corporation gives written notice to the Executive of the Corporation's intention not to so extend the term of employment, and provided, further, that in the event the Executive's status is converted to that of an employee-consultant pursuant to Section 6(b) of this Agreement, the Executive's term of employment shall expire no earlier than the second anniversary of the effective date of such conversion.

3. **Position and Duties.**

(a) During the term of employment the Executive's position, authority and responsibilities, the type of work he is asked to perform, and the status and stature of the people with whom he is asked to work, shall not be diminished during the term of employment, and the Executive's services shall be performed at the Corporation's headquarters in Providence, Rhode Island or at such other location (i) as may be mutually agreed between the Corporation and the Executive or (ii) to which the Corporation's corporate headquarters is relocated.

(b) The Executive agrees to devote his full business time during normal business hours to the business and affairs of the Corporation (except as otherwise provided herein) and to use his best efforts to promote the interests of the Corporation and to perform faithfully and efficiently the responsibilities assigned to him in accordance with the terms of this Agreement, to the extent necessary to discharge such responsibilities, except for (i) services on corporate, civic or charitable boards or committees not significantly interfering with the performance of such responsibilities and (ii) periods of vacation and sick leave to which he is entitled. It is expressly understood and agreed that the Executive's continuing service on any boards and committees with which he shall be connected, as a member or otherwise, as of the date hereof, or any such service approved by the Corporation during the term of employment, shall not be deemed to interfere with the performance of the Executive's services to the Corporation pursuant to this paragraph (b).

4. **Compensation and Other Terms of Employment.**

(a) **Base Salary.** During the term of employment, the Executive shall receive an annual base salary ("Base Salary"), payable in equal monthly installments, at an annual rate at least equal to the aggregate annual base salary payable to the Executive by the Corporation at the commencement of the term of employment. The Base Salary shall be reviewed and may be increased at any time and from time to time in accordance with the Corporation's regular practices. Any increase in the Base Salary shall not serve to limit or reduce any other obligation of the Corporation hereunder, and after any such increase the Base Salary shall not be reduced from such increased level.

(b) **Incentive Plans.** As further compensation, the Executive will be eligible during the term of employment for participation in the Corporation's short-term incentive compensation plan in a participation level commensurate with his level of employment. The Executive shall also be eligible during the term of employment for awards of stock options and performance units under the Corporation's long-term incentive plan. In the event such plans are amended or superseded, the Executive shall be entitled to participate in the amended or successor plan at a level substantially equivalent to his participation in the plans immediately prior to such amendment or succession. Any agreements existing as of the date hereof between the Corporation and the Executive providing for special incentive or similar benefits are continued by this Agreement.

(c) **Retirement, Savings and Other Executive Plans.** In addition to the Base Salary and incentive plans as hereinabove provided, during the term of employment the Executive shall be entitled to participate in all savings, retirement, employee benefit and key executive plans generally available to executive officers of the Corporation. Nothing herein shall be construed to prevent the Corporation from amending or terminating any such plans to the extent currently permitted by the terms of such plans. Any agreements existing as of the date hereof between the Corporation and the Executive providing for special pension, retirement or similar benefits are continued by this Agreement.

(d) **Expenses.** During the term of employment, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the policies and procedures of the Corporation in effect as of the date hereof.

(e) **Office and Support Staff.** During the term of employment, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to secretarial and other assistance, commensurate with his level of employment.

(f) **Vacation and Fringe Benefits.** During the term of employment, the Executive shall be entitled to paid vacation and fringe benefits (including, but not limited to, travel facilities) in accordance with the policies of the Corporation in effect as of the date hereof.

5. **Termination.**

(a) **Death.** Except for the obligations of the Corporation set forth in this paragraph (a), this Agreement shall terminate automatically upon the Executive's death. In the event of such termination, the Corporation shall pay to the Executive's estate all benefits and compensation accrued hereunder through the end of the month in which the Executive died.

(b) Cause. The Corporation may terminate the Executive's employment for Cause. For purposes of the Agreement, "Cause" shall mean (i) an act or acts of dishonesty on the Executive's part which are intended to result in his substantial personal enrichment at the expense of the Corporation or (ii) any material violation by the Executive of his responsibilities set forth in Section 3 or Section 6(c) hereof which are demonstrably willful and deliberate on the Executive's part and which result in material injury to the Corporation or (iii) any material violation by the Executive of Textron's Business Conduct Guidelines.

If the Executive's employment is terminated for Cause, the Corporation shall pay the Executive his full accrued Base Salary through the date of such termination at the rate in effect at the time of such termination, and the Corporation shall have no further obligations to the Executive under this Agreement.

6. Consulting Services.

(a) In the event of the Executive's Disability (as hereinafter defined), the Executive's status shall automatically become that of an employee-consultant for the remainder of the term of employment. During such period, the Executive shall be required to provide services to the Corporation in accordance with paragraph (c) of this Section 6, but only to the extent the Executive has the ability to provide such services. Upon the completion of the term of employment, the Executive shall be entitled to receive (in addition to any other payments and benefits accrued as of such time) such disability benefits and other benefits as may be payable to the Executive under the terms of the employee benefit plans referred to in Section 4(c) hereof. "Disability" shall mean a disability which prevents the Executive from performing the services contemplated by Section 3 hereof for the entire remainder of the term of employment.

(b) Notwithstanding any other provisions contained in this Agreement, the Corporation, at its option for any reason, or the Executive, for Good Reason (as hereinafter defined), may convert the Executive's status into that of an employee-consultant for the remainder of the term of employment in accordance with the procedures set forth in this paragraph (b). In the event the Corporation determines that the Executive shall no longer hold his present position or the Corporation intends to effect any change in the Executive's employment status that would constitute Good Reason, the Corporation shall give notice to the Executive of such determination or intention. In the event that the Executive claims that the Corporation has taken any action constituting Good Reason, the Executive shall give notice to the Corporation of such claim. In either event, the parties shall meet and attempt to reach a mutually satisfactory adjustment of the terms of the Executive's employment; provided, however, that the Executive shall not be obligated to accept any change in the terms of his employment proposed by the Corporation. If the Corporation and the Executive cannot reach a mutually satisfactory adjustment, either the Corporation or the Executive may then convert the Executive's status to that of an employee-consultant.

"Good Reason" shall mean:

(i) without the express written consent of the Executive, (A) the assignment of the Executive to any duties or location inconsistent in any significant respect with the provisions of Section 3(a) hereof, or (B) any other significant change in the position, authority or responsibilities of the Executive (except as permitted by this Section 6);

(ii) any failure by the Corporation to comply with any of the provisions of Section 4 hereof, other than an insubstantial and inadvertent failure remedied by the Corporation promptly after receipt of notice thereof given by the Executive; or

(iii) any purported termination by the Corporation of the Executive's employment hereunder other than in accordance with, and as permitted by, this Agreement, it being understood and agreed that any such purported termination shall not be effective for any purpose of this Agreement.

(c) In the event the Executive's status is converted to that of an employee-consultant as provided in this Section 6, the Executive shall continue to be a full-time employee of the Corporation and shall, except as limited by paragraph (a) of this Section 6, provide such advisory services concerning the business of the Corporation, of the same type and stature performed by the Executive prior to the conversion of his status to employee-consultant, as may reasonably be requested by the Corporation. The period during which the Executive serves as an employee-consultant pursuant to this

Section 6 shall for all purposes of this Agreement be considered part of the term of employment. During such period, the Corporation shall continue to be bound by, and obligated to perform in all respects, all of the provisions of Section 4 hereof (except Section 4(e)), and, to the extent not inconsistent with this Section 6, all of the other provisions of the Agreement shall continue in full force and effect. During such period, the Executive shall not engage in any activities in competition with the Corporation and shall continue to be deemed an employee under all benefit plans and programs of the Corporation.

7. Non-Exclusivity of Rights.

(a) Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Corporation or any of its affiliated companies and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any stock option or other agreements with the Corporation or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Corporation or any of its affiliated companies shall be payable in accordance with the terms of such plan or program.

(b) Notwithstanding the foregoing, and in consideration of the premises contained in this Agreement, the Executive specifically waives any rights he may have to receive any severance pay or other severance benefits under the Textron Executive Severance Plan and any other severance plan, program or agreement of the Corporation.

8. No Set-Off; Legal Fees. The Corporation's obligation to make the payments provided for herein and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including without limitation any set-off, counter-claim, recoupment, defense or other right which the Corporation may have against the Executive or others. Unless it is finally determined by a court of competent jurisdiction after all available appeals that the Corporation has validly terminated the Executive's employment for Cause, the Corporation agrees to pay, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest by the Corporation or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof, plus interest on the total unpaid amount determined to be payable hereunder, such interest to be calculated on the basis of the prime commercial

lending rate announced by Morgan Guaranty Trust Company in effect from time to time, for the period commencing on the date of such contest and ending on the date on which the Corporation shall pay such total amount (such interest to be compounded quarterly).

9. Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Corporation all secret or confidential information, knowledge or data relating to the Corporation or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during his employment by the Corporation or any of its affiliated companies and which shall not be public knowledge. During and after the end of the term of employment, the Executive shall not, without the prior written consent of the Corporation, communicate or divulge any such information, knowledge or data to anyone other than the Corporation and those designated by it.

10. No Assignment. This Agreement is personal to the Executive and without the prior written consent of the Corporation shall not be assignable by the Executive other than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

11. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Stephen L. Key
44 Stimson Avenue
Providence, RI 02906

If to the Corporation:

Textron Inc.
40 Westminster Street
Providence, Rhode Island 02903

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Corporation may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) This Agreement contains the entire understanding of the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the day and year first above written.

/s/ Stephen L. Key
Stephen L. Key

TEXTRON INC.

By /s/ William F. Wayland
William F. Wayland
Executive Vice President
Administration and
Chief Human Resources Officer

ATTEST:

/s/Michael D. Cahn
Michael D. Cahn
Assistant Secretary

(SEAL)

TEXTRON PARENT COMPANY BORROWING GROUP

COMPUTATION OF RATIO OF INCOME TO FIXED
CHARGES

(Unaudited)

(In millions except ratios)

	YEAR				
	1995	1994	1993	1992	1991
Fixed charges:					
Interest expense (1)	\$ 199	\$ 206	\$ 236	\$ 254	\$ 244
Estimated interest portion of rents	17	20	21	19	19
Total fixed charges	\$ 216	\$ 226	\$ 257	\$ 273	\$ 263
Income:					
Income before income taxes (2)	\$ 813	\$ 754	\$ 616	\$ 527	\$ 495
Fixed charges	216	226	257	273	263
Eliminate equity in undistributed pretax income of finance and insurance subsidiaries	(362)	(347)	(341)	(286)	(246)
Adjusted income	\$ 667	\$ 633	\$ 532	\$ 514	\$ 512
Ratio of income to fixed	3.09	2.80	2.07	1.88	1.95

(1) Includes interest unrelated to borrowings of \$37 million in 1995, \$37 million in 1994, \$37 million in 1993, \$36 million in 1992 and \$27 million in 1991 (primarily interest accretion).

(2) Excludes the cumulative effect of changes in accounting principles in 1992.

TEXTRON INC. INCLUDING ALL MAJORITY-OWNED
SUBSIDIARIES

COMPUTATION OF RATIO OF INCOME TO FIXED
CHARGES

(Unaudited)

(In millions except ratios)

	1995	Year 1994	1993	1992	1991
Fixed charges:					
Interest expense (1) \$	813	\$ 665	\$668	\$ 743	\$ 754
Estimated interest portion of rents	40	41	43	41	39
Total fixed charges \$	853	\$ 706	\$ 711	\$ 784	\$ 793
Income:					
Income before income \$	813	\$ 754	\$ 616	\$ 527	\$ 495
taxes (2)					
Elimination of minority interest in pretax income					
pretax income of Paul Revere (21)	(21)	(22)	(4)	-	-
Fixed charges	853	706	711	784	793
Adjusted income	\$ 1,645	\$ 1,438	1,323	\$ 1,311	\$ 1,288
Ratio of income to fixed charges	1.93	2.04	1.86	1.67	1.62

(1) Includes interest unrelated to borrowings of \$37 million in 1995, \$37 million in 1994, \$37 million in 1993, \$36 million in 1992 and \$27 million in 1991 (primarily interest accretion).

(2) Excludes the cumulative effect of changes in accounting principles in 1992.

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Business Segment Data

For a description of the businesses comprising each segment, see pages 53 to 55.

(In millions)	Revenues			Operating Income			Operating Income Margins		
	1995	1994	1993	1995	1994	1993	1995	1994	1993
Manufacturing:									
Aircraft	\$2,419	\$2,186	\$1,987	\$ 237	\$ 194	\$ 171	9.8%	8.9%	8.6%
Automotive	1,576	1,557	1,221	138	139	96	8.8	8.9	7.9
Industrial	1,421	1,395	1,224	162	142	106	11.4	10.2	8.7
Systems and Components	1,052	1,540	1,839	85	99	125	8.1	6.4	6.8
	6,468	6,678	6,271	622	574	498	9.6	8.6	7.9
Financial Services:									
Finance	1,985	1,672	1,610	365	331	289	18.4	19.8	18.0
Paul Revere	1,520	1,331	1,193	123	131	146	8.1	9.8	12.2
	3,505	3,003	2,803	488	462	435	13.9	15.4	15.5
	\$9,973	\$9,681	\$9,074	1,110	1,036	933	11.1	10.7	10.3
Corporate expenses and other - net				(98)	(78)	(85)			
Interest expense - net				(199)	(204)	(232)			
Income before income taxes				\$ 813	\$ 754	\$ 616			

[1995 REVENUES GRAPH]

[1995 OPERATING INCOME GRAPH]

(In millions)	Identifiable Assets			Capital Expenditures			Depreciation		
	1995	1994	1993	1995	1994	1993	1995	1994	1993
Manufacturing:									
Aircraft	\$ 1,739	\$ 1,636	\$ 1,658	\$ 74	\$ 78	\$ 67	\$ 49	\$ 48	\$ 46
Automotive	880	870	686	80	87	55	41	39	33
Industrial	1,250	849	585	76	70	63	45	41	33
Systems and Components	1,109	1,216	1,832	22	29	32	35	56	67
	4,978	4,571	4,761	252	264	217	170	184	179
Financial Services:									
Finance	10,816	9,900	8,801	23	22	20	20	18	18
Paul Revere	7,046	5,909	5,377	4	8	6	7	6	5
	17,862	15,809	14,178	27	30	26	27	24	23
Corporate Eliminations	467 (135)	642 (97)	834 (115)	4 -	8 -	9 -	5 -	4 -	4 -
	\$23,172	\$20,925	\$19,658	\$283	\$302	\$252	\$202	\$212	\$206

Notes:

- (i) Income of the Systems and Components segment for 1994 includes \$30 million applicable to the Lycoming Turbine Engine division, sold in that year, the benefit of which was immaterial to Textron's net income due to the nontax deductibility of goodwill.
- (ii) Income of the Finance segment is net of interest expense.
- (iii) Corporate expenses and other - net for 1994 and 1993 include pretax charges of \$9 million and \$14 million, respectively, related to the early redemption of debt.

Management's Discussion and Analysis

[RESULTS OF OPERATIONS GRAPH]

Textron Inc.

1995 vs. 1994

* Textron's net income in 1995 was \$479 million, up from \$433 million in 1994; earnings per share of \$5.51 were 15% higher than the \$4.80 reported last year. Revenues increased 3% to \$10.0 billion in 1995 from \$9.7 billion in 1994. Excluding the effects of the Textron Lycoming Turbine Engine and the Homelite divisions, which were sold in 1994, revenues were up 9%.

* Operating income of Textron's six business segments aggregated \$1.1 billion in 1995, up 7% from 1994, as a 15% increase in the aggregate income of the Aircraft, Industrial and Finance segments more than offset lower results in the Systems and Components and Paul Revere segments. Operating income in the Automotive segment was essentially unchanged.

* Corporate expenses and other - net increased in 1995 by \$20 million due in large part to an increase in compensation expense tied directly to changes in the market value of Textron's common stock (\$17 million). To mitigate the impact on compensation expense of future increases in stock price, Textron entered into a cash-settlement option program on Textron's common stock in November 1995.

* The lower interest expense of the Textron Parent Company Borrowing Group - \$199 million in 1995 vs. \$204 million in 1994 - reflected a lower level of average borrowing, notwithstanding the incremental borrowing associated with acquisitions in the fourth quarter, partially offset by an increased cost of borrowing.

1994 vs. 1993

* Textron's net income in 1994 was \$433 million, up from \$379 million in 1993; earnings per share of \$4.80 were 14% higher than the \$4.21 reported for 1993. Revenues increased 7% to \$9.7 billion in 1994 from \$9.1 billion in 1993.

* Operating income was \$1.0 billion in 1994, up 11% from 1993, as a 22% increase in the aggregate income of the Aircraft, Automotive, Industrial, and Finance segments more than offset lower results in the Systems and Components and Paul Revere segments.

* Corporate expenses and other - net in 1994 were lower by \$7 million than their corresponding level in 1993, principally as a result of a lower pretax charge related to the early redemptions of high coupon debt (\$9 million in 1994 vs. \$14 million in 1993).

* The lower interest expense of the Textron Parent Company Borrowing Group - \$204 million in 1994 vs. \$232 million in 1993 - principally reflected a lower level of average borrowing.

[AIRCRAFT GRAPH]

1995 vs. 1994

The Aircraft segment's revenues and income increased \$233 million (11%) and \$43 million (22%), respectively.

* Bell Helicopter's revenues increased, primarily as a result of higher international aircraft sales (\$199 million) and higher revenues under the V-22 engineering and manufacturing development contract (\$97 million), partially offset by lower sales to foreign military customers and to the U.S. Government (\$95 million). Bell's income increased primarily as a result of the higher revenues.

* Cessna's revenues and income increased primarily as a result of higher sales of utility turboprop aircraft. Increased product development expenses, principally related to the Bravo and Excel Citation aircraft (\$32 million), were partially offset by reduced JPATS bid and proposal expenses and product support costs (\$23 million).

1994 vs. 1993

The Aircraft segment's revenues and income increases of \$199 million (10%) and \$23 million (13%), respectively, related principally to Bell Helicopter.

* Bell Helicopter's revenues increased, primarily as a result of higher revenues under the V-22 and other military contracts (\$233 million) and higher international aircraft sales (\$54 million), partially offset by lower sales of spare parts, both military and commercial (\$40 million). Bell's income increased as a result of the higher revenues and improved manufacturing efficiencies, partially offset by increased product development expenses related to three new helicopter models (\$13 million) and lower margins on commercial spares (\$13 million).

* Cessna's revenues and income increased primarily as a result of improved margins attributable to lower LIFO expense and a shift in sales mix to domestic utility turboprop aircraft (\$12 million). Lower product development expenses related to the Citation X aircraft and lower expenses for the JPATS competition (\$18 million) offset higher product support costs (\$10 million) resulting from an adjustment to the warranty reserve for certain aircraft models. 1993 benefited from an \$18 million insurance settlement.

[AUTOMOTIVE GRAPH]

1995 vs. 1994

The Automotive segment's revenues increased \$19 million (1%) despite a reduction in North American automotive production, due to higher production of models with Textron content. Income decreased slightly, due to start-up costs related to the launch of new products and facilities.

1994 vs. 1993

The Automotive segment's revenues and income increased \$336 million (28%) and \$43 million (45%), respectively, as a result of (a) the inclusion for the full year of a business acquired in May 1993 (resulting in higher revenues of \$208 million in 1994), (b) higher automotive production, and (c) lower warranty provisions (\$6 million). 1993 included a provision for the consolidation of certain manufacturing operations (\$7 million).

[INDUSTRIAL GRAPH]

1995 vs. 1994

The Industrial segment's revenues increased \$26 million (2%) and income increased \$20 million (14%). The increases were due principally to higher sales in the fastening systems business (\$166 million), reflecting Avdel's results for the full year in 1995 compared with nine months in 1994, and the acquisition of Elco Industries in October 1995. In addition, sales were higher and performance was better in the turf care equipment and contractor tool businesses. Partially offsetting these increases was the divestiture of the Homelite division in August 1994 (\$189 million of sales and \$14 million of income). Excluding the impact of Homelite, revenues and income increased 18% and 26%, respectively.

1994 vs. 1993

The Industrial segment's revenues increased \$171 million (14%) and income increased \$36 million (34%). The increases were due principally to higher fastening systems sales including the sales of Avdel, the results of which have been included in Textron's consolidated results beginning in the second quarter of 1994 (\$192 million). These favorable factors were partially offset by (a) lower income in the turf care equipment business, resulting from the implementation of a change in distribution, which lowered sales, and (b) higher costs. The sale of Homelite in August 1994 resulted in a gain of \$8 million. 1993 included a provision for the consolidation of certain manufacturing operations (\$9 million).

[SYSTEMS AND COMPONENTS GRAPH]

1995 vs. 1994

The Systems and Components segment's revenues decreased \$488 million (32%) and income decreased \$14 million (14%). The decrease in revenues was due to the divestiture of the Lycoming Turbine Engine division (\$379 million) and to reduced shipments on certain U.S. Government and commercial aerospace contracts. The income decrease was also due to the October 1994 divestiture of Lycoming Turbine Engine (\$30 million, the after-tax effect of which was immaterial to net income due to the nontax deductibility of goodwill). These unfavorable factors were partially offset by provisions in 1994 for legal matters and the consolidation of certain manufacturing operations (\$25 million). Textron's Systems and Components segment will be impacted in 1996 by a further decline in revenues, due primarily to lower U.S. Government spending for the defense products of this segment and the expected

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continued weakness in the commercial aerospace industry, including the effects of certain customers consolidating their operations. In response to this adverse business environment, Textron continues to leverage its defense technology for commercial applications, reduce costs in line with the lower business base, and pursue business opportunities that may arise, including joint ventures and divestitures.

1994 vs. 1993

Revenues and income in 1994 were \$1.161 billion and \$94 million, respectively, compared to \$1.224 billion and \$105 million, respectively, for 1993 excluding Lycoming Turbine Engine and provisions (\$25 million in 1994 and \$31 million in 1993) for legal matters and the consolidation of certain manufacturing operations. The decreases in revenues (\$63 million) and income (\$11 million) were due primarily to further weakness in the defense and commercial aerospace markets.

[FINANCE GRAPH]

1995 vs. 1994

The Finance segment's revenues increased \$313 million (19%), while income increased \$34 million (10%).

* Avco Financial Services' (AFS) revenues increased \$276 million due primarily to (a) a higher level of finance receivables outstanding (average receivables were \$6.867 billion in 1995 vs. \$5.696 billion in 1994), (b) an increase in earned insurance premiums (\$62 million), and (c) an increase in investment income (\$11 million), due primarily to higher yields (7.78% in 1995 vs. 7.06% in 1994) and a higher level of invested assets. These higher revenues were partially offset by a decrease in yields on finance receivables (18.20% in 1995 vs. 18.39% in 1994), due primarily to an increase in the level of retail installment contracts outstanding. AFS' income increased \$28 million, due primarily to those factors and a decrease in the ratio of operating expenses to revenues (32.25% in 1995 vs. 33.67% in 1994). This favorable impact was partially offset by an increase in the average cost of borrowed funds (7.32% in 1995 vs. 6.63% in 1994) and an increase in the ratio of net credit losses to average finance receivables (2.10% in 1995 vs. 1.99% in 1994). The increase in delinquencies and net credit losses, which began during the latter part of 1995, was due to economic slowdowns in the U.S. and other countries in which AFS operates. The consumer debt load has continued to increase faster than the consumers' ability to pay. AFS has tightened its underwriting standards and unless the economies in the countries in which it operates decline further, AFS believes these trends will turn around by mid-1996.

* Textron Financial Corporation's (TFC) income increased \$6 million on higher revenues of \$37 million primarily due to (a) higher yields on finance receivables (10.34% in 1995 vs. 9.45% in 1994), (b) a higher level of finance receivables outstanding (average receivables were \$2.839 billion in 1995 vs. \$2.641 billion in 1994), and (c) a lower provision for loan losses (\$6 million), reflecting an improvement in the equipment portfolio and stabilization of nonperforming real estate assets. These factors were partially offset by increased interest expense.

1994 vs. 1993

The Finance segment's revenues increased \$62 million (4%), while income increased \$42 million (15%).

* AFS' revenues increased \$42 million, due primarily to a higher level of finance receivables outstanding (average receivables were \$5.696 billion in 1994 vs. \$5.208 billion in 1993), partially offset by a decline in yields on finance receivables (18.39% in 1994 vs. 19.10% in 1993). Its income increased \$33 million, due to (a) the higher level of finance receivables outstanding,

(b) a decrease in the average cost of borrowed funds (6.63% in 1994 vs. 6.97% in 1993), (c) a decrease in insurance losses in both finance-related and nonfinance-related insurance operations, and (d) a decrease in policy acquisition costs (\$6 million), due to a reduction in nonfinance-related insurance premiums earned. These favorable factors were partially offset by

(a) the decline in yields and (b) an increase in loan loss provisions (\$15 million), due to growth in finance receivables outstanding, offset in part by an improvement in the ratio of net credit losses to average finance receivables. The ratio decreased to 1.99% in 1994 from 2.14% in 1993.

* TFC's income increased \$9 million on higher revenues of \$20 million, due principally to (a) a higher level of finance receivables outstanding (average receivables were \$2.641 billion in 1994 vs. \$2.435 billion in 1993), (b) higher leveraged lease income (\$4 million), primarily related to the higher sales of residual appreciation rights and the benefit of a nonrecourse debt refinancing, and (c) a decrease in loan loss provisions (\$7 million). These factors were partially offset by increased interest expense.

[PAUL REVERE GRAPH]

1995 vs. 1994

Paul Revere's revenues increased \$189 million (14%) due to increased premiums in all lines of business, particularly the individual and group disability lines (\$98 million), and to higher net investment income (\$76 million), including net realized investment gains. Its income decreased \$8 million (6%), primarily as a result of a higher individual disability insurance benefit ratio and reserve strengthening related to the excess risk reinsurance line of business (\$59 million), primarily as a result of a loss recognition study. Effective in March 1995, new business in the excess risk reinsurance line is no longer being written. The decreases in income were partially offset by higher net realized investment gains (\$77 million in 1995 vs. \$23 million in 1994), an improved benefit ratio in the group disability insurance line of business (76.4% in 1995 vs. 77.1% in 1994), and improved expense ratios across all lines of business.

The higher benefit ratio in individual disability insurance - 85.3% excluding the impact of the reserve strengthening in the excess risk reinsurance line of business, compared with 83.8% in 1994 - was the result of adverse claims experience in the excess risk reinsurance line and the block of policies issued between 1985 and 1989, especially in Florida and California, partially offset by the favorable impact of a reinsurance transaction in the third quarter of 1995. In addition, policies issued to physicians have performed below expectations. During 1995, Paul Revere experienced gradual improvement in the individual disability insurance benefit ratio and expects this gradual improvement to continue throughout 1996, as it continues to introduce new products, initiate pricing and underwriting adjustments, and emphasize improved claims management.

Establishment of insurance reserves requires making various actuarial assumptions. While actual experience could differ from the assumed actuarial experience underlying its policy and claim reserves, Textron believes that these reserves have been determined on reasonable bases and are adequate. The continued decline in market interest rates and/or the absence of morbidity improvements, could result in adjustments to reserve amounts and deferred costs. Paul Revere has undertaken underwriting and claims management measures mentioned above to mitigate the impact of these potential occurrences.

1994 vs. 1993

Paul Revere's revenues increased \$138 million (12%), due to continued growth in its individual disability insurance line (\$83 million), increased premium volume in group insurance (\$27 million) and higher net investment income (\$26 million). Its income decreased \$15 million (10%), primarily attributable to a significantly higher individual disability insurance benefit ratio (83.8% in 1994 vs. 72.9% in 1993). Positive earnings factors included higher net realized investment gains (\$23 million in 1994 vs. \$15 million in 1993) and increased group disability and individual life insurance income.

Liquidity & Capital Resources

Financing for Textron is conducted through two separate borrowing groups: the Textron Parent Company Borrowing Group (consisting of all entities of Textron other than its finance and insurance subsidiaries) and Textron's finance and insurance subsidiaries.

Parent Company Borrowing Group

Management believes that the Textron Parent Company Borrowing Group will continue to have adequate access to credit markets and that its credit facilities and cash flows from operations--including dividends received from Textron's finance and insurance operations--will continue to be more than sufficient to meet its operating needs and to finance growth. Information about the cash flows of this group is set forth in its statement of cash flows on page 30.

* Cash flows from operating activities in 1995 of \$536 million were approximately the same as they were in 1994. The effect of increased income and reductions of the cash value of company-owned life insurance were offset by increases in receivables and inventory, due principally to increased business, and reductions of accrued and other liabilities.

* The Group's debt increased by \$192 million in 1995, as cash used for capital expenditures, acquisitions, purchases of 1.7 million shares of Textron common stock under its stock repurchase program, and payments of dividends exceeded the \$536 million of cash provided by operations. Notwithstanding the increase in debt, Textron's ratio of debt to total capital decreased to 34% at December 30, 1995, from 35% at December 31, 1994.

* Cash flows from operating activities in 1994 of \$538 million were down from the 1993 level. The decrease was due to higher receivables (due in large part to changed payment terms with a major customer and higher sales volume) and lower reductions in inventories in 1994 compared to those in 1993. These factors were partially offset by increased income and increased customer deposits in 1994.

* The Group's debt decreased by \$443 million in 1994, as operating cash flows and cash proceeds from divestitures exceeded capital expenditures, payments of dividends, and purchases of 3.3 million shares of Textron common stock. During 1994, Textron redeemed an aggregate principal amount of \$121 million of its 9-1/4% fixed rate debt, resulting in a pretax charge to income of \$9 million.

[CAPITAL EXPENDITURES GRAPH]

* Capital expenditures: See the table on page 22 for capital expenditures by business segment for 1995, 1994, and 1993. Such expenditures reflect Textron's growth strategy in its Aircraft, Automotive, and Industrial segments. Aggregate capital expenditures for 1996 are expected to more closely approximate the higher level of spending in 1994, as Textron invests in (a) new Citation aircraft models and single-engine aircraft and (b) increased capacity and improved manufacturing productivity in the Industrial segment. Spending is expected to be lower in 1996 in the Automotive segment following significant investments in 1994 and 1995.

* Acquisitions: In 1995, Textron acquired Elco Industries at an aggregate cost of \$230 million. In 1993, Textron acquired the plastics operations of the Acustar division of Chrysler Corporation at a cost of \$139 million.

* Dispositions: In 1994, Textron sold its Homelite and Lycoming Turbine Engine divisions. Cash proceeds aggregated \$495 million.

* Paul Revere IPO: In 1993, Textron sold 16.7% of the shares of Paul Revere, in a public offering, for \$175 million. Textron contributed \$100 million to the capital of Paul Revere just prior to the sale.

* Debt and credit facilities: Textron had a \$1.5 billion credit facility with 36 banks at December 30, 1995. The portion of the credit facility not used or reserved as support for commercial paper or bank borrowings was \$681 million at that date. Textron had \$211 million available at December 30, 1995 for the issuance of unsecured debt securities under its shelf registration statement with the Securities and Exchange Commission. On February 1, 1996, a new shelf registration statement became effective, covering an additional aggregate amount of \$800 million of (a) debt issuable by Textron and (b) preferred securities issuable by entities formed by Textron as to which Textron would provide certain guarantees. On February 9, 1996, a trust sponsored by Textron issued \$500 million of such preferred securities, the proceeds of which were invested by the trust in Textron's newly issued 7.92% Junior Subordinated Deferrable Interest Debentures due 2045. The proceeds from the issuance of the debentures were initially used by Textron for the repayment of long-term borrowings and, ultimately, will be used for general corporate purposes.

* Interest rate exchange agreements: The difference between the variable rate the Group received and the fixed rate it paid on interest rate exchange agreements increased its reported interest expense by \$14 million in 1995, \$27 million in 1994, and \$33 million in 1993.

Finance and Insurance Subsidiaries

This group includes AFS, TFC, and Paul Revere. Information about the cash flows of this group is set forth in its statement of cash flows included in Note 17 to the consolidated financial statements.

* Dividends: The amount of the net assets of Textron's finance and insurance subsidiaries available for cash dividends and other payments to the Textron Parent Company Borrowing Group is restricted by the terms of lending agreements and insurance statutory requirements. The finance and insurance subsidiaries paid dividends to the Textron Parent Company Borrowing Group of \$126 million, \$115 million and \$94 million in 1995, 1994 and 1993, respectively.

* Capital resources: AFS and TFC each utilize a broad base of financial sources for their respective liquidity and capital requirements. Cash is provided from both operations and several different sources of borrowings, including unsecured borrowings under bank lines of credit, the issuance of commercial paper and short-term bank debt, and sales of medium- and long-term debt in the U.S. and foreign financial markets. During 1995, the net proceeds from medium- and long-term financing sources, including the issuances described below, totaled \$1.9 billion. Debt increased by \$693 million in 1995, due principally to receivable growth and debt assumed upon the acquisition of HFC of Australia, Ltd.

* Debt and credit facilities: During 1995, AFS issued \$1.4 billion of unsecured debt securities, including \$1.1 billion under its shelf registration statements. At December 31, 1995, AFS had \$1.3 billion available for unsecured debt securities under its shelf registration statement with the Securities and Exchange Commission and \$417 million available for similar securities under its shelf registration statements with the Canadian provincial security exchanges. In 1994, TFC established a medium-term note facility for \$500 million. TFC had \$367 million available under this facility at December 31, 1995. By utilizing medium- and long-term fixed rate financing, as well as interest rate exchange agreements, Textron's finance subsidiaries effectively had a combined ratio of variable rate debt to total debt of 43% at December 31, 1995.

* Acquisition: In January 1995, AFS acquired HFC of Australia, Ltd., and through this acquisition added approximately \$436 million of finance receivables to its portfolio.

* Interest rate exchange agreements: The difference between the variable rate the finance subsidiaries received and the fixed rate they paid on interest rate exchange agreements increased their reported interest expense by \$13 million in 1995, \$21 million in 1994, and \$47 million in 1993.

* Investment in real estate: Textron's finance and insurance subsidiaries have substantial amounts of investments and finance receivables backed up or secured by real estate. AFS had residential real estate loans outstanding of \$2.5 billion at December 31, 1995, which were secured primarily by first and second mortgages on single family homes, and averaged \$27 thousand in outstanding principal balance. Residential real estate loans are geographically dispersed and loan amounts are limited to a maximum of 85% of the property's appraised market value, although most loans are made at significantly lower loan to value ratios. TFC had real estate loans and leveraged leases of real estate aggregating \$426 million and \$188 million, respectively, at December 31, 1995. The commercial real estate portfolio of \$196 million, consisting principally of first mortgages on income producing properties, is diversified both geographically and by type of property financed. Nonearning commercial real estate loans were \$72 million at December 31, 1995 (\$76 million at December 31, 1994). Insurance: At December 31, 1995, Textron's insurance subsidiaries held \$311 million of first mortgages on real estate. The real estate portfolio is well diversified geographically and by type of property financed. Foreclosed real estate: At December 31, 1995, real estate classified in other assets or other investments aggregated \$77 million (\$68 million at December 31, 1994). Reserves for nonperforming real estate: While realization of nonperforming real estate assets is subject to uncertainties including prevailing economic conditions and the status of the real estate market, Textron believes that its reserves have been determined on reasonable bases and are adequate. Subsequent evaluations of nonperforming assets, in light of factors then prevailing, including economic conditions, may require increases in the reserves for such assets. Mortgage-backed securities: Textron's insurance subsidiaries' investments included mortgage-backed securities with an amortized cost of \$601 million at December 31, 1995, (\$810 million at December 31, 1994), a substantial portion of which is guaranteed by the U.S. Government or U.S. Government agencies. Future investment income from mortgage-backed securities may be affected by the timing of principal payments and the yields on reinvestment alternatives available at the time of such payments.

* Other investments and finance receivables: Textron's insurance subsidiaries also have significant investments in other debt securities. The predominant portion of these investments is in high quality, investment grade assets. Textron's investment strategies place an emphasis on matching investment maturities with the timing of amounts estimated to be payable under insurance contracts. Textron's finance subsidiaries also have a diversified portfolio of other consumer and commercial receivables. For further information about investments and finance receivables, see Note 1 and Note 2 to the consolidated financial statements.

Other Matters

* Environmental: Textron is involved in a number of remedial actions under various federal and state laws and regulations relating to the environment which impose liability on companies to clean up, or contribute to the cost of cleaning up, sites on which their hazardous wastes or materials were disposed or released. Expenditures to evaluate and remediate contaminated sites approximated \$15 million, \$14 million and \$18 million in 1995, 1994, and 1993, respectively. Textron currently projects that expenditures for remediation will range between \$10 million and \$20 million for each of the years 1996 and 1997. (See the Summary of Significant Accounting Policies and Note 15 to the consolidated financial statements for further information about environmental matters.) Based upon the information currently available, Textron believes it has made adequate provision for costs associated with known remediation efforts. Despite the uncertainty concerning the overall costs of additional remedial actions that might be identified in the future, it is not currently anticipated that such costs will have a material adverse effect on Textron's liquidity, net income or financial condition.

* Interest rate management: As part of managing its interest rate risk, Textron utilizes interest rate exchange agreements. The objective is not to speculate for profit, but, rather, is to convert variable rate debt into fixed rate debt, with respect to specific designated borrowings. These agreements do not involve a high degree of complexity or risk. For further information about these agreements and the debt and credit facilities of the Textron Parent Company Borrowing Group and the finance and insurance subsidiaries, see Note 7 to the consolidated financial statements.

* Foreign currency exchange agreements: Textron's exposure to foreign exchange rate risk is not significant due to the diversification of its operations among various divisions and geographic locations, there being no one significant foreign operation and no significant exposure to highly inflationary currencies. Textron enters into forward exchange contracts to hedge the risk associated with currency fluctuations on certain firm sales and purchase commitments denominated in foreign currencies. For further information about these contracts see the Summary of Significant Accounting Policies in the consolidated financial statements.

Backlog		
(Unaudited)	December 30,	December 31,
(In billions)	1995	1994

U.S. Government:		
Aircraft	\$1.2	\$1.6
Systems and Components	.5	.7
	1.7	2.3

Commercial:		
Aircraft	2.3	2.2
Industrial	.3	.3
Systems and Components	.5	.5
	3.1	3.0

	\$4.8	\$5.3
=====		

Note:

The decrease in the Aircraft segment's U.S. Government backlog was due primarily to revenues recorded in 1995 under the V-22 program.

Condensed Financial Information for the Textron Parent Company Borrowing Group

Statement of Income

For each of the three years in the period ended December 30, 1995
(In millions)

	1995	1994	1993
Revenues	\$6,468	\$6,680	\$6,275
Costs and expenses			
Cost of sales	5,294	5,514	5,210
Selling and administrative	650	668	648
Interest	199	206	236
Total costs and expenses	6,143	6,388	6,094
Pretax income of finance and insurance subsidiaries	325	292	181
	488	462	435
Income before income taxes	813	754	616
Income taxes	(321)	(308)	(234)
Elimination of minority interest in net income of Paul Revere	(13)	(13)	(3)
Net income	\$ 479	\$ 433	\$ 379

Balance Sheet

(In millions)

	December 30, 1995	December 31, 1994
Assets		
Cash	\$ 56	\$ 20
Receivables - net	777	702
Inventories	1,284	1,211
Investments in finance and insurance subsidiaries	2,636	2,246
Property, plant and equipment - net	1,297	1,146
Goodwill, less accumulated amortization of \$233 and \$194	1,344	1,231
Other (including net prepaid income taxes)	1,177	1,262
Total assets	\$8,571	\$7,818
Liabilities and shareholders' equity		
Accounts payable and accrued liabilities (including income taxes)	\$3,385	\$3,354
Debt	1,774	1,582
Shareholders' equity	3,412	2,882
Total liabilities and shareholders' equity	\$8,571	\$7,818

Statement of Cash Flows

For each of the three years in the period ended December 30, 1995
(In millions)

	1995	1994	1993
Cash flows from operating activities:			
Net income	\$ 479	\$ 433	\$ 379
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed earnings of finance and insurance subsidiaries	(160)	(155)	(165)
Depreciation and amortization	221	238	229
Other - net	(4)	22	141
Net cash provided by operating activities	536	538	584
Net cash provided (used) by investing activities	(437)	224	(168)
Net cash used by financing activities	(63)	(754)	(432)
Net increase (decrease) in cash	36	8	(16)
Cash at beginning of year	20	12	28
Cash at end of year	\$ 56	\$ 20	\$ 12

Report of Management

The consolidated financial statements of Textron Inc. have been prepared by management and have been audited by Textron's independent auditors, Ernst & Young LLP, whose report appears below. Management is responsible for the consolidated financial statements, which have been prepared in conformity with generally accepted accounting principles and include amounts based on management's best estimates and judgments.

Management is also responsible for maintaining internal control systems designed to provide reasonable assurance, at appropriate cost, that assets are safeguarded and that transactions are executed and recorded in accordance with established policies and procedures. Textron's systems are under continuing review and are supported by, among other things, business conduct and other written guidelines, an internal audit function and the selection and training of qualified personnel.

The Board of Directors, through its Audit Committee, oversees management's financial reporting responsibilities. The Audit Committee, comprised of four outside directors, meets regularly with the independent auditors, representatives of management and the internal auditors to discuss and make inquiries into their activities. Both the independent auditors and the internal auditors have free access to the Audit Committee, with and without management representatives in attendance.

/s/James F. Hardymon

*James F. Hardymon
Chairman and Chief Executive Officer*

/s/Stephen L. Key

*Stephen L. Key
Executive Vice President and Chief Financial Officer*

January 25, 1996

Report of Independent Auditors

To the Board of Directors and Shareholders Textron Inc.

We have audited the accompanying consolidated balance sheet of Textron Inc. as of December 30, 1995 and December 31, 1994, and the related consolidated statements of income, cash flows and changes in shareholders' equity for each of the three years in the period ended December 30, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Textron Inc. at December 30, 1995 and December 31, 1994 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 30, 1995 in conformity with generally accepted accounting principles.

/s/Ernst & Young LLP

*New York, New York
January 25, 1996*

TEXTRON 31

Consolidated Statement of Income

For each of the three years in the period ended December 30, 1995
(In millions except per share amounts)

	1995	1994	1993

Revenues			
Sales	\$6,468	\$6,678	\$6,271
Interest, discount and service charges	1,565	1,333	1,260
Insurance premiums	1,412	1,233	1,137
Investment income (including net realized investment gains)	528	439	410

Total revenues	9,973	9,683	9,078

Costs and expenses			
Cost of sales	5,294	5,514	5,210
Selling and administrative	1,552	1,489	1,438
Interest	813	665	668
Provision for losses on collection of finance receivables, less recoveries	169	162	153
Insurance benefits and increase in policy liabilities	1,195	992	850
Amortization of insurance policy acquisition costs	137	107	143

Total costs and expenses	9,160	8,929	8,462

Income before income taxes	813	754	616
Income taxes	(321)	(308)	(234)
Elimination of minority interest in net income of Paul Revere	(13)	(13)	(3)

Net income	\$ 479	\$ 433	\$ 379
=====			
Net income per common share	\$ 5.51	\$ 4.80	\$ 4.21
=====			

See summary of significant accounting policies and notes to consolidated financial statements.

Consolidated Balance Sheet

(Dollars in millions)	December 30, 1995	December 31, 1994
<hr/>		
Assets		
Cash	\$ 99	\$ 49
Investments	5,926	5,294
Receivables - net:		
Finance	9,362	8,583
Commercial and U.S. Government	777	702
	<hr/>	<hr/>
	10,139	9,285
Inventories	1,284	1,211
Property, plant and equipment, less accumulated depreciation of \$1,652 and \$1,450	1,408	1,253
Insurance policy acquisition costs	897	911
Goodwill, less accumulated amortization of \$438 and \$381	1,607	1,512
Other (including net prepaid income taxes)	1,812	1,410
	<hr/>	<hr/>
Total assets	\$23,172	\$20,925
<hr/>		
Liabilities and shareholders' equity		
Liabilities		
Accounts payable	\$ 684	\$ 619
Accrued postretirement benefits other than pensions	938	951
Other accrued liabilities (including income taxes)	2,531	2,424
Insurance reserves and claims	5,358	4,685
Debt:		
Textron Parent Company Borrowing Group	1,774	1,582
Finance and insurance subsidiaries	8,475	7,782
	<hr/>	<hr/>
	10,249	9,364
	<hr/>	<hr/>
Total liabilities	19,760	18,043
<hr/>		
Shareholders' equity		
Capital stock:		
Preferred stock (15,000,000 shares authorized):		
\$2.08 Cumulative Convertible Preferred Stock, Series A (liquidation value - \$16.8)	8	9
\$1.40 Convertible Preferred Dividend Stock, Series B (preferred only as to dividends)	7	7
Common stock, 12.5 cents par value (250,000,000 shares authorized; 93,462,000 and 92,284,000 shares issued)	12	12
Capital surplus	750	702
Retained earnings	2,864	2,518
Other	129	(108)
	<hr/>	<hr/>
	3,770	3,140
Less cost of treasury shares	358	258
	<hr/>	<hr/>
Total shareholders' equity	3,412	2,882
	<hr/>	<hr/>
Total liabilities and shareholders' equity	\$23,172	\$20,925
<hr/>		

See summary of significant accounting policies and notes to consolidated financial statements.

TEXTRON 33

Consolidated Statement of Cash Flows

For each of the three years in the period ended December 30, 1995
(In millions)

	1995	1994	1993
Cash flows from operating activities:			
Net income	\$ 479	\$ 433	\$ 379
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	415	398	424
Provision for losses on receivables	208	200	195
Increase in insurance policy liabilities	590	417	342
Deferred income taxes	92	92	28
Gains on sales of investments	(80)	(26)	(19)
Changes in assets and liabilities excluding those related to acquisitions and divestitures:			
Increase in commercial and U.S. Government receivables	(40)	(163)	(27)
Decrease (increase) in inventories	(28)	64	176
Additions to insurance policy acquisition costs	(265)	(232)	(235)
Decrease (increase) in other assets	9	(58)	(80)
Increase in accounts payable	53	34	108
Increase (decrease) in accrued liabilities	(232)	92	(11)
Other - net	83	19	21
Net cash provided by operating activities	1,284	1,270	1,301
Cash flows from investing activities:			
Purchases of investments	(1,766)	(1,954)	(1,744)
Proceeds from disposition of investments	1,094	829	420
Maturities and calls of investments	223	545	768
Finance receivables:			
Originated or purchased	(6,237)	(6,020)	(5,011)
Repaid or sold	5,695	4,803	4,253
Cash used in acquisitions	(252)	(9)	(139)
Net proceeds from sales of businesses and minority interest in subsidiary	-	492	175
Capital expenditures	(283)	(302)	(252)
Other investing activities - net	26	2	27
Net cash used by investing activities	(1,500)	(1,614)	(1,503)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	(253)	449	485
Proceeds from issuance of long-term debt	3,048	2,099	1,669
Principal payments on long-term debt	(2,395)	(2,072)	(1,954)
Interest-sensitive insurance products, net	57	169	88
Proceeds from exercise of stock options	42	12	19
Purchases of Textron common stock	(100)	(166)	-
Dividends paid	(133)	(124)	(110)
Net cash provided by financing activities	266	367	197
Net increase (decrease) in cash	50	23	(5)
Cash at beginning of year	49	26	31
Cash at end of year	\$ 99	\$ 49	\$ 26
Supplemental Information:			
Cash paid during the year for:			
Interest	\$ 770	\$ 631	\$ 645
Income taxes	245	224	189
Non-cash transactions:			
Liabilities assumed for acquisitions	562	-	58

See summary of significant accounting policies and notes to consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity

For each of the three years in the period ended December 30, 1995	Shares outstanding<F*> (In thousands)			Dollars (In millions)		
	1995	1994	1993	1995	1994	1993
\$2.08 Preferred stock						
Beginning balance	297	321	377	\$ 9	\$ 9	\$ 11
Conversion to common stock	(30)	(24)	(56)	(1)	-	(2)
Ending balance	267	297	321	\$ 8	\$ 9	\$ 9
\$1.40 Preferred stock						
Beginning balance	126	138	153	\$ 7	\$ 7	\$ 8
Conversion to common stock	(8)	(12)	(15)	-	-	(1)
Ending balance	118	126	138	\$ 7	\$ 7	\$ 7
Common stock						
Beginning balance	85,497	88,413	87,563	\$ 12	\$ 12	\$ 11
Purchases	(1,734)	(3,346)	-	-	-	-
Conversion of preferred stock to common stock	81	75	151	-	-	1
Exercise of stock options	1,091	349	695	-	-	-
Other issuances of common stock	-	6	4	-	-	-
Ending balance	84,935	85,497	88,413	\$ 12	\$ 12	\$ 12
Capital surplus						
Beginning balance				\$ 702	\$ 687	\$ 661
Conversion of preferred stock to common stock				1	1	1
Exercise of stock options				47	14	25
Ending balance				\$ 750	\$ 702	\$ 687
Retained earnings						
Beginning balance				\$ 2,518	\$ 2,209	\$ 1,940
Net income				479	433	379
Dividends declared:						
Preferred stock				(1)	(1)	(1)
Common stock (per share: \$1.56 in 1995; \$1.40 in 1994 and \$1.24 in 1993)				(132)	(123)	(109)
Ending balance				\$ 2,864	\$ 2,518	\$ 2,209
Treasury stock						
Beginning balance				\$ 258	\$ 92	\$ 91
Exercise of stock options				-	-	1
Purchases of common stock				100	166	-
Ending balance				\$ 358	\$ 258	\$ 92
Other						
Beginning balance				\$ (108)	\$ (52)	\$ (52)
Currency translation adjustment				5	1	(23)
Securities valuation adjustment				216<F**>	(71)	11
Pension liability adjustment				3	-	(3)
Shares allocated to ESOP participants' accounts				13	14	15
Ending balance				\$ 129	\$ (108)	\$ (52)

<F*>Shares issued at the end of 1995, 1994, 1993 and 1992 were as follows (in thousands): \$2.08 Preferred - 336; 366; 390 and 446 shares, respectively; \$1.40 Preferred - 604; 613; 625 and 640 shares, respectively; Common - 93,462; 92,284; 91,859 and 91,007 shares, respectively.

<F**>Includes net unrealized gains relating to the transfer of all Textron's debt securities from the held to maturity category to the available for sale category of its investment portfolio (\$133 million) (see Note 2 for further information about investments), partially offset by an adjustment to deferred policy acquisition costs (\$73 million).

See summary of significant accounting policies and notes to consolidated financial statements.

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Summary of Significant Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of Textron and all of its majority- and wholly-owned subsidiaries. All significant intercompany transactions are eliminated.

Textron consists of two borrowing groups - the Textron Parent Company Borrowing Group (comprised of all entities of Textron other than its finance and insurance subsidiaries) and Textron's finance and insurance subsidiaries. Separate financial information is presented on page 30 for the Textron Parent Company Borrowing Group and in Note 17 on page 50 for the finance and insurance subsidiaries.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in those statements and accompanying notes. Actual results could differ from such estimates.

Finance receivables

Interest income is recognized in revenues using the interest method. Accrual of interest income is suspended for accounts which are contractually delinquent by more than three months (commercial) or three payments (consumer). Accrual of interest on commercial loans is resumed, and suspended interest income is recognized, when loans become contractually current, whereas subsequent interest income on consumer loans is recognized when collected. Fees received and direct loan origination costs are deferred and amortized to revenues over the contractual lives of the respective loans using the interest method.

Finance receivables are written off when they are deemed uncollectible. Commercial loans are written down to the fair value of the related collateral (less estimated costs to sell) when the collateral is repossessed or when no payment has been received for six months, unless management deems the loans collectible. Foreclosed real estate loans are transferred from finance receivables to other assets at the lower of the fair value of the related real estate (less estimated costs to sell) or the outstanding loan balance.

Provisions for losses on finance receivables are charged to income in amounts sufficient to maintain the allowance at a level considered adequate to cover the losses in the existing receivable portfolio.

Insurance operations

Recognition of revenues and expenses

Premiums from individual disability insurance are recognized in revenues when due. Benefits and expenses relating to individual disability insurance are recognized over the life of the contracts through the establishment of reserves for future policy benefits and the amortization of deferred policy acquisition costs. For investment products, revenues consist of policy and surrender charges assessed during the year. Unearned insurance premiums are deferred and subsequently recognized in revenues over the lives of the policies.

Deferred policy acquisition costs

Costs which vary with and are related primarily to the production of new business, are deferred to the extent they are deemed recoverable from future profits. For disability insurance, these costs are amortized in proportion to premiums over the estimated lives of the policies. For investment products, these costs are amortized in proportion to estimated profits.

Insurance reserves and claims

Policy reserves represent the portion of premiums received, accumulated with interest, to provide for future claims. Such reserves for individual disability insurance products are based on Textron's withdrawal, morbidity, and mortality experience. Claim reserves are established for future payments not yet due on claims already incurred, primarily relating to individual disability insurance. Other policyholder funds represent amounts accumulated under deferred contracts to provide annuities in the future.

Investments

Securities carried at amortized cost and classified in Textron's held to maturity category are those which Textron has both the ability and positive intent to hold to maturity. Securities classified in the available for sale category are carried at estimated fair value and consist of those securities which Textron intends to hold for an indefinite period of time but not necessarily to maturity. Unrealized gains and losses related to securities available for sale, net of applicable income taxes, are reported as a separate component of shareholders' equity.

Net realized gains or losses resulting from sales or calls of investments are included in revenues. The cost of securities sold is determined primarily on the specific identification method.

Inventories

Inventories are carried at the lower of cost or market.

Long-term contracts and programs

Sales under fixed-price contracts and programs are generally recorded as deliveries are made. Sales under cost reimbursement-type contracts are recorded as costs are incurred and fees are earned. Certain contracts are awarded on a fixed-price incentive fee basis. Incentive fees on such contracts are considered when estimating revenues and profit rates and are recorded when the amounts can reasonably be determined. Profits expected to be realized on long-term contracts and programs are based on estimates of total sales value and costs at completion. (Cost of sales under programs is determined on a program-average method and is computed as a percentage of the sale price of the units being sold under the program.) Such estimates are reviewed and revised periodically throughout the lives of the contracts and programs. Revisions to contract profits are recorded in the accounting period in which the revisions are made. Revisions to program profits are recorded over the balance of the programs. Estimated losses on contracts and programs are recorded when identified.

Program accounting has evolved in practice as a method of accounting for the costs of certain products manufactured under production-type contracts in connection with long-term programs. The program method, with origins prior to the issuance in 1981 of SOP 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts" and used by a limited number of companies (mainly commercial airframe manufacturers), consists of estimating the entire quantity of units to be produced over the life of a program and the related revenues, costs, and profits to be realized and recognizing those profits throughout that period. The program method has been used by Textron in accounting for its subcontract work under the Airbus A330/340 commercial aircraft program, because the criteria required for its use are present - that is, (a) at the beginning of the program (in 1988) Textron did not yet have firm orders that would, by themselves, recover all of the initial investment in design, development, tooling, and early production effort and (b) Textron has the ability to make reasonably dependable estimates of the number of units to be produced, the period of time over which they will be delivered, and the associated costs and selling prices.

Textron does not use the program method of accounting in connection with any of its government contracts.

Property, plant and equipment

The cost of property, plant and equipment is being depreciated based on the estimated useful lives of the assets.

In 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" (FAS 121), which Textron is required to implement beginning in 1996. An impairment loss must be recognized to the extent the carrying value of an asset, including any goodwill relating to the asset, exceeds the fair value of the asset. The adoption of FAS 121 is not expected to have a material effect on Textron's results of operations.

Goodwill

Goodwill related to Textron's manufacturing operations is being amortized on the straight-line method over periods ranging from 20 to 40 years. Goodwill related to Textron's finance and insurance subsidiaries is being amortized on the straight-line method over 25 years.

Goodwill is reviewed periodically for impairment by comparing the carrying amount to the estimated future undiscounted cash flows of the businesses acquired. If this review indicates that goodwill will not be recoverable, Textron would reduce the carrying amount of the goodwill to its fair value - generally based on future discounted cash flows - by a noncash charge to earnings.

Income per common share

Income per common share is based on average common shares outstanding during each year assuming full conversion of outstanding preferred stock and exercise of stock options. Such average shares were 86,894,000 in 1995; 90,119,000 in 1994 and 90,052,000 in 1993.

Translation of foreign currencies, foreign exchange transactions and foreign currency exchange contracts

Adjustments resulting from the translation of the financial statements of most of Textron's foreign operations are excluded from the determination of its income and accumulated in a separate component of shareholders' equity until the entity is sold or substantially liquidated.

Foreign exchange gains and losses included in income (which relate principally to transactions denominated in foreign currencies) have not been material.

Textron's exposure to foreign exchange rate risk is not significant due to the diversification of its operations among various divisions and geographic locations, there being no one significant foreign operation and no significant exposure to highly inflationary currencies. Textron enters into forward exchange contracts to hedge the risk associated with currency fluctuations on certain firm sales and purchase commitments denominated in foreign currencies. The gains and losses resulting from the impact of currency exchange rate movements on these contracts are recorded when the underlying transactions occur. Textron had open foreign currency forward exchange contracts totaling approximately \$191 million and \$110 million at December 30, 1995 and December 31, 1994, respectively. The unrealized losses relating to these contracts aggregated \$6 million and \$12 million at December 30, 1995 and December 31, 1994, respectively.

Interest rate exchange agreements

Textron's interest rate exchange agreements are accounted for on the accrual basis. Certain of the agreements are designated against specific long-term variable rate borrowings and the balance is designated against existing short-term borrowings, through their maturity, and the anticipated short-term borrowings which will replace the existing borrowings. Textron continuously monitors the level of short-term borrowings to ensure that there is a high degree of probability that its short-term borrowings will remain at a level in excess of the notional amount of the designated agreements. If Textron were to determine it probable that the level of anticipated short-term borrowings will at any time be less than the notional amount of designated agreements, any excess would be marked to market and the associated gain or loss recorded in income.

Premiums paid to terminate any such agreements are deferred and subsequently amortized to expense over the original terms of the agreements. Upon early extinguishment of any of the underlying debt originally hedged, unamortized premiums are recognized as an adjustment to the gain or loss on such early extinguishment.

Income taxes

Deferred income taxes are recognized for temporary differences between the financial reporting basis and income tax basis of assets and liabilities based on enacted tax rates expected to be in effect when such amounts are expected to be realized or settled.

Environmental remediation

Environmental liabilities are recorded based on the most probable cost if known or on the estimated minimum cost, determined on a site by site basis. Textron's environmental liabilities are undiscounted and do not take into consideration any possible future insurance proceeds or any significant amounts of claims against other third parties.

Notes to Consolidated Financial Statements

1 Investments

(In millions)	December 30, 1995	December 31, 1994

Debt securities available for sale, at estimated fair value (amortized cost: \$5,006 and \$2,556)	\$5,436<F*>	\$2,437
Marketable equity securities, at market (cost: \$49 and \$54)	56	74

Securities available for sale	5,492	2,511
Debt securities to be held to maturity, at amortized cost (estimated fair value: \$2,294)	-<F*>	2,470
First mortgages on real estate, at cost (estimated fair value: \$345 and \$197)	311	191
Insurance policy loans and other investments, at cost (estimated fair value: \$140 and \$129)	123	122

	\$5,926	\$5,294
=====		

<F*>Textron, in accordance with the "Guide to Implementation of Statement 115 on Accounting for Certain Investments and Debt Securities," reviewed its portfolio and transferred all its debt securities from the held to maturity category (\$2.6 billion) to the available for sale category as of December 1, 1995. The net unrealized gains, net of applicable income taxes, relating to the securities reclassified at that date, were recorded as an increase to shareholders' equity. The transfer had no effect on Textron's net income or cash flows.

The amortized cost and estimated fair value of securities at the end of 1995 and 1994 were as follows:

(In millions)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
December 30, 1995				
Obligations of U.S., foreign and other governments and government agencies	\$ 758	\$109	\$ 2	\$ 865
Public utility securities	709	60	-	769
Corporate securities	2,938	241	13	3,166
Mortgage-backed securities<F*>	601	36	1	636
Marketable equity securities	49	7	-	56
	\$5,055	\$453	\$ 16	\$5,492
December 31, 1994				
Securities available for sale:				
Obligations of U.S., foreign and other governments and government agencies	\$ 420	\$ 5	\$ 12	\$ 413
Public utility securities	271	2	20	253
Corporate securities	1,055	16	62	1,009
Mortgage-backed securities<F*>	810	9	57	762
Marketable equity securities	54	22	2	74
	2,610	54	153	2,511
Securities to be held to maturity:				
Obligations of U.S., foreign and other governments and government agencies	347	2	16	333
Public utility securities	501	1	39	463
Corporate securities	1,622	15	139	1,498
	2,470	18	194	2,294
	\$5,080	\$ 72	\$ 347	\$4,805

<F*>A substantial portion of these securities is guaranteed by the U.S. Government or U.S. Government agencies.

The amortized cost and estimated fair value of debt securities at the end of 1995 by contractual maturity date, were as follows:

(In millions)	Amortized cost	Estimated fair value
Due in 1996	\$ 282	\$ 282
Due 1997 to 2000	511	548
Due 2001 to 2005	1,290	1,370
Due after 2005	2,322	2,600
	4,405	4,800
Mortgage-backed securities	601	636
	\$5,006	\$5,436

Gross realized gains and losses from sales of securities classified as available for sale were \$105 million and \$13 million, respectively, in 1995 and \$32 million and \$4 million, respectively, in 1994. Investments in the held to maturity category with an aggregate amortized cost of \$8 million and \$10 million in 1995 and 1994, respectively, were sold due to significant deterioration in the issuers' creditworthiness. Gross gains and losses realized on sales of debt securities were \$14 million and \$3 million, respectively, in 1993. Net realized gains resulting from sales of marketable equity securities were \$9 million in 1993.

2 Finance Receivables

Contractual maturities of finance receivables outstanding at the end of 1995 and total finance receivables outstanding at that date and at the end of 1994 were as follows:

(In millions)	Contractual maturities			Less finance charges	Finance receivables outstanding	
	1996	1997	After 1997		1995	1994
Consumer:						
Consumer loans	\$1,775	\$1,227	\$1,240	\$1,221	\$3,021	\$2,722
Real estate loans	721	511	3,804	2,523	2,513	2,415
Retail installment contracts	904	523	365	656	1,136	1,107
Other	125	87	77	25	264	92
	3,525	2,348	5,486	4,425	6,934	6,336
Commercial:						
Installment contracts	403	307	621	236	1,095	977
Real estate loans	78	83	268	3	426	440
Finance leases	154	154	342	127	523	523
Leveraged leases	9	16	613	311	327	321
Floorplan and other receivables	429	53	119	12	589	487
	1,073	613	1,963	689	2,960	2,748
	\$4,598	\$2,961	\$7,449	\$5,114	9,894	9,084
Less allowance for credit losses					270	250
Less finance-related insurance reserves and claims					262	251
					\$9,362	\$8,583

The maximum term over which consumer loans and retail installment contracts are written is ten years, but approximately 90% of these loans are written with terms of four years or less. Consumer real estate loans are written with a maximum term of 15 years. Nonearning consumer loans were \$115 million at the end of 1995.

Commercial installment contracts have initial terms generally ranging from one to 12 years. Commercial real estate loans have initial terms generally ranging from three to five years. Finance leases have initial terms generally up to 12 years. Nonearning commercial loans were \$99 million at the end of 1995.

Accounts are often repaid or refinanced prior to contractual maturity. Accordingly, the foregoing tabulation should not be regarded as a forecast of future cash collections. In 1995 and 1994, cash collections of receivables (excluding finance charges) were \$5.7 billion and \$4.7 billion, respectively. The ratio of cash collections to average net receivables was approximately 63% and 58%, respectively.

Textron had both fixed rate and variable rate loan commitments in the amount of \$698 million at December 30, 1995. Generally, interest rates on these commitments are not set until the loans are funded; therefore, Textron is not exposed to interest rate changes.

3 Long-term Contract and Program Receivables

Long-term contract and program receivables at December 30, 1995 and December 31, 1994 aggregated \$175 million and \$153 million, respectively, including \$81 million and \$69 million, respectively, of unbilled costs and accrued profits on long-term contracts for which the contractual criteria for billing had not yet been met. An estimated \$40 million and \$53 million, respectively, of the unbilled amounts are not expected to be collected within one year. There are no significant amounts included in receivables which represent balances billed but unpaid under contractual retainage provisions or significant long-term contract receivables subject to uncertainty as to collection.

4 Inventories

(In millions)	December 30, 1995	December 31, 1994
Finished goods	\$ 352	\$ 288
Work in process	911	948
Raw materials	217	212
	1,480	1,448
Less progress and advance payments	196	237
	\$1,284	\$1,211

Inventories aggregating \$754 million at December 30, 1995 and \$664 million at December 31, 1994 were valued by the last-in, first-out (LIFO) method. (Had such LIFO inventories been valued at current costs, their carrying values would have been approximately \$139 million and \$144 million higher at those respective dates.) The remaining inventories, other than those related to certain long-term contracts and programs, are valued generally by the first-in, first-out method.

Inventories related to long-term contracts and programs, net of progress and advance payments, were \$393 million at December 30, 1995 and \$451 million at December 31, 1994. Such inventories include unamortized tooling and deferred learning costs - \$171 million at December 30, 1995; \$176 million at December 31, 1994; and \$162 million at January 1, 1994 - relating to Textron's subcontract work under the Airbus A330/340 program. Textron has been using a program size of 400 aircraft in accounting for this program since its inception. It had firm orders as of the end of 1995 from its two customers under the program, both of which are members of the consortium producing the aircraft and each of which is producing different sections of the wings for the aircraft, covering 191 and 207 sets of wing components, respectively; the corresponding orders as of the end of 1994 were 150 and 207, respectively, and as of the end of 1993 were 114 and 157, respectively. (Airbus Industrie had firm orders as of the end of 1995 for 274 A330/340s.) Textron has delivered 147 units to one customer and 140 units to the other customer through the end of 1995; deliveries in 1995 were 27 and 34 units, in 1994 were 36 and 42 units, and in 1993 were 33 and 30 units. Current customer delivery schedules call for completion of deliveries of the 400 units in the year 2001.

The portion of the unamortized tooling and deferred learning costs that would not be absorbed in cost of sales based on firm orders to Textron at December 30, 1995 - that is, assuming the Airbus A330/340 aircraft program were to be canceled after Textron completed deliveries under those orders - was \$154 million (the corresponding amounts at the end of 1994 and 1993 were \$157 million and \$185 million, respectively). Textron continues to believe that in light of the orders to date, the outlook for the aircraft in the marketplace, and the customer contractual arrangements that exist on this program, it will recover all such costs.

As to government contracts, inventory costs also include general and administrative expenses (\$14 million at December 30, 1995; \$30 million at December 31, 1994), substantially all of which are clearly related to production.

5 Property, Plant and Equipment

(In millions)	December 30, 1995	December 31, 1994

At cost:		
Land and buildings	\$ 760	\$ 704
Machinery and equipment	2,300	1,999

	3,060	2,703
Less accumulated depreciation	1,652	1,450

	\$1,408	\$1,253
=====		

6 Insurance Reserves and Claims

(In millions)	December 30, 1995	December 31, 1994

Paul Revere:		
Future policy benefits	\$1,371	\$1,193
Unpaid claims and claim expenses	1,852	1,576
Other policyholder funds	1,876	1,714
Other	259	202

	\$5,358	\$4,685
=====		

Establishment of insurance reserves requires making various actuarial assumptions. While actual experience could differ from the assumed actuarial experience underlying its policy and claim reserves, Textron believes that these reserves have been determined on reasonable bases and are adequate. The continued decline in market interest rates and/or the absence of morbidity improvements, could result in adjustments to reserve amounts and deferred costs. Paul Revere has undertaken underwriting and claims management measures to mitigate the impact of these potential occurrences.

7 Debt and Credit Facilities

The Textron Parent Company Borrowing Group and Textron's finance and insurance subsidiaries are independent borrowers, and, accordingly, their debt is supported by their own respective assets and cash flows. At the end of 1995 and 1994, debt consisted of the following:

(In millions)	December 30, 1995	December 31, 1994

Textron Parent Company Borrowing Group:		
Senior:		
Borrowings under or supported by long-term credit facilities<F*> 8.75% - 10.04%; due 1996 to 2022	\$ 882	\$ 432
Medium-term notes; due 1996 to 2011 (average rate - 9.3%)	254	241
Variable rate notes due 2000 to 2002 (average rate - 6.7%)	333	357
Other notes (average rate - 6.0%)	150	365
	126	158

Total senior	1,745	1,553

Subordinated - 8.86% - 8.97%; due 1998 to 1999	29	29

Total Textron Parent Company Borrowing Group	1,774	1,582

Finance and insurance subsidiaries:		
Senior:		
Borrowings under or supported by credit facilities<F**> 4.93% - 5.91%; due 1996 to 2000	3,462	3,392
6% - 7.99%; due 1996 to 2002	896	1,322
8% - 9.82%; due 1996 to 2000	2,550	1,509
10.4% - 11.85%; due 1996 to 1998	834	710
Variable rate notes due 1996 to 2000 (average rate - 6.1%)	101	267
	597	543

Total senior	8,440	7,743

Senior subordinated - 10.28% - 11.56%; due 1996 to 1998	35	39

Total finance and insurance subsidiaries	8,475	7,782

Total debt	\$10,249	\$9,364

<F*>The weighted average interest rates on these borrowings, before consideration of the effect of interest rate exchange agreements, at the end of 1995, 1994, and 1993 were 6.1%, 6.2%, and 3.6%, respectively. The corresponding weighted average interest rates on these borrowings during the years 1995, 1994, and 1993 were 6.1%, 4.4%, and 3.4%, respectively.

<F**>The weighted average interest rates on these borrowings, before consideration of the effect of interest rate exchange agreements, at the end of 1995, 1994, and 1993 were 6.3%, 6.1%, and 3.7%, respectively. The corresponding weighted average interest rates on these borrowings during the years 1995, 1994, and 1993 were 6.4%, 4.7%, and 3.7%, respectively.

Required payments and sinking fund requirements during the next five years on debt outstanding at December 30, 1995 (excluding amounts that might become payable under credit facilities and revolving credit agreements) are as follows:

(In millions)	1996	1997	1998	1999	2000

Textron Parent Company Borrowing Group	\$ 62	\$ 66	\$ 20	\$ 52	\$ 134
Finance and insurance subsidiaries	1,001	713	972	651	1,277

	\$1,063	\$779	\$992	\$703	\$1,411
=====					

The Textron Parent Company Borrowing Group maintains credit facilities with various banks for borrowing funds on both a short- and a long-term basis. It has a credit agreement with 36 banks aggregating \$1.5 billion which is available on a fully revolving basis until July 1, 2000. The portion of the credit facility not used or reserved as support for commercial paper or bank borrowings at December 30, 1995 was \$681 million. Textron's finance subsidiaries have lines of credit with various banks aggregating \$4.4 billion at December 30, 1995. The subsidiaries' lines of credit not used or reserved as support for commercial paper or bank borrowings at December 30, 1995 were \$322 million.

The amount of the net assets of Textron's finance and insurance subsidiaries available for cash dividends and other payments to the Textron Parent Company Borrowing Group is restricted by the terms of lending agreements and insurance statutory requirements. As of December 30, 1995, approximately \$376 million of their net assets of \$2.6 billion was available to be transferred to the Textron Parent Company Borrowing Group pursuant to these restrictions. The finance subsidiaries' loan agreements also contain restrictions regarding additional debt, the creation of liens or guarantees, and the making of investments.

Interest rate exchange agreements

As part of managing its interest rate risk, Textron utilizes interest rate exchange agreements. The objective is not to speculate for profit, but, rather, is to convert variable rate debt into fixed rate debt, with respect to specific designated borrowings. These agreements do not involve a high degree of complexity or risk. During 1995, the finance subsidiaries had \$759 million of interest rate exchange agreements go into effect. The agreements in effect at the end of 1995 and 1994, which had weighted average original terms of 8.3 years at both dates for the Textron Parent Company Borrowing Group and 3.2 years and 3.5 years, respectively, for the finance subsidiaries, had the effect of fixing the rate of interest on variable rate borrowings as follows:

Interest rate exchange agreements (Dollars in millions)	December 30, 1995		December 31, 1994	
	Notional amount	Weighted average interest rate	Notional amount	Weighted average interest rate
Textron Parent Company Borrowing Group	\$ 602<F*>	8.80%	\$ 571	8.79%
Finance subsidiaries	1,338<F**>	7.79	824	8.12
	\$1,940	8.10	\$1,395	8.40

<F*>\$150 million of the Textron Parent Company Borrowing Group's interest rate exchange agreements were designated against specific long-term variable rate notes and the balance was designated against existing and anticipated short-term variable rate borrowings. The effect of these agreements on the average rate of interest on the related borrowings was to adjust those rates on the long-term variable rate notes from an average of 6.7% to 9.0% and on the short-term variable rate borrowings from 6.1% to 8.6%. The interest rate exchange agreements in effect at the end of 1995 expire as follows: \$172 million (8.7%) in 1996, \$24 million (6.7%) in 1997, \$100 million (9.0%) in 1998, and \$306 million (8.9%) after 1999.

<F**>\$275 million of the finance subsidiaries interest rate exchange agreements were designated against specific long-term variable rate notes and the balance was designated against existing and anticipated short-term variable rate borrowings. The effect of these agreements on the average rate of interest on the related borrowings was to adjust those rates on the long-term variable rate notes from an average of 6.1% to 6.5% and on the short-term variable rate borrowings from 6.4% to 8.2%. The interest rate exchange agreements in effect at the end of 1995 expire as follows: \$341 million (8.8%) in 1996, \$260 million (8.6%) in 1997, \$460 million (7.4%) in 1998, \$262 million (6.5%) in 1999, and \$15 million (6.7%) thereafter.

The finance subsidiaries have interest rate exchange agreements that have the effect of exchanging the indices used to determine interest expense under certain variable rate borrowings for the purpose of better matching the rate of interest incurred on their financing with the rate of interest earned on certain of their variable rate finance receivables. At the end of 1995, \$250 million of such agreements were in effect. The agreements expire in 1996. Also, the finance subsidiaries have fixed-pay interest rate exchange agreements which become effective in 1996. These agreements expire through 1999 and will fix the rate of interest at 8.1% on \$204 million of variable rate borrowings. The agreements will mitigate the exposure to increases in interest rates primarily by replacing maturing fixed-pay swap agreements and fixed-rate notes. Textron did not have any exposure to loss in the event of nonperformance by the counterparties to its interest rate exchange agreements at either December 30, 1995 or December 31, 1994. While Textron may become exposed to loss for the periodic settlement of amounts due from counterparties in the event of nonperformance, Textron does not anticipate nonperformance by any of those parties. Textron believes that such risk is minimized by entering into contracts only with major, financially sound counterparties having no less than a long-term bond rating of "A," continuously monitoring the credit ratings of such counterparties, and limiting the amount of agreements entered into with any one financial institution. The amounts potentially subject to credit risk are generally limited to the amounts, if any, by which the counterparties obligations under the contracts exceed the obligations of Textron to the same counterparties.

8 Shareholders' Equity

Preferred stock

Each share of \$2.08 Preferred Stock (\$23.63 approximate stated value) is convertible into 2.2 shares of common stock and is redeemable by Textron at \$50 per share.

Each share of \$1.40 Preferred Dividend Stock (\$11.82 approximate stated value) is convertible into 1.8 shares of common stock and is redeemable by Textron at \$45 per share.

Preferred stock purchase rights

One-half of a Preferred Stock Purchase Right (Right) is attached to each outstanding share of common stock. Each whole Right entitles the holder to buy one unit of Series C Junior Participating Preferred Stock at an exercise price of \$175. The Rights will become exercisable only under certain circumstances related to a person or group acquiring or offering to acquire a substantial block of Textron's common stock. If certain additional events then occur, each whole Right will allow holders of units to acquire common stock of Textron, or in some cases of an acquiring entity, having a value equal to twice the exercise price. The Rights expire in March 1996.

In September 1995, Textron's Board of Directors approved the issuance of new Preferred Stock Purchase Rights (New Rights) to replace the existing Rights when they expire. One New Right will be attached to each outstanding share of common stock and, when exercisable, will entitle the holder to buy one one-hundredth of a share of Series C Junior Participating Preferred Stock at an exercise price of \$250. The New Rights expire in September 2005, but may be redeemed earlier at a price of \$.05 per Right.

Stock options and performance awards

In April 1994, Textron's shareholders approved the adoption of the 1994 Long-Term Incentive Plan which authorizes the granting of awards to key employees in the following forms: (a) performance share units and (b) options to purchase Textron common stock at an exercise price equal to the fair value of the stock at the date of grant. The total number of shares of common stock for which options may be granted under the Plan is 5,000,000. Stock option transactions during 1995 are summarized as follows:

(Shares in thousands)	Shares	Average price
Shares under option at beginning of year	4,696	\$44.31
Options granted	1,062	72.11
Options exercised (349 shares in 1994 and 701 shares in 1993)	(1,098)	38.26
Options canceled	(102)	51.13
Shares under option at end of year	4,558	52.09
Shares exercisable at end of year (2,957 shares in 1994)	2,944	45.38

Reserved shares

Shares of common stock reserved at December 30, 1995 for the subsequent conversion of preferred stock and the exercise of stock options were as follows:

(In thousands)	Shares
\$2.08 Cumulative Convertible Preferred Stock, Series A<F*>	739
\$1.40 Convertible Preferred Dividend Stock, Series B<F*>	1,088
Options granted to employees	4,558
	6,385

<F*>Includes shares issuable upon conversion of shares of preferred stock held as treasury shares.

9 Leases

Rental expense was approximately \$119 million, \$124 million, and \$128 million in 1995, 1994, and 1993, respectively. Future minimum rental commitments for all noncancellable operating leases in effect at December 30, 1995 approximated \$83 million for 1996, \$64 million for 1997, \$47 million for 1998, \$34 million for 1999, \$25 million for 2000, and a total of \$144 million thereafter.

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10 Research and Development

Textron performs research and development under both company initiated programs and contracts with others, primarily the U.S. Government. Company initiated programs include research and development for commercial products and independent research and development related to government products and services. A significant portion of the cost incurred for independent research and development is recoverable from the U.S. Government through overhead cost allowances.

The costs related to research and development activities for which Textron is at risk are expensed as incurred and include amounts for (a) company initiated programs and (b) the cost sharing portions of, and any losses incurred on, customer initiated programs. These costs for 1995, 1994, and 1993 were as follows:

(In millions)	1995	1994	1993
Company funded	\$181	\$187	\$195
Customer funded	475	424	319
Total research and development costs	\$656	\$611	\$514

11 Pension Benefits

Textron and certain of its subsidiaries have a number of defined benefit pension plans covering substantially all of their employees. Benefits under salaried plans are based on salary and years of service, while benefits under hourly plans generally are based on negotiated amounts and years of service. Textron's funding policy is consistent with the funding requirements of federal law and regulations. Plan assets consist principally of corporate and government bonds and common stocks.

Pension cost (income) in 1995, 1994, and 1993 included the following components:

(In millions)	1995	1994	1993
Service cost - benefits earned during the year	\$ 59	\$ 72	\$ 67
Interest cost on projected benefit obligation	216	205	188
Actual return on plan assets	(758)	(25)	(370)
Amortization of unrecognized transition net asset	(18)	(16)	(16)
Net amortization and deferral of actuarial gains (losses)	486	(235)	134
Net pension cost (income)	\$ (15)	\$ 1	\$ 3

The following table sets forth the funded status of Textron's pension plans at December 30, 1995 and December 31, 1994.

(In millions)	December 30, 1995		December 31, 1994	
	Assets exceed accumulated benefits	Accumulated benefits exceed assets	Assets exceed accumulated benefits	Accumulated benefits exceed assets
Actuarial present value of:				
Vested benefit obligation	\$2,182	\$ 426	\$1,806	\$ 519
Nonvested benefit obligation	94	35	78	35
Accumulated benefit obligation	2,276	461	1,884	554
Additional amounts related to projected pay increases	264	23	207	17
Projected benefit obligation	2,540	484	2,091	571
Plan assets at fair value	3,266	373	2,669	449
Plan assets in excess of (less than) projected benefit obligation	726	(111)	578	(122)
Unrecognized net actuarial gains	(304)	(26)	(171)	(19)
Unrecognized prior service cost	16	58	16	61
Unrecognized transition net asset	(135)	(1)	(151)	(3)
Adjustment required to recognize minimum liability	-	(24)	-	(27)
Net pension asset (liability) recognized on the consolidated balance sheet	\$ 303	\$ (104)	\$ 272	\$ (110)

Major actuarial assumptions used in the accounting for the defined benefit pension plans are shown in the following table. Net pension cost (income) is determined using these factors as of the end of the prior year; the funded status of the plans is determined using the discount rate and rate of compensation increase as of the end of the current year.

	December 30, 1995	December 31, 1994	January 1, 1994	January 2, 1993
Discount rate	7.25%	8.25%	7.25%	8.00%
Weighted average long-term rate of compensation increase	5.00	5.00	5.00	5.50
Long-term rate of return on plan assets	9.00	9.00	9.00	9.00

12 Employee Benefits Other than Pensions

Textron and certain of its subsidiaries have a number of defined contribution savings and other retirement plans, covering both salaried and hourly employees. Costs relating to these plans, which are generally funded as accrued, amounted to approximately \$36 million, \$37 million, and \$33 million for 1995, 1994, and 1993, respectively, of which \$14 million, \$18 million, and \$17 million related to the employee stock ownership plan for 1995, 1994, and 1993, respectively.

Textron provides certain health care and life insurance benefits for certain retired employees. Postretirement benefit costs other than those related to pensions in 1995, 1994, and 1993 included the following components:

(In millions)	1995	1994	1993
Service cost - benefits earned during the year	\$ 5	\$ 9	\$ 9
Interest cost on accumulated postretirement benefit obligation	59	62	68
Net amortization	(14)	(10)	(6)
Postretirement benefit costs	\$50	\$61	\$71

Textron's postretirement benefit plans other than pensions currently are not funded. The following table sets forth the status of these plans at the end of 1995 and 1994:

(In millions)	December 30, 1995	December 31, 1994
Actuarial present value of benefits attributed to:		
Retirees	\$622	\$613
Fully eligible active plan participants	91	77
Other active plan participants	97	89
Accumulated postretirement benefit obligation	810	779
Unrecognized net actuarial gains	104	148
Unrecognized prior service cost benefit	24	24
Postretirement benefit liability recognized on the consolidated balance sheet	\$938	\$951

An assumed discount rate of 8.25% and 7.25% was used to determine postretirement benefit costs other than pensions for 1995 and 1994, respectively. An assumed discount rate of 7.25% and 8.25% was used to determine the status of Textron's plans at December 30, 1995 and December 31, 1994, respectively. The weighted average annual assumed rate of increase in the per capita cost of covered benefits (that is, the health care cost trend rate) is 7% for retirees age 65 and over and 11% for retirees under age 65 in 1996, and both rates are assumed to decrease gradually to 5.5% until 2001 and 2003, respectively, and remain at that rate thereafter. Increasing these rates by one percentage point in each year would have increased the accumulated postretirement benefit obligation as of December 30, 1995 by \$61 million and increased the aggregate of the service and interest cost components of postretirement benefit costs for 1995 by \$5 million.

13 Income Taxes

Textron files a consolidated federal income tax return which includes all U.S. subsidiaries. Separate returns are filed for Textron's foreign subsidiaries.

Income before income taxes is summarized as follows:

(In millions)	1995	1994	1993
United States	\$568	\$543	\$471
Foreign	245	211	145
Total	\$813	\$754	\$616

Income taxes are summarized as follows:

(In millions)	1995	1994	1993
Current:			
Federal	\$119	\$114	\$129
State	44	31	30
Foreign	66	71	47
	229	216	206
Deferred:			
Federal	86	80	27
State	(10)	4	1
Foreign	16	8	-
	92	92	28
Total	\$321	\$308	\$234

Following is a reconciliation of the federal statutory income tax rate to the effective income tax rate as reflected in the consolidated statement of income:

	1995	1994	1993
Federal statutory income tax rate	35.0%	35.0%	35.0%
Increase (decrease) in taxes resulting from:			
State income taxes	2.8	3.0	3.3
Goodwill	2.5	5.3	3.0
Effect of tax rate change on net deferred tax asset	-	-	(1.4)
Other - net	(.8)	(2.5)	(1.9)
Effective income tax rate	39.5%	40.8%<F*>	38.0%

<F*>The increase in the effective income tax rate is due primarily to the impact of the nontax deductibility of goodwill related to the sale of the Lycoming Turbine Engine division.

Textron's net deferred tax asset (liability) consisted of gross deferred tax assets and gross deferred tax liabilities of \$1,414 million and \$1,430 million, respectively, at December 30, 1995 and \$1,373 million and \$1,174 million, respectively, at December 31, 1994.

The components of Textron's net deferred tax asset (liability) as of December 30, 1995 and December 31, 1994 were as follows:

(In millions)	December 30, 1995	December 31, 1994
Obligation for postretirement benefits other than pensions	\$ 371	\$ 371
Finance subsidiary transactions, principally leasing	(324)	(295)
Insurance policy acquisition costs	(253)	(253)
Other insurance liabilities	162	171
Investment valuation	(161)	-
Fixed assets, principally depreciation	(146)	(123)
Deferred compensation and vacation pay	86	66
Allowance for credit losses	85	92

Liabilities for future policy benefits	73	63
Other, principally timing of other expense deductions	91	107

	\$ (16)	\$ 199
=====		

Deferred income taxes have not been provided for the undistributed earnings of foreign subsidiaries which aggregated approximately \$644 million at the end of 1995. Management intends to reinvest such undistributed earnings for an indefinite period, except for distributions upon which incremental taxes would not be material. If all such earnings were distributed, taxes (net of foreign tax credits) would be increased by approximately \$43 million, principally due to foreign withholding taxes.

At the end of 1995, consolidated shareholders' equity included \$84 million of U.S. life insurance subsidiaries' policyholders' surplus on which no income taxes have been provided. The amount of taxes which would become due if the surplus were distributed to the life insurance subsidiaries' shareholders is approximately \$29 million. Under present circumstances, it is not anticipated that any of these earnings will become taxable.

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14 Fair Value of Financial Instruments

The estimated fair value amounts indicated below have been determined by using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current market exchange.

(In millions)	December 30, 1995		December 31, 1994	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Assets:				
Investments	\$5,926	\$5,977	\$5,294	\$5,131
Finance receivables:				
Consumer loans	6,475	6,457	6,074	6,062
Commercial loans	2,050	2,087	1,846	1,862
Liabilities:				
Other policyholder funds	1,876	1,849	1,714	1,694
Debt:				
Textron Parent Company Borrowing Group:				
Debt	1,774	1,873	1,582	1,597
Interest rate exchange agreements	-	57	-	25
Finance and insurance subsidiaries:				
Debt	8,475	8,595	7,782	7,686
Interest rate exchange agreements	-	5	-	(25)
Foreign currency exchange contracts	-	6	-	12

Notes:

- (i) Investments - The estimated fair values of investment securities were based on quoted market prices where available, appraisals, prices from independent brokers or discounted cash flow analyses.
- (ii) Finance receivables - The estimated fair values of fixed rate consumer loans, real estate loans and commercial installment contracts were estimated based on discounted cash flow analyses. The estimated fair value of all variable rate receivables and fixed rate retail installment contracts approximated the net carrying value. The estimated fair values of nonperforming loans were based on independent appraisals, discounted cash flow analyses, using risk adjusted interest rates, or Textron valuations based upon the fair value of the related collateral.
- (iii) Other policyholder funds - The estimated fair value was based on the cash surrender value of Paul Revere's financial products portfolio.
- (iv) Debt, interest rate exchange agreements, and foreign currency exchange contracts - The estimated fair value of fixed rate debt was determined by either independent investment bankers or discounted cash flow analyses. The fair values of variable rate debt approximated their carrying values. The estimated fair values of interest rate exchange agreements were determined by independent investment bankers and represent the estimated amounts that Textron or its counterparty would be required to pay to assume the other party's obligations under the agreements. The estimated fair values of the foreign currency exchange contracts were determined by Textron's foreign exchange banks.

15 Contingencies

There are pending or threatened against Textron and its subsidiaries lawsuits and other proceedings, some of which allege violations of federal government procurement regulations, involve environmental matters, or are or purport to be class actions. Among these suits and proceedings are some which seek compensatory, treble or punitive damages in substantial amounts; fines, penalties or restitution; or the remediation of allegedly hazardous wastes; or, which under federal government procurement regulations could result in suspension or debarment of Textron or its subsidiaries from U.S. Government contracting for a period of time. On the basis of information presently available, Textron believes that any liability for these suits and proceedings, or the impact of the application of such government regulations, would not have a material effect on Textron's net income or financial condition.

Textron's accrued estimated environmental liabilities are based on assumptions which are subject to a number of factors and uncertainties which can affect the reliability and precision of such accruals, including additional sites which may be identified, environmental regulations, level of cleanup required and technologies available, number and financial condition of other contributors to remediation, and time period over which remediation, may occur. It is estimated that Textron's accrued environmental remediation liabilities will be paid primarily over the next five to ten years.

16 Geographic and Business Segment Data

Presented below and on page 22 is selected financial information by geographic area and business segment, and a description of the nature of Textron's operations.

Geographic areas (In millions)	Revenues by origin			Income by origin		
	1995	1994	1993	1995	1994	1993
United States	\$8,207	\$8,299	\$7,956	\$ 865	\$ 825	\$ 788
Canada	961	833	773	118	119	87
Asia/Pacific	412	231	167	64	46	35
Western Europe	393	318	178	63	46	23
	\$9,973	\$9,681	\$9,074	1,110	1,036	933
Corporate expenses and other - net				(98)	(78)	(85)
Interest expense - net				(199)	(204)	(232)
Income before income taxes				\$ 813	\$ 754	\$ 616

(In millions)	Destination of U.S. exports		
	1995	1994	1993
Western Europe	\$ 306	\$ 427	\$ 476
Asia/Pacific	235	161	236
Canada	208	252	214
Mexico	72	146	114
Middle East	43	62	113
Other locations	136	148	143
	\$1,000	\$1,196	\$1,296

(In millions)	Identifiable assets		
	1995	1994	1993
United States	\$18,395	\$16,827	\$16,155
Canada	2,008	1,800	1,674
Asia/Pacific	1,348	766	546
Western Europe	1,077	949	501
Corporate	467	642	834
Eliminations	(123)	(59)	(52)
	\$23,172	\$20,925	\$19,658

Notes:

- (i) Revenues include sales to the U.S. Government of \$1.3 billion, \$1.6 billion, and \$1.6 billion in 1995, 1994, and 1993, respectively.
- (ii) Revenues between geographic areas, predominantly revenues of U.S. divisions, were approximately 4% of total revenues in each of 1995, 1994, and 1993, respectively.
- (iii) Assets in foreign locations relate principally to the Financial Services segments.

Nature of operations

Textron is a global multi-industry company with manufacturing and financial services operations. Its principal markets (listed within segments in order of the amount of 1995 revenues) and the major locations of such markets are as follows:

Segment	Principal markets	Major locations
Aircraft	Military and commercial light and mid-sized helicopters; light and mid-sized business jets; and single-engine utility turboprop aircraft	North America and Asia/Pacific
Automotive	Automotive products sold to original equipment manufacturers	North America
Industrial	Fastening systems; golf and turf care equipment; and	North America and Western Europe

diversified products

Systems and Components	Commercial aerospace and defense products	North America and Western Europe
Finance	Consumer and commercial loans	North America, Asia/Pacific and Western Europe
Paul Revere	Disability insurance for professionals, corporate executives, and small business owners	North America

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17 Condensed Financial Information for Textron's Finance and Insurance Subsidiaries

Statement of Income (In millions) For each of the three years ended December 31,	1995	1994	1993
Revenues			
Interest, discount and service charges	\$1,565	\$1,333	\$1,260
Insurance premiums	1,412	1,233	1,137
Investment income (including net realized investment gains)	528	437	406
Total revenues	3,505	3,003	2,803
Costs and expenses			
Selling and administrative	902	821	790
Interest	614	459	432
Provision for losses on collection of finance receivables, less recoveries	169	162	153
Insurance benefits	1,332	1,099	993
Total costs and expenses	3,017	2,541	2,368
Income before income taxes	488	462	435
Income taxes	(189)	(179)	(173)
Net income	299	283	262
Minority interest in net income	(13)	(13)	(3)
Textron's equity in net income	\$ 286	\$ 270	\$ 259

Balance Sheet (In millions)	December 31, 1995	December 31, 1994
Assets		
Cash	\$ 43	\$ 29
Investments	5,919	5,265
Finance receivables - net	9,370	8,622
Other	2,536	1,932
Total assets	\$17,868	\$15,848
Liabilities and equity		
Accounts payable and accrued liabilities (including income taxes)	\$ 1,166	\$ 953
Insurance reserves and claims	5,358	4,685
Debt	8,475	7,782
Equity:		
Textron	2,636	2,246
Minority interest	233	182
Total liabilities and equity	\$17,868	\$15,848

Statement of Cash Flows (In millions) For each of the three years ended December 31,	1995	1994	1993
Net cash provided by operating activities	\$ 843	\$ 842	\$ 811
Net cash used by investing activities	(1,032)	(1,833)	(1,335)
Net cash provided by financing activities	203	1,006	535
Net increase in cash	14	15	11
Cash at beginning of year	29	14	3
Cash at end of year	\$ 43	\$ 29	\$ 14

- (i) TFC derives a substantial portion of its business from financing the sale and lease of products manufactured and sold by Textron. In 1995, 1994, and 1993, TFC paid Textron \$461 million, \$595 million, and \$617 million, respectively, for the purchase of receivables and operating lease equipment. Under operating agreements with Textron, TFC generally has recourse to Textron with respect to finance receivables and leases of products manufactured and sold by Textron. At the end of 1995, finance receivables and operating lease equipment of \$723 million (\$852 million at the end of 1994) were due from Textron or subject to recourse to Textron.
- (ii) Textron has agreed to cause TFC's pretax income available for fixed charges to be not less than 125% of its fixed charges and its consolidated shareholder's equity to be not less than \$200 million. No related payments were required for 1995, 1994, or 1993.
- (iii) Approximately 76%, 76%, and 73% of the credit life and credit disability insurance premiums earned and 21%, 25%, and 22% of the casualty insurance premiums earned in 1995, 1994, and 1993, respectively, were related directly to AFS' consumer loan activities.
- (iv) In the third quarter of 1995, Paul Revere transferred \$561 million of its investments into a trust fund in

connection with a reinsurance transaction.

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Quarterly Financial Information for 1995 and 1994

(Unaudited) (In millions except per share amounts)	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	1995	1994	1995	1994	1995	1994	1995	1994
Income Statement Data:								
Revenues								
Manufacturing	\$1,554	\$1,688	\$1,651	\$1,775	\$1,558	\$1,621	\$1,705	\$1,594
Financial Services	833	720	851	741	867	759	954	783
Total revenues	\$2,387	\$2,408	\$2,502	\$2,516	\$2,425	\$2,380	\$2,659	\$2,377
Income								
Manufacturing	\$ 140	\$ 119	\$ 164	\$ 136	\$ 152	\$ 146	\$ 166	\$ 173
Financial Services	116	120	115	120	131	114	126	108
Operating income	256	239	279	256	283	260	292	281
Corporate expenses and other - net	(21)	(17)	(22)	(17)	(29)	(24)	(26)	(20)
Interest expense - net	(50)	(53)	(52)	(54)	(46)	(51)	(51)	(46)
Income before income taxes	185	169	205	185	208	185	215	215
Income taxes	(73)	(65)	(81)	(71)	(82)	(71)	(85)	(101) <F*>
Elimination of minority interest in net income of Paul Revere	(3)	(4)	(3)	(4)	(4)	(3)	(3)	(2)
Net income	\$ 109	\$ 100	\$ 121	\$ 110	\$ 122	\$ 111	\$ 127	\$ 112
Net income per common share	\$ 1.25	\$ 1.10	\$ 1.40	\$ 1.22	\$ 1.41	\$ 1.23	\$ 1.45	\$ 1.26
Common Stock Information								
Price Range: High	\$ 57 1/8	\$ 60 5/8	\$ 61	\$ 56 3/4	\$ 70 1/8	\$ 56 1/2	\$ 77 3/8	\$ 52 1/2
Low	48 5/8	53 3/4	56	50 3/4	57 7/8	50 1/4	65 1/2	46 1/2
Dividend per share	.39	.35	.39	.35	.39	.35	.39	.35

<F*>The effective tax rate reflects the impact of the nontax deductibility of the \$58 million of goodwill related to the sale of the Lycoming Turbine Engine division.

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Five Year Summary

(Dollars in millions except per share amounts)	1995	1994	1993	1992	1991
Revenues					
Sales	\$ 6,468	\$ 6,678	\$ 6,271	\$ 5,616	\$ 5,211
Interest, discount and service charges	1,565	1,333	1,260	1,273	1,184
Insurance premiums	1,412	1,233	1,137	1,094	1,073
Investment income (including net realized investment gains)	528	439	410	365	372
Total revenues	9,973	9,683	9,078	8,348	7,840
Costs and expenses					
Cost of sales	5,294	5,514	5,210	4,560	4,185
Selling and administrative	1,552	1,489	1,438	1,402	1,330
Interest	813	665	668	743	754
Provision for losses on collection of finance receivables, less recoveries	169	162	153	160	135
Insurance benefits and increase in policy liabilities	1,195	992	850	824	812
Amortization of insurance policy acquisition costs	137	107	143	132	129
Total costs and expenses	9,160	8,929	8,462	7,821	7,345
Income before income taxes	813	754	616	527	495
Income taxes	(321)	(308)	(234)	(203)	(195)
Elimination of minority interest in net income of Paul Revere	(13)	(13)	(3)	-	-
Income before cumulative effect of changes in accounting principles	479	433	379	324	300
Cumulative effect of changes in accounting principles, net of income taxes	-	-	-	(679)	-
Net income (loss)	\$ 479	\$ 433	\$ 379	\$ (355)	\$ 300
Per common share:					
Income before cumulative effect of changes in accounting principles	\$ 5.51	\$ 4.80	\$ 4.21	\$ 3.66	\$ 3.42
Cumulative effect of changes in accounting principles	-	-	-	(7.67)	-
Net income (loss)	\$ 5.51	\$ 4.80	\$ 4.21	\$ (4.01)	\$ 3.42
Dividends declared	\$ 1.56	\$ 1.40	\$ 1.24	\$ 1.12	\$ 1.03
Average common shares outstanding	86,894,000	90,119,000	90,052,000	88,580,000	87,563,000
Financial position at year-end					
Total assets	\$23,172	\$20,925	\$19,658	\$18,367	\$15,737
Debt:					
Textron Parent Company Borrowing Group	\$ 1,774	\$ 1,582	\$ 2,025	\$ 2,283	\$ 1,820
Finance and insurance subsidiaries	\$ 8,475	\$ 7,782	\$ 6,847	\$ 6,440	\$ 5,664
Shareholders' equity	\$ 3,412	\$ 2,882	\$ 2,780	\$ 2,488	\$ 2,928
Book value per common share	\$ 39.92	\$ 33.45	\$ 31.18	\$ 28.11	\$ 33.65
Other data					
Capital expenditures	\$ 283	\$ 302	\$ 252	\$ 217	\$ 156
Depreciation	\$ 202	\$ 212	\$ 206	\$ 199	\$ 182
Common stock price range: High	\$ 77 3/8	\$ 60 5/8	\$ 58 7/8	\$ 44 3/4	\$ 39 1/2
Low	\$ 48 5/8	\$ 46 1/2	\$ 40 3/8	\$ 33 3/4	\$ 25
Number of common shareholders	26,000	27,000	28,000	30,000	31,000

52 T E X T R O N

Directory of Divisions

Aircraft

Bell Helicopter Textron
Webb F. Joiner, Chairman

P.O. Box 482
Fort Worth, TX 76101
(817) 280-2011

Helicopters and spare parts for the U.S. government, foreign governments and commercial markets; tiltrotor aircraft development; aftermarket sales of technical, training and logistics support services.

The Cessna Aircraft Company
Russell W. Meyer, Jr., Chairman and Chief Executive Officer

P.O. Box 7706
Wichita, KS 67277-7706
(316) 941-6000

Light and mid-size business jets and utility turboprop aircraft supported worldwide through a network of company-owned Citation service centers and authorized representatives.

Automotive

Textron Automotive Company
Headquarters
Derek Plummer, Chairman

Textron Automotive Trim Operations

750 Stephenson Highway
Troy, MI 48083
(810) 616-5100

Instrument panels, door panels, armrests, airbag doors, center consoles and headliners for totally integrated vehicle interiors. Injection molded and thermoplastic exterior ornamentation such as bumper covers, body side moldings, claddings and lighting components for automotive OEMs in North America and Europe.

CWC Castings Textron
John L. Kelly, President

1085 W. Sherman Blvd
Muskegon, MI 49441
(616) 733-1331

Gray iron and chilled iron castings, primarily camshafts, marketed directly to automobile and engine manufacturers in North America and Europe.

McCord Winn Textron
George F. Daniels, President

645 Harvey Road
Manchester, NH 03103
(603) 624-7300

Seating Comfort Systems, windshield washer systems, precision motors and components marketed directly to automotive OEMs and suppliers worldwide.

Micromatic Textron
Michael J. Brennan, President

345 East 48th Street
Holland, MI 49423
(616) 392-1461

Proprietary machine tools, components and assembly systems designed and manufactured for automotive, transportation and other commercial markets worldwide.

Randall Textron
Jane L. Warner, President

750 Stephenson Highway
Troy, MI 48083
(810) 616-5100

Functional and decorative metal stampings, rollformed components, fuel fillers, metal tubular products and synergistic assemblies for automotive and non-automotive markets.

Industrial

Avdel Textron
John C. Castle, President

Mundells
Welwyn Garden City
Hertfordshire AL7 1QB, England
011-44-1707-328-161

Specialized engineered fastening and assembly systems, including innovative hand-held and automatic assembly systems for global markets.

Camcar Textron
James R. MacGilvray, President
600-18th Avenue
Rockford, IL 61104-5181
(815) 961-5000

Cold-formed threaded and non-threaded metal fasteners and components, as well as synergistic assemblies that combine fasteners, stampings and molded plastics. Sold to automotive, appliance, business equipment, construction and other OEM and distributor markets.

T E X T R O N 53

Directory of Divisions

Industrial (continued)

Cherry Textron
George A. Andrews, President

P.O. Box 2157
Santa Ana, CA 92707-0157
(714) 545-5511

Proprietary blind rivet fastening systems, including hand-held and fully automated installation systems for aerospace markets. Supported by worldwide, engineering-oriented distribution system.

Cone Drive Textron
John G. Melvin, President

240 East Twelfth Street
Traverse City, MI 49685-0272
(616) 946-8410

Double enveloping worm gear speed reducers, gear motors and gear sets sold directly from Cone Drive's manufacturing locations to the mining, steel, aerospace, automotive, printing, packaging and brewing industries.

E-Z-GO Textron
L.T. Walden, Jr., President

P.O. Box 388
Augusta, GA 30903-0388
(706) 798-4311

Electric- and gasoline-powered golf cars for fleet and individual markets; multipurpose utility vehicles for the turf, industrial and commercial markets.

Elco Textron
John C. Lutz, President and Chief Executive Officer

1111 Samuelson Road
P.O. Box 7009
Rockford, IL 61125-7009
(815) 397-5155

Cold-formed and stamped metal parts and components, injection-molded thermoplastic parts, and synergistic assemblies that combine these disciplines for the commercial and automotive OEM markets and the commercial construction market; fasteners and related packaged products to the do-it-yourself, consumer retail market.

Greenlee Textron
Barclay S. Olson, President

4455 Boeing Drive
Rockford, IL 61109
(815) 397-7070

Powered equipment, electrical test instruments and hand tools used for the installation of electrical, communications, and security cabling systems in residential, commercial and industrial facilities.

Jacobsen Textron
Philip J. Tralies, President

1721 Packard Avenue
Racine, WI 53403-2564
(414) 637-6711

Professional mowing and turf maintenance equipment for golf course and commercial use including greens and fairway mowers, trim and

rotary mowers, aerators, work trucks and other powered turf maintenance equipment.

Speidel Textron
William R. Jahnke, President

70 Ship Street
Providence, RI 02903
(401) 421-8600

Watch attachments made from metal, leather and plastic materials; fashion jewelry products including identification bracelets, neckchains and watches. Sold primarily by Speidel's direct sales force to retail jewelers, department and drugstores and select mass merchandisers. Designs and manufactures attachments for several watch companies.

Systems and Components

Fuel Systems Textron
Michael Boston, President

700 N. Centennial
Zeeland, MI 49464
(616) 772-9171

Fuel systems components for aircraft and industrial gas turbine engines (OEM and aftermarket service), including main engine fuel injection devices, fuel metering and distribution valves, and augmentor fuel systems. Sold to the world's major engine builders, the U.S. government and commercial airlines.

HR Textron
Bradley W. Spahr, President

25200 W. Rye Canyon Rd.
Valencia, CA 91355
(805) 294-6000

Sophisticated control systems for prime contractors and the U.S. government for use in high-performance aircraft, helicopters, missiles, space launch vehicles and turbine engines; servovalves; fuel and pneumatic systems components; and automatic test equipment.

Textron Aerostructures
Dick Wells, President

P.O. Box 210
Nashville, TN 37202
(615) 361-2000

Aircraft wings and components for the business jet and regional commuter markets as well as for the commercial and military transport markets; design assistance to customers.

54 T E X T R O N

Directory of Divisions

Systems and Components (continued)

Textron Lycoming
Philip R. Boob, President

652 Oliver Street
Williamsport, PA 17701
(717) 323-6181

Piston aircraft engines and replacement parts for the general aviation market. Remanufacture and overhaul of Lycoming engines. Aftermarket sales and service through a worldwide distribution network.

Textron Marine & Land Systems
John J. Kelly, President

6600 Plaza Drive
New Orleans, LA 70127
(504) 245-6600

Air cushion amphibious landing craft for the U.S. Navy and international markets; a new class of motor lifeboat for the Coast Guard; Surface Effect Ships and commercial air cushion vehicles; Cadillac Gage armored combat vehicles, turrets, and advanced suspension systems for U.S. and foreign customers.

Textron Systems
Richard J. Millman, President

201 Lowell Street
Wilmington, MA 01887
(508) 657-5111

"Smart" weapons development and production based on sensor fuzed munitions technology; aircraft landing systems; surveillance systems; infrared detectors; energy technology; special, high-performance materials sold worldwide to aerospace, automotive, industrial and sporting goods manufacturers, as well as major oil and chemical processing companies.

Turbine Engine Components Textron
G.L. (Topper) Long, President

1211 Old Albany Road
Thomasville, GA 31792
(912) 228-2600

Gas turbine engine components including fan and compressor blades, vanes, disks, hubs, diffusers, short shafts, impellers, integrally bladed rotors, combustor housings, air collectors, frames, cases, and forgings for engine manufacturers and the spare parts market.

Finance

Avco Financial Services
Warren R. Lyons, Chairman; Stephen J. Davis, Vice Chairman

Plaza Tower
600 Anton Blvd.
P.O. Box 5011
Costa Mesa, CA 92628-5011
(714) 435-1200

Consumer financing, both unsecured and secured by personal property, through nearly 1,200 AFS loan offices in the United States, Australia, Canada, New Zealand, Spain, the United Kingdom and Hong Kong; credit life and disability insurance, collateral protection, involuntary unemployment insurance, and credit property and property/casualty insurance.

Textron Financial Corporation
Stephen A. Giliotti, President

40 Westminster Street
P.O. Box 6687
Providence, RI 02940-6687
(401) 621-4200

Broad spectrum of commercial lending products: equipment leasing and lending, floorplanning, asset-based lending, receivables financing, small business loans, and syndications. Aircraft, timeshare resorts, and golf courses are among numerous industries served directly through 29 offices in the U.S., and indirectly through relationships with financial intermediaries and Textron manufacturers and product dealers.

Paul Revere

The Paul Revere Corporation
Charles E. Soule, President and Chief Executive Officer

18 Chestnut Street
Worcester, MA 01608
(508) 799-4441

Individual non-cancellable and group long-term disability income insurance products designed for professionals, corporate executives and small business owners; group life and dental insurance; individual life and annuities. Listed on NYSE (PRL).

T E X T R O N 55

Board of Directors

James F. Hardymon <F1> Chairman and Chief Executive Officer
Textron Inc.
Providence, RI

Lewis B. Campbell <F1> President and Chief Operating Officer
Textron Inc.
Providence, RI

H. Jesse Arnelle <F4>,<F5> Senior Partner
Arnelle, Hastie, McGee, Willis & Greene
San Francisco, CA

R. Stuart Dickson <F1>,<F2>,<F5> Formerly Chairman
Ruddick Corporation (diversified holding company) Charlotte, NC

Paul E. Gagne
President and Chief Executive Officer
Avenor Inc. (forest products firm)
Montreal, Quebec, Canada

B.F. Dolan <F1>,<F3> Retired Chairman
Textron Inc.
Charlotte, NC

John D. Macomber <F1>,<F2>,<F3> Principal
JDM Investment Group (private investment firm) Washington, DC

Barbara Scott Preiskel <F3>,<F5> Formerly Senior Vice President and General Counsel Motion Picture Association
New York, NY

Brian H. Rowe
Retired Chairman
GE Aircraft Engines
Cincinnati, OH

Sam F. Segnar <F3>,<F4> Retired Chairman and Chief Executive Officer Enron Corporation (diversified natural gas company) Houston, TX

Jean Head Sisco <F2>,<F4> Partner
Sisco Associates (international trade consulting firm) Washington, DC

John W. Snow <F1>,<F4> Chairman, President and Chief Executive Officer CSX Corporation (diversified transportation company) Richmond, VA

Martin D. Walker <F1>,<F4> Chairman and Chief Executive Officer
M.A. Hanna Company (an international specialty chemicals company) Cleveland, OH

Thomas B. Wheeler <F2>,<F5> President and Chief Executive Officer
Massachusetts Mutual Life Insurance Company Springfield, MA

Numbers indicate committee memberships

[FN]

<F1> Executive Committee: Chairman, James F. Hardymon

<F2> Audit Committee: Chairman, Jean Head Sisco

<F3> Nominating Committee: Chairman, Barbara Scott Preiskel

<F4> Organization and Compensation Committee: Chairman, Martin D. Walker

<F5> Pension Committee: Chairman, Thomas B. Wheeler

Management Committee

James F. Hardymon<F*> Chairman and Chief Executive Officer

Lewis B. Campbell
President and Chief Operating Officer

Mary L. Howell<F**> Executive Vice President Government and International

Wayne W. Juchatz
Executive Vice President and General Counsel

Stephen L. Key
Executive Vice President and Chief Financial Officer

William F. Wayland<F**> Executive Vice President Administration and Chief Human Resources Officer

Operating Committee

Lewis B. Campbell
President and Chief Operating Officer

Carl D. Burtner<F**> Vice President Human Resources

Herbert L. Henkel<F*> President
Textron Industrial Products

Webb F. Joiner<F***> Chairman
Bell Helicopter Textron

Warren R. Lyons<F**> Chairman
Avco Financial Services

Harold K. McCard<F***> Senior Vice President Operations

Russell W. Meyer, Jr.<F***> Chairman and Chief Executive Officer
Cessna Aircraft Company

Gero Meyersiek
Vice President International

Derek Plummer<F***> Chairman
Textron Automotive Company

Charles E. Soule<F***> President and Chief Executive Officer
The Paul Revere Corporation

Terry D. Stinson
President
Textron Aerospace Systems and Components

Richard L. Yates<F**> Vice President and Controller

Corporate Staff Officers

Peter B.S. Ellis

Vice President Strategic Planning

Douglas A. Fahlbeck<F**> Vice President Mergers and Acquisitions

Arnold M. Friedman<F***> Vice President and Deputy General Counsel

William B. Gauld
Vice President Corporate Information Management and Chief Information Officer

Gregory E. Hudson<F*> Vice President Taxes

William P. Janovitz<F**> Vice President Financial Reporting

Mary F. Lovejoy
Vice President Investor Relations

Frank W. McNally<F*> Vice President Employee Relations and Benefits

Richard A. McWhirter<F***> Executive Vice President and Corporate Secretary

Daniel L. Shaffer<F**> Vice President Audit and Business Ethics

Richard F. Smith<F**> Vice President Government Affairs

Richard A. Watson<F***> Senior Vice President and Treasurer

John F. Zugschwert
Vice President Government Marketing

Service with Textron and its subsidiaries/ divisions:

[FN]

<F*>5 - 9 years <F**>10 - 19 years <F***>20 years and over

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Shareholder Information

Annual Meeting To Be Held April 24 in Rockford, Illinois The annual meeting of Textron shareholders will be held at 10:30 a.m. on Wednesday, April 24, 1996, at The Clock Tower Resort and Conference Center, 7801 E. State Street, Rockford, IL 61125. Shareholders are encouraged to attend.

About Your Securities and Records

The common stock of Textron Inc. is listed on the New York, Chicago and Pacific Stock Exchanges and quoted in the daily stock table carried by most newspapers. The ticker symbol for Textron is TXT. Textron's preferred stocks are traded only on the New York Stock Exchange. First Chicago Trust Company of New York, 14 Wall Street, Suite 4680, New York, New York 10005, acts as transfer agent, registrar and dividend paying agent for Textron stock and maintains all shareholder records for the corporation. First Chicago also acts as conversion agent for Textron's \$2.08 preferred stock and its \$1.40 preferred dividend stock.

Shareholders may obtain information relating to their share position, dividends, transfer requirements, lost certificates, conversion rights, dividend reinvestment accounts and other related matters by telephoning First Chicago Trust Company of New York's "Telephone Response Center" and speak to a customer service representative at (201) 324-1225. Shareholders must provide their tax identification number, the name (s) in which their shares are registered and their record address when they request information. This service is available to all shareholders Monday through Friday 9:00 a.m. to 5:00 p.m. Eastern Time. Shareholders also may obtain this and other information about their holdings by writing to First Chicago Trust Company of New York at P.O. Box 2500, Jersey City, New Jersey 07303-2500.

Dividend Payments Mailed Quarterly

Quarterly dividends are mailed with the intent of reaching shareholders of common and preferred stock on the first business day of January, April, July and October. Postal delays may cause actual receipt dates to vary.

Free Automatic Dividend Reinvestment

Textron's Shareholder Investment Service offers common shareholders of record a convenient way to purchase additional shares of Textron common stock without paying brokerage, commission or other service fees.

Participants in the plan may choose to have all or part of their dividends automatically reinvested, to make additional cash payments or to do both in purchasing shares of Textron common stock. Brokerage expenses for these purchases are paid by Textron. Personal recordkeeping is simplified by an account statement that is mailed to participants.

More information and an authorization form may be obtained by writing to First Chicago Trust Company of New York, P.O. Box 2500, Jersey City, New Jersey 07303-2500 or by calling (201) 324-1225.

Shareholder Information and Investor Relations Inquiries Questions regarding Textron, investor relations matters or requests for financial information should be directed to the Corporate Communications Department, Textron Inc., 40 Westminster Street, Providence, Rhode Island 02903 or by calling (401) 457-6050.

For more information regarding Textron and its divisions, visit our worldwide web site on the Internet at <http://www.textron.com>

Form 10-K Available

After April 1, 1996, shareholders may, without charge, obtain copies of Textron's Form 10-K annual report filed with the Securities and Exchange Commission. Requests for this report should also be addressed to Textron's Corporate Communications Department.

This annual report is printed on recycled paper.

TEXTRON INC. - SIGNIFICANT SUBSIDIARIES

(as of December 30, 1995)

Set forth below are the names of certain subsidiaries of Textron Inc. Other subsidiaries which, considered in the aggregate, do not constitute a significant subsidiary are omitted from such list.

Name of Subsidiary	Place of Incorporation
Avco Corporation	Delaware
ARS Two Inc.	Delaware
Avco Community Developers, Inc.	California
Textron Pacific Limited	Australia
Avco Financial Services, Inc. (1)	Delaware
Bell Helicopter Services Inc.	Delaware
Bell Helicopter Asia (Pte) Limited	Singapore
Bell Helicopter Textron Inc.	Delaware
Cadillac Gage Textron Inc.	Michigan
Cessna Aircraft Company, The	Kansas
Cone Drive Operations Inc.	Delaware
Elco Textron Inc.	Delaware
Fuel Systems Textron Inc.	Delaware
Greenlee Textron Inc.	Delaware
HR Textron Inc.	Delaware
McCord Corporation	Michigan
Textron Automotive Interiors Inc.	Delaware
Davidson Overseas Investment Inc.	Delaware
Davidson Marley B.V. (2)	Netherlands
Textron Automotive Functional Components Inc. - McCord Winn Division	Massachusetts
Micromatic Operations Inc.	Delaware
Micro-Precision Operations Inc.	Delaware
The Paul Revere Corporation (3)	Massachusetts
The Paul Revere Life Insurance Company	Massachusetts

The Paul Revere Protective Life Insurance Company Delaware The Paul Revere Variable Annuity Insurance Company Massachusetts The Paul Revere Equity Sales Company Massachusetts The Paul Revere Investment Management Company Massachusetts

(1) See page 3 hereof for details of subsidiaries of Avco Financial Services, Inc.

(2) 50% owned by Davidson Overseas Investment Inc.

(3) The Paul Revere Corporation is 83% owned by Textron Inc. and 17% publicly owned.

Name of Subsidiary	Place of Incorporation
Textron Atlantic Inc.	Delaware
Avdel plc	England
Bell Helicopter Supply Center B.V.	Netherlands
Marly ORAG S.A.	France
ORAG Italia S.R.L.	Italy
ORAG Scandinavia A/S	Denmark
ORAG Textron A.G.	Switzerland
Textron Atlantic Belgium S.A.	Belgium
Textron Atlantic GmbH	Germany
ORAG Deutschland GmbH	Germany
Freidr. Boesner GmbH (4)	Germany
Textron Limited	United Kingdom
Textron Automotive Exteriors Inc.	Delaware
Textron Financial Corporation	Delaware
Cessna Finance Corporation	Kansas
Textron FSC Inc.	Barbados
Textron Properties Inc.	Delaware
Textron Canada Limited (5)	Canada
Textron Realty Corporation	Delaware
Textron Realty Operations (Wheatfield) Inc.	Delaware
Textron S.A. de C.V.	Mexico
Textron Automotive Company de Mexico, S.A. de C.V.	Mexico
Turbine Engine Components Textron Inc.	Delaware
Turbine Engine Components Textron (Danville and Thomasville Operations) Inc.	Delaware

Turbine Engine Components Textron (Cleveland Operations) Inc. Delaware Turbine Engine Components Textron (Danvers Operations) Inc. Massachusetts Turbine Engine Components Textron (Newington Operations) Inc. Connecticut Turbine Engine Components Textron (Santa Fe Springs Operations) Inc. California Wolverine Metal Specialties, Inc. Michigan

(4) 99% of the capital stock of Freidr. Boesner GmbH is owned by ORAG Deutschland GmbH, and the remaining 1% is owned by Textron Atlantic Holdings Inc.

(5) 64.5% of the capital stock of Textron Canada Limited is held by Textron Properties Inc. and the remaining 35.5% by Textron Inc.

Name of Subsidiary	Place of Incorporation
AFS Corporation (1)	Delaware
Avco DC Corporation (1)	Delaware
Avco Enterprises, Inc. (3)	California
Avco Financial Services Canada Limited (2)	Ontario
Avco Financial Services International, Inc. (3)	Nebraska
Avco Financial Services Ltd. (1)	Australian Capital Territory
Avco Financial Services Limited (3)	New Zealand
Avco Group Limited (1)	United Kingdom
Avco National Bank (4)	California
Balboa Insurance Company (1)	California
Balboa Life Insurance Company (3)	California
Family Insurance Corporation (3)	Wisconsin
Meritplan Insurance Company (5)	California
Newport Insurance Company (5)	Arizona

-
- (1) Owned by Avco Financial Services International, Inc.
 - (2) Owned by AFS Corporation and Avco DC Corporation
 - (3) Owned by Avco Financial Services, Inc.
 - (4) Owned by Avco Enterprises, Inc.
 - (5) Owned by Balboa Insurance Company

Exhibit 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Textron Inc. of our report dated January 25, 1996, included in the 1995 Annual Report to Shareholders of Textron Inc.

Our audits also included the financial statement schedules of Textron Inc. listed in the accompanying Index to Financial Statements and Financial Statement Schedules. These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statements (Form S-3 No. 33-46501, Form S-3 No. 33- 63227, Form S-8 No. 2-78073, Form S-8 No. 2-95413, Form S-8 No. 33-00668, Form S-8 No. 33-19402, Form S-8 No. 33-37139, Form S-8 No. 33-38094, Form S-8 No. 33-57025 and Form S-8 No. 33-63741) of Textron Inc. and in the related Prospectuses and Prospectus Supplements of our report dated January 25, 1996, with respect to the consolidated financial statements and schedules of Textron Inc. included or incorporated by reference in this Annual Report (Form 10-K) for the year ended December 30, 1995.

/s/ Ernst & Young LLP

*New York, New York
March 11, 1996*

POWER OF ATTORNEY

The undersigned, Textron Inc. ("Textron") a Delaware corporation, and the undersigned directors and officers of Textron, do hereby constitute and appoint Wayne W. Juchatz, Arnold

M. Friedman, Michael D. Cahn and Ann T. Willaman, and each of them, with full powers of substitution, their true and lawful attorneys and agents to do or cause to be done any and all acts and things and to execute and deliver any and all instruments and documents which said attorneys and agents, or any of them, may deem necessary or advisable in order to enable Textron to comply with the Securities and Exchange Act of 1934, as amended, and any requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing of Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995, including specifically, but without limitation, power and authority to sign the names of the undersigned directors and officers in the capacities indicated below and to sign the names of such officers on behalf of Textron to such Annual Report filed with the Securities and Exchange Commission, to any and all amendments to such Annual Report, to any instruments or documents or other writings in which the original or copies thereof are to be filed as a part of or in connection with such Annual Report or amendments thereto, and to file or cause to be filed the same with the Securities and Exchange Commission; and each of the undersigned hereby ratifies and confirms all that such attorneys and agents, and each of them, shall do or cause to be done hereunder and such attorneys and agents, and each of them, shall have, and may exercise, all of the powers hereby conferred.

IN WITNESS WHEREOF, Textron has caused this Power of Attorney to be executed and delivered in its name and on its behalf by the undersigned duly authorized officer and its corporate seal affixed, and each of the undersigned has signed his or her name thereto, on this 28th day of February, 1995.

TEXTRON INC.

By /s/James F. Hardymon
James F. Hardymon
Chairman and Chief
Executive Officer

ATTEST:

/s/Richard A. McWhirter
Richard A. McWhirter
Executive Vice President and
Corporate Secretary

/s/James F. Hardymon
James F. Hardymon
Chairman and Chief
Executive Officer, Director
(principal executive officer)

/s/Barbara Scott Preiskel
Barbara Scott Preiskel
Director

/s/Lewis B. Campbell
Lewis B. Campbell
President and Chief Operating
Officer, Director

/s/ Brian H. Rowe
Brian H. Rowe
Director

/s/H. Jesse Arnelle
H. Jesse Arnelle
Director

/s/ Sam F. Segnar
Sam F. Segnar
Director

/s/R. Stuart Dickson
R. Stuart Dickson
Director

/s/ Jean Head Sisco
Jean Head Sisco
Director

/s/B.F. Dolan
B.F. Dolan
Director

/s/John W. Snow
John W. Snow
Director

/s/Paul E. Gagne
Paul E. Gagne
Director

/s/Martin D. Walker
Martin D. Walker
Director

/s/John D. Macomber
John D. Macomber
Director

/s/Thomas B. Wheeler
Thomas B. Wheeler
Director

/s/Stephen L. Key
Stephen L. Key
Executive Vice President
and Chief Financial Officer
(principal financial officer)

/s/Richard L. Yates

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

Exhibit 24.2

TEXTRON INC.

Assistant Secretary's Certificate

I, ANN T. WILLAMAN, a duly elected Assistant Secretary of TEXTRON INC., a Delaware corporation (hereinafter, the "Corporation"), DO HEREBY CERTIFY that set forth below is a true and correct copy of a resolution passed at a meeting of the Corporation's Board of Directors held on February 28, 1996, at which a quorum was present and voted throughout:

RESOLVED, that the officers of the Corporation be, and they hereby are, authorized in the name and on behalf of the Corporation to execute and deliver a power of attorney appointing Wayne W. Juchatz, Arnold M. Friedman, Michael D. Cahn and Ann T. Willaman, or any of them, to act as attorneys-in-fact for the Corporation for the purpose of executing and filing the Corporation's Annual Report on Form 10-K for its fiscal year ended December 30, 1995, and any and all amendments thereto.

I DO HEREBY FURTHER CERTIFY that the foregoing resolution has been neither amended nor modified, and remains in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Corporate seal of TEXTRON INC. to be affixed as of the 13th day of March, 1996.

CORPORATE SEAL

*/s/Ann T. Willaman
Assistant Secretary*

ARTICLE 5

This schedule contains summary financial information extracted from Textron Inc.'s Consolidated Balance Sheet as of December 30, 1995 and Consolidated Statement of Income for the year ended December 30, 1995 and is qualified in its entirety by reference to such financial statements.

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 30 1995
PERIOD END	DEC 30 1995
CASH	99
SECURITIES	0
RECEIVABLES	10,671
ALLOWANCES	270
INVENTORY	1,284
CURRENT ASSETS	0
PP&E	3,060
DEPRECIATION	1,652
TOTAL ASSETS	23,172
CURRENT LIABILITIES	0
BONDS	10,249
COMMON	12
PREFERRED MANDATORY	0
PREFERRED	15
OTHER SE	3,385
TOTAL LIABILITY AND EQUITY	23,172
SALES	6,468
TOTAL REVENUES	9,973
CGS	5,294
TOTAL COSTS	6,626
OTHER EXPENSES	0
LOSS PROVISION	169
INTEREST EXPENSE	813
INCOME PRETAX	813
INCOME TAX	321
INCOME CONTINUING	479
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	479
EPS PRIMARY	5.51
EPS DILUTED	5.51

End of Filing

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