TEXTRON INC
Form DEF 14A
March 12, 2009

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

SCHEDULE 14A

(RULE 14a-101)
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

Textron Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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NOTICE OF ANNUAL MEETING

To the Shareholders of Textron Inc.:

The 2009 annual meeting of shareholders of Textron Inc. will be held on Wednesday, April 22, 2009, at 11:00 a.m. at The Renaissance Providence Hotel, 5 Avenue of the Arts, Providence, Rhode Island for the following purposes:

1. To elect three directors in Class I for a term of three years and until their successors are duly elected or appointed, which is **recommended** by the Board of Directors (Items 1 through 3 on the proxy card).

2. To ratify the appointment by the Audit Committee of Ernst & Young LLP as Textron's independent registered public accounting firm for 2009, which is **recommended** by the Board of Directors (Item 4 on the proxy card).

3. To transact any other business as may properly come before the meeting or any adjournment or postponement of the meeting.

You are entitled to vote all shares of common and preferred stock registered in your name at the close of business on February 27, 2009. If you attend the meeting and desire to vote in person, your proxy will not be used. If your shares are held in the name of your broker or bank and you wish to attend the meeting in person, you should request your broker or bank to issue you a proxy covering your shares.

Whether or not you plan to attend the meeting, we urge you to complete, sign and date the enclosed proxy card and return it in the accompanying postage-paid envelope as soon as possible so that your shares may be represented at the meeting. Shareholders of record also have the option of voting their shares via the Internet or by using a toll-free telephone number. Instructions on how to vote either via the Internet or by telephone are included on the proxy card.

A list of shareholders entitled to vote at the 2009 annual meeting will be open to examination by any shareholder, for any purpose germane to the meeting, for ten days prior to the meeting at Textron's principal executive office, 40 Westminster Street, Providence, Rhode Island 02903.

Sincerely,

Lewis B. Campbell
Chairman and Chief Executive Officer

Providence, Rhode Island
March 11, 2009

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 22, 2009

The Company's Proxy Statement for the 2009 Annual Meeting of Shareholders, the Annual Report to Shareholders for the fiscal year ended January 3, 2009 and the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 2009 are available at *www.textron.com/Investor Relations Annual Report and Proxy Materials.*

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YOUR VOTE IS IMPORTANT

If you are a shareholder of record, you can now vote your shares via the Internet or by using a toll-free telephone number by following the instructions on your proxy card. If voting by mail, please complete, date and sign your proxy card and return it as soon as possible in the enclosed postage-paid envelope.

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TEXTRON INC.

PROXY STATEMENT

General

This proxy statement, which is being mailed on or about March 11, 2009, to each person entitled to receive the accompanying notice of annual meeting, is furnished in connection with the solicitation by the Board of Directors of Textron Inc. of proxies to be voted at the annual meeting of shareholders to be held on April 22, 2009, at 11:00 am, and at any adjournments or postponements thereof. Textron's principal executive office is located at 40 Westminster Street, Providence, Rhode Island 02903.

Shareholders Who May Vote

All shareholders of record at the close of business on February 27, 2009, will be entitled to vote. As of February 27, 2009, Textron had outstanding 243,446,668 shares of Common Stock; 66,923 shares of $2.08 Cumulative Convertible Preferred Stock, Series A; and 33,944 shares of $1.40 Convertible Preferred Dividend Stock, Series B (preferred only as to dividends), each of which is entitled to one vote with respect to each matter to be voted upon at the meeting. Proxies are solicited to give all shareholders who are entitled to vote on the matters that come before the meeting the opportunity to do so whether or not they attend the meeting in person.

Voting

All shareholders may vote by mail. *Shareholders of record can also vote via the Internet or by using the toll-free telephone number listed on the proxy card.* Internet and telephone voting information is provided on the proxy card. A control number, located on the lower right portion of the proxy card, is designated to verify a shareholder's identity and allow the shareholder to vote the shares and confirm that the voting instructions have been recorded properly. *If you vote via the Internet or by telephone, please do not return a signed proxy card.* Shareholders who hold their shares through a bank or broker can vote via the Internet or by telephone if these options are offered by the bank or broker.

If voting by mail, please complete, sign, date and return your proxy card enclosed with the proxy statement in the accompanying postage-paid envelope. You can specify how you want your shares voted on each proposal by marking the appropriate boxes on the proxy card. If your proxy card is signed and returned without specifying a vote or an abstention on any proposal, it will be voted according to the recommendation of the Board of Directors on that proposal. That recommendation is shown for each proposal on the proxy card.

If your shares are held in the name of your broker or bank and you wish to vote in person at the meeting, you should request your broker or bank to issue you a proxy covering your shares.

Savings Plan Participants

If you are a participant in a Textron savings plan with a Textron stock fund as an investment option, the accompanying proxy card shows the number of shares allocated to your account under the plan. When you vote via the Internet or by telephone, or your proxy card is returned properly signed, the plan trustee will vote your proportionate interest in the plan shares in the manner you direct, or if you vote by mail and make no direction, in proportion to directions received from the other plan participants (except for any shares allocated to your Tax Credit Account under the Textron Savings Plan, which will be voted only as you direct). All directions will be held in confidence.

Revoking a Proxy

Whether voting by mail, via the Internet or by telephone, if you are a shareholder of record you may revoke your proxy at any time before it is voted by submitting a new proxy with a later date, voting via the Internet or by telephone at a later time, delivering a written notice of revocation to Textron's corporate secretary, or voting in person at the meeting. If your shares are held in the name of your broker or bank, you may change or revoke your voting instructions by contacting the bank or brokerage firm or other nominee holding the shares or by obtaining a legal proxy from such institution and voting in person at the annual meeting.

Required Vote

A quorum is required to conduct business at the meeting. A quorum requires the presence, in person or by proxy, of the holders of a majority of the votes entitled to be cast at the meeting. Abstentions and broker "non-votes" are counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when you fail to provide voting instructions to your broker for shares owned by you but held in the name of your broker. Under those circumstances, your broker may be authorized to vote for you on some routine items but is prohibited from voting on other items. Those items for which your broker cannot vote result in broker non-votes.

Election of each of the three nominees for director requires a vote of the majority of the votes cast at the meeting, which means that the number of shares voted "for" a nominee for director must exceed the number of shares voted "against" that nominee. Abstentions and broker non-votes are not counted for this purpose and will have no effect on the outcome of the election.

Approval of the ratification of the appointment of the independent registered public accounting firm requires the affirmative vote of a majority of shares present in person or represented by proxy, and entitled to vote on the matter. For that purpose, if you vote to "abstain" on the proposal, your shares will be treated as present and will have the same effect as if you voted against the proposal. Broker non-votes, however, are not counted for such purpose and have no effect on the outcome of the vote. All shareholders vote as one class.

Costs of Proxy Solicitation

Textron pays all the cost of this solicitation of proxies. Textron will request that persons who hold shares for others, such as banks and brokers, solicit the owners of those shares and will reimburse them for their reasonable out-of-pocket expenses for those solicitations. In addition to solicitation by mail, Textron employees may solicit proxies by telephone, by electronic means and in person, without additional compensation for these services. Textron has hired D.F. King & Co., Inc., of New York, New York, a proxy solicitation organization, to assist in this solicitation process for a fee of $16,500, plus reasonable out-of-pocket expenses.

Confidential Voting Policy

Under Textron's policy on confidential voting, individual votes of shareholders are kept confidential from Textron's directors, officers and employees, except for certain specific and limited exceptions. Comments of shareholders written on proxies or ballots are transcribed and provided to Textron's corporate secretary. Votes are counted by employees of American Stock Transfer & Trust Company, LLC ("AST"), Textron's independent transfer agent and registrar, and certified by Inspectors of Election who are employees of AST.

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Attending the Meeting

If your shares are held in the name of your bank or broker and you plan to attend the meeting, please bring proof of ownership with you to the meeting. A bank or brokerage account statement showing that you owned voting stock of Textron on February 27, 2009, is acceptable proof. If you are a shareholder of record, no proof is required.

ELECTION OF DIRECTORS

The Board of Directors is composed of three classes of directors, designated Class I, Class II and Class III. One class of directors is elected each year to hold office for a three-year term and until successors of such class are duly elected or appointed and qualified. It is the intention of the persons named in the accompanying proxy card, unless otherwise instructed, to vote "For" Lewis B. Campbell, Lawrence K. Fish and Joe T. Ford to Class I. Each nominee presently serves as a director of Textron. If any director nominee is unable or unwilling to serve as a nominee at the time of the annual meeting, the persons named as proxies may vote for a substitute nominee designated by the present Board to fill the vacancy or for the balance of the nominees, leaving a vacancy. Information is furnished below with respect to each nominee for election and each director continuing in office. H. Jesse Arnelle, a director since 1993, retired from the Board in April 2008. **The Board of Directors recommends a vote FOR each of the director nominees (Items 1 through 3 on the proxy card).**

Nominees for Director

Class I Terms Expiring in 2012

Lewis B. Campbell **Director Since 1994**

Mr. Campbell, 62, is Chairman and Chief Executive Officer of Textron. He joined Textron in 1992 as Executive Vice President and Chief Operating Officer, became President and Chief Operating Officer in 1994, assumed the title of Chief Executive Officer and relinquished the title of Chief Operating Officer in July 1998, assumed the title of Chairman and relinquished the title of President in 1999, reassumed the title of President in 2001 and again relinquished the title of President in January 2009. Prior to joining Textron he was a Vice President of General Motors Corporation and General Manager of its GMC Truck Division. Mr. Campbell is a director of Bristol-Myers Squibb Co.

Lawrence K. Fish **Director Since 1999**

Mr. Fish, 64, was Chairman and Chief Executive Officer of Citizens Financial Group, Inc., a multi-state bank holding company. He was named Chairman, President and Chief Executive Officer upon joining the bank in 1992 and held that position until relinquishing the title of President in 2005 and the title of Chief Executive Officer in 2007 and retiring in March 2009. He is a director of Tiffany & Co.

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Joe T. Ford **Director Since 1998**

Mr. Ford, 71, was Chairman of the Board of ALLTEL Corporation, a telecommunications company. He was named President of ALLTEL upon its formation in 1983 from a merger between Allied Telephone Company and Mid-Continent Telephone Corporation, became Chief Executive Officer in 1987, assumed the title of Chairman in 1991 and retired as the Chief Executive Officer in July 2002, and he retired as Chairman in November 2007. Mr. Ford currently is a partner in Westrock Capital Partners, LLC, a private investment company. Mr. Ford is a director of EnPro Industries, Inc.

Directors Continuing in Office

Class II Terms Expiring in 2010

Kathleen M. Bader **Director Since 2004**

Ms. Bader, 58, was President and Chief Executive Officer of NatureWorks LLC, which makes proprietary plastic resins and was formerly known as Cargill Dow LLC. Formerly she was a Business President of a $4.2 billion plastics portfolio at the Dow Chemical Company, a diversified chemical company. She joined Dow in 1973, held various management positions in Dow's global and North American operations, before becoming Chairman, President and Chief Executive Officer of Cargill Dow LLC, at the time an equal joint venture between Dow and Cargill Incorporated, in February 2004. She assumed the position of President and Chief Executive Officer of NatureWorks in February 2005 following Cargill's acquisition of Dow's interest in Cargill Dow and served in that position until her retirement in January 2006.

R. Kerry Clark **Director Since 2003**

Mr. Clark, 56, is Chairman and Chief Executive Officer of Cardinal Health, Inc., a leading provider of services supporting the health care industry. He joined Cardinal Health in April 2006 as President and Chief Executive Officer and became Chairman in November 2007. Prior to joining Cardinal Health he was Vice Chairman of the Board, P&G Family Health, and a director of The Procter and Gamble Company, which markets consumer products in over 140 countries. He joined Procter and Gamble in 1974 and served in various key executive positions before becoming Vice Chairman of the Board in 2004, and held that position until leaving the company in April 2006. Mr. Clark is a director of Hauser Capital Partners LLC.

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Ivor J. Evans **Director Since 2003**

Mr. Evans, 66, was Vice Chairman of Union Pacific Corporation, one of America's leading transportation companies. He joined Union Pacific in 1998 as President and Chief Operating Officer of the Union Pacific Railroad, and became Vice Chairman in January 2004. Mr. Evans retired in March 2005. From 1989 to 1998, he served in various executive positions at Emerson Electric Company, including Senior Vice President, Industrial Components and Equipment. Mr. Evans is a director of Cooper Industries, Arvin Meritor, Inc., Spirit AeroSystems, and is an Operating Partner of Thayer/Hidden Creek.

Lord Powell of Bayswater KCMG **Director Since 2001**

Lord Powell, 67, was Private Secretary and advisor on foreign affairs and defense to British Prime Ministers Margaret Thatcher and John Major from 1983 to 1991. He is currently Chairman of Capital Generation Partners Limited, an investment advisory company, Magna Holdings, an investment company and of LVMH (UK), a luxury goods company. He is a director of Louis Vuitton Moët Hennessy (LVMH), Caterpillar Inc., Mandarin Oriental Hotel Group, Yell Group, Schindler Corporation, and Hong Kong Land Holdings Limited.

James L. Ziemer **Director Since 2007**

Mr. Ziemer, 59, is the President and Chief Executive Officer of Harley-Davidson, Inc., a position he has held since April 2005, and has been a director of Harley-Davidson, Inc. since December 2004. Harley-Davidson, Inc. is the parent company for the group of companies doing business as Harley-Davidson Motor Company, Buell Motorcycle Company and MV Agusta Group, which design, manufacture and sell motorcycles and related parts and accessories, and Harley-Davidson Financial Services, which provides related financing and insurance. Mr. Ziemer previously served as Vice President and Chief Financial Officer of Harley-Davidson from December 1990 to April 2005 and President of The Harley-Davidson Foundation, Inc. from 1993 to 2006. His career at Harley-Davidson has spanned 40 years.

Class III Terms Expiring in 2011

Paul E. Gagné **Director Since 1995**

Mr. Gagné, 62, is Chairman of the Wajax Income Fund, a leading Canadian distributor and support service provider of mobile equipment, industrial components and power systems, a position he has held since May 2006. Prior to assuming his current position he was President and Chief Executive Officer of Avenor Inc., a Canadian forest products company, serving in that capacity from 1991 until November 1997, when he left the company. In 1998, Mr. Gagné joined Kruger Inc., a Canadian privately held producer of paper and tissue, as a consultant in corporate strategic planning, serving in that capacity until December 2002. He is a director of CAE Inc., Fraser Papers Inc. and Inmet Mining Corporation.

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Dain M. Hancock **Director Since 2005**

Mr. Hancock, 67, was Executive Vice President of Lockheed Martin Corporation and President of Lockheed Martin's Aeronautics Company, and is now a consultant of Lockheed Martin Aeronautics. Lockheed Martin is principally engaged in the research, design, development, manufacture and integration of advanced technology systems, products and services. He joined Lockheed Martin in 1993 as Vice President when Lockheed acquired General Dynamics Corporation's military aircraft business, with which Mr. Hancock began his industrial career. Mr. Hancock served in various key executive positions before becoming President of Lockheed Martin Tactical Aircraft Systems in 1995 and Executive Vice President of Lockheed Martin Corporation and President of the Aeronautics Company in 2000, serving in that position until he retired in January 2005.

Lloyd G. Trotter **Director Since March 2008**

Lloyd G. Trotter, 63, was Vice Chairman of General Electric Company, a diversified technology, media and financial services company, and President and Chief Executive Officer of GE Industrial, one of GE's six principal businesses, a role he assumed in 2006 and held until his retirement in February 2008. Mr. Trotter is now a managing partner of GenNx 360, a private equity buyout firm focused on industrial business-to-business companies. Mr. Trotter previously was Executive Vice President of Operations of GE and, from 2004 to 2006, he served as President and Chief Executive Officer of GE Consumer and Industrial, a role he assumed following the 2004 merger of GE's Consumer Products, Industrial Systems and Supply businesses. He began his GE career in 1970 and held various production, technology and management positions in several GE businesses, before being named a GE Senior Vice President and President and Chief Executive Officer of Industrial Systems in 1998. Mr. Trotter is a director of PepsiCo, Inc.

Thomas B. Wheeler **Director Since 1993**

Mr. Wheeler, 72, was the Chairman and Chief Executive Officer of Massachusetts Mutual Life Insurance Company, presently known as MassMutual Financial Group. He was a member of the Massachusetts Mutual field sales force from 1962 to 1983, served as Executive Vice President of Massachusetts Mutual's insurance and financial management line from 1983 to 1986, became President and Chief Operating Officer in 1987, President and Chief Executive Officer in 1988 and Chairman and Chief Executive Officer in 1996. He relinquished the title of Chief Executive Officer in January 1999 and retired as Chairman in January 2000. Mr. Wheeler is a director of Genworth Financial.

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The Board of Directors

Meetings and Organization

During 2008, the Board of Directors met fifteen times, the Executive Committee of the Board met ten times and a Special Committee of the Board met twice. The Board has standing Audit, Nominating and Corporate Governance, and Organization and Compensation committees. Directors are expected to regularly attend Board meetings and meetings of committees on which they serve and also the annual meeting of shareholders. All directors attended at least 75% of the total number of Board and committee meetings. All directors attended the 2008 annual meeting of shareholders, except for Mr. Fish who was traveling outside of the United States.

Corporate Governance

Textron's Corporate Governance Guidelines and Policies, originally adopted in 1996 and most recently revised in September 2008, meet or exceed the new listing standards adopted by the New York Stock Exchange and are posted on Textron's website, *www.textron.com*, under "Investor Relations Corporate Governance/Guidelines & Policies," and are also available in print upon request to Textron's corporate secretary. In 2008, the Board approved a waiver to the Guidelines permitting Lord Powell to exceed the limit of six other directorships under the Guidelines.

Code of Ethics

Textron's Business Conduct Guidelines, originally adopted in 1979 and most recently revised in December 2008, are applicable to all employees of Textron including the principal executive officer, the principal financial officer and the principal accounting officer. The Business Conduct Guidelines are also applicable to directors with respect to their responsibilities as members of the Board of Directors. The Business Conduct Guidelines are posted on Textron's website, *www.textron.com*, under "Investor Relations Corporate Governance/Code of Ethics," and are also available in print upon request to Textron's corporate secretary. Any amendments to the Business Conduct Guidelines or the grant of a waiver from a provision of the Business Conduct Guidelines requiring disclosure under applicable SEC rules will be disclosed on our website, at the address specified above.

Director Independence

The Board of Directors has determined that Ms. Bader, Messrs. Arnelle, Clark, Evans, Fish, Ford, Gagné, Hancock, Trotter, Wheeler and Ziemer and Lord Powell, are independent as defined under the listing standards of the New York Stock Exchange, based on the criteria set forth in the Textron Corporate Governance Guidelines and Policies which are listed in Appendix A attached hereto and posted on Textron's website as described above. In making its determination, the Board examined relationships between directors or their affiliates with Textron and its affiliates and determined that each such relationship did not impair the director's independence. Specifically, the Board considered the fact that: (a) in each of the past three years (1) ALLTEL Corporation, of which Mr. Ford was Chairman, purchased aircraft parts and services from one of our subsidiaries and various other products from another business unit, and our corporate office and certain of our business units paid ALLTEL Corporation for telephone services, in each case in aggregate amounts substantially less than 1% of either company's revenues in any such year, and (2) Textron and certain of our business units purchased products from The Procter and Gamble Company or one of its affiliates, where Mr. Clark served as Vice Chairman until 2006, also in aggregate amounts substantially less than 1% of either company's revenues in any such year; (b) in 2008, (1) ALLTEL also paid deposits in the total aggregate amount of $750,000, to the Cessna Aircraft Company for the purchase of three aircraft for delivery in 2011 and 2012, (2) Textron joint venture, CitationShares, repurchased an aircraft from Cardinal Health, Inc., of which Mr. Clark is Chairman and Chief Executive Officer, pursuant to its standard

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terms and conditions; (c) in 2007, (1) one of Textron's business units sold products to Natureworks LLC, where Ms. Bader served as President and Chief Executive Officer until 2006; (d) the Textron Charitable Trust made a donation in 2007 of $30,000 to the Eisenhower Fellowships on whose Board Mr. Campbell serves, and in 2007 and 2008, donations of $10,000 and $50,000, respectively, to the Atlantic Partnership on which Lord Powell serves as Chairman; and (e) in 2007 Textron directed payment of an honorarium for an outside speaker in the amount of $3,000, at the speaker's request, to the Harley-Davidson Foundation, which is affiliated with Harley-Davidson, Inc. of which Mr. Ziemer is President and Chief Executive Officer.

Lead Director

Textron's Corporate Governance Guidelines require that the Board will meet in executive session for non-management directors without management present at each regularly scheduled Board meeting. Textron's Lead Director (currently Mr. Fish) presides at such sessions. Additional executive sessions may be convened at any time at the request of a director, and in such event the Lead Director shall preside. Shareholders or other interested parties may communicate with the Lead Director by using one of the methods described in the following section, "Shareholder Communications to the Board."

Shareholder Communications to the Board

Shareholders or other interested parties wishing to communicate with the Board of Directors, the Lead Director, the non-management directors as a group or with any individual director may do so by calling (866) 698-6655 (toll-free) or (401) 457-2269, writing to Board of Directors at Textron Inc., 40 Westminster Street, Providence, Rhode Island 02903, or by e-mail at *textrondirectors@textron.com.* The telephone numbers and addresses are also listed on the Textron website. All communications received via the above methods will be sent to the Board of Directors, the Lead Director or the specified director.

Compensation of Directors

During 2008, for their service on the Board, non-employee directors were paid an annual retainer of $215,000. Non-employee directors who served on the Executive Committee, the Special Committee or one of the standing committees, other than the Audit Committee, received $1,500 for each committee meeting attended. Non-employee directors who served on the Audit Committee received $2,500 for each committee meeting attended. The chairman of the Audit Committee, the Nominating and Corporate Governance Committee and the Organization and Compensation Committee received, respectively, an additional $15,000, $10,000 and $12,500 per year, and the Lead Director an additional $15,000 per year.

During 2008, Textron maintained a deferred income plan for non-employee directors (the "Directors Deferred Income Plan") under which they could defer all or part of their cash compensation until retirement from the Board. Deferrals were made either into an interest bearing account which bore interest at the greater of 8% or the Moody's Corporate Bond Yield Index rate, but in either case, not to exceed 120% of the Applicable Federal Rate as provided under Section 1274(d) of the Internal Revenue Code, or into an account consisting of Textron stock units, which are equivalent in value to Textron common stock. Textron credits dividend equivalents to the stock unit account. Directors were required to defer a minimum of $100,000 of their annual retainer into the stock unit account.

Each non-employee director joining the Board in 2008 received 2,000 restricted shares of Common Stock. Except in the case of the director's death or disability, or a change in control, the director can not sell or transfer the shares until he or she has completed all of his or her successive terms as a director and at least five years of Board service.

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Textron reimburses each director for his or her expenses in attending Board or committee meetings.

Textron sponsors a program under which it contributes up to $1,000,000 to the Textron Charitable Trust on behalf of each director upon his or her death, and the trust donates 50% of that amount in accordance with the director's recommendation among up to five charitable organizations. Payment of the contributions ultimately is recovered from life insurance policies that Textron maintains on the lives of directors for this purpose. In 2008, Textron paid a total of $170,725 in premiums on policies covering nine current directors and ten former directors. The directors do not receive any direct financial benefit from this program since the insurance proceeds and charitable deductions accrue solely to Textron. The program was closed to new participants in 2004.

During 2008, non-employee directors were also able to utilize for personal use aircraft in which Textron has a fractional ownership interest on an as-available basis but were required to reimburse Textron for its cost per hour of flight time.

Non-employee directors are eligible to receive awards of options, restricted stock, restricted stock units, stock appreciation rights, performance stock, performance share unit or other awards granted under the Textron Inc. 2007 Long-Term Incentive Plan, and are eligible to participate in the Textron Matching Gift Program under which Textron will match contributions of directors and full-time employees to eligible charitable organizations at a 1:1 ratio up to a maximum of $7,500 per year.

In December 2008, following a review of the non-employee directors compensation and benefits program by the Nominating and Corporate Governance Committee, on recommendation of the committee, the Board determined not to make any modifications to the program for 2009.

Employee directors do not receive fees or other compensation for their service on the Board or its committees.

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Director Compensation Table

The following table provides 2008 compensation information for non-employee directors.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)	All Other Compensation ($) (2)	Total ($)
H. Jesse Arnelle	71,245	0	8,986	80,231
Kathleen M. Bader	251,500	10,656	8,986	271,142
R. Kerry Clark	255,500	7,810	8,986	272,296
Ivor J. Evans	225,500	5,059	8,986	239,545
Lawrence K. Fish	260,500	0	8,986	269,486
Joe T. Ford	224,000	0	8,986	232,986
Paul E. Gagné	283,000	0	8,986	291,986
Dain M. Hancock	250,000	15,666	0	265,666
Lord Powell of Bayswater KCMG	258,000	0	58,986	316,986
Lloyd G. Trotter	196,060	18,057	0	214,117
Thomas B. Wheeler	222,500	0	8,986	231,486
James L. Ziemer	249,500	18,340	0	267,840

(1) The amounts in this column represent the 2008 expense of restricted stock granted to directors, in accordance with FAS 123R. Fully expensed restricted stock is reflected by a value of $0 in this column. At the end of the year, each active director held 2,000 shares of unvested restricted stock, except for Mr. Gagné and Mr. Wheeler, who each hold 4,000 shares of unvested restricted stock.

(2) The amounts in this column include:

(i) $8,986 representing the expense for each director relating to the charitable contribution program referred to above, except for Mr. Hancock, Mr. Trotter and Mr. Ziemer who do not participate in the program, and (ii) for Lord Powell, $50,000 in fees for service on the Textron International Advisory Council which, as of 2009, is no longer active.

Audit Committee

The Audit Committee pursuant to its charter, as amended in February 2007, assists the Board of Directors with its oversight of (i) the integrity of Textron's financial statements, (ii) Textron's compliance with legal and regulatory requirements, (iii) the independent auditor's qualifications and independence, and (iv) the performance of Textron's internal audit function and independent auditor. The Audit Committee is directly responsible for the appointment, retention, compensation and oversight of Textron's independent auditors. A copy of the charter is posted on Textron's website under "Investor Relations Corporate Governance/Board Committees," and is also available in print upon request to Textron's corporate secretary. The following five independent directors presently comprise the committee: Mr. Gagné (Chairman), Ms. Bader, Mr. Clark, Mr. Hancock and Mr. Ziemer. The Board has determined that each member of the committee is independent as independence is defined for audit committee members in the listing standards of the New York Stock Exchange. No member of the committee simultaneously serves on the audit committees of more than three public companies, except for Mr. Gagné who serves on three audit committees in addition to Textron's. The Board of Directors has determined that Mr. Gagné's simultaneous service does not impair his ability to effectively serve on Textron's Audit Committee. The Board of Directors has also determined that Mr. Gagné and Mr. Ziemer each are "audit committee financial experts" under the criteria adopted by the Securities and Exchange Commission. During 2008, the committee met eleven times.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee pursuant to its charter, as amended in September 2007, (i) identifies individuals to become Board members, and recommends that the Board select the director nominees for the next annual meeting of shareholders, (ii) develops and recommends to the Board a set of corporate governance principles applicable to Textron and (iii) makes recommendations on compensation of the Board of Directors. A copy of the committee's charter is posted on Textron's website under "Investor Relations Corporate Governance/Board Committees," and is also available in print upon request to Textron's corporate secretary.

In making its recommendations on director nominees to the Board, the committee will consider suggestions regarding possible candidates from a variety of sources, including shareholders. Nominees suggested by shareholders will be communicated to the committee for consideration in the committee's selection process. Shareholder-recommended candidates are evaluated using the same criteria used for other candidates. The committee also periodically retains a third-party search firm to assist in the identification and evaluation of candidates.

Textron's Amended and Restated By-Laws contain a provision which imposes certain requirements upon nominations for directors made by shareholders at the annual meeting of shareholders or a special meeting of shareholders at which directors are to be elected. Shareholders wishing to recommend individuals as candidates for nomination by the Board at the annual meeting must submit timely notice of nomination within the time limits described below under the heading "Shareholder Proposals and Other Matters for 2010 Annual Meeting" on page 52, to the committee, c/o Textron's corporate secretary, along with a description of the proposed candidate's qualifications, their ownership of capital stock of Textron, and other pertinent biographical information, as well as the name, address and Textron stock ownership information for the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is being proposed and a representation that such shareholder intends to appear in person at the meeting. In addition, as to the shareholder, or if the notice is given on behalf of a beneficial owner, as to such beneficial owner, certain other information, including a description of any agreement, arrangement or understanding with respect to the nomination being proposed or related to derivative ownership or voting power of Textron stock and a representation with regard to their intentions with respect to a proxy solicitation is required. A written consent to the disclosure of such information and a written consent from the proposed candidate must also be provided.

The committee annually reviews the Board of Directors' retirement schedule, the results of the review of the Board's overall performance and the impact of the strategy of the company to determine future requirements for Board members over the next year or two. All candidates are evaluated against those requirements and the criteria for membership to the Board set forth in the Corporate Governance Guidelines including: (i) high personal ethics and integrity; (ii) specific skills and experience aligned with Textron's strategic direction and operating challenges; (iii) the core business competencies of high achievement, a record of success, financial literacy, a history of making good business decisions and exposure to best practices; (iv) interpersonal skills that maximize group dynamics, including respect for others, strong communication skills and confidence to ask tough questions; (v) enthusiasm for Textron and sufficient available time to be fully engaged; and (vi) if a non-employee, satisfies the independence standards established by the New York Stock Exchange and the Securities and Exchange Commission.

All recommendations of nominees to the Board by the committee are made solely on the basis of merit.

In making its recommendations on Board compensation, the committee annually reviews the director compensation and benefits program.

The following five directors presently comprise the committee: Mr. Fish (Chairman), Ms. Bader, Mr. Ford, Mr. Trotter and Mr. Wheeler. The Board of Directors has determined that each member of the committee is independent under the New York Stock Exchange listing standards. During 2008, the committee met five times.

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Organization and Compensation Committee

The Organization and Compensation Committee pursuant to its charter, as revised in February 2007, (i) reviews the Company's organization structure and plans for management succession, (ii) recommends to the Board new and existing employment agreements with the Chief Executive Officer and other executive officers, (iii) approves compensation arrangements for the Chief Executive Officer and other executive officers, (iv) reviews and makes recommendations to the Board regarding the adoption, amendment or termination of annual or long-term incentive compensation plans, programs or arrangements applicable to the Chief Executive Officer and other executive officers, and (v) oversees the compensation of other corporate officers and business unit presidents. A copy of the committee's charter is posted on Textron's website under "Investor Relations Corporate Governance/Board Committees," and is also available in print upon request to Textron's corporate secretary. See the Compensation Discussion and Analysis (CD&A), beginning on page 16, for more information on the committee's processes and the role of management and consultants in determining the form and amount of executive compensation. The following four directors presently comprise the committee: Lord Powell (Chairman), Mr. Clark, Mr. Evans and Mr. Trotter. The Board of Directors has determined that each member of the committee is independent under the New York Stock Exchange listing standards. During 2008, the committee met seven times.

Compensation Committee Interlocks and Insider Participation

The members of the Organization and Compensation Committee during fiscal year 2008 consisted of Lord Powell, who served as the Chairman, H. Jesse Arnelle, Mr. Clark, Mr. Evans and Mr. Trotter. No member of the Organization and Compensation Committee is or has been an executive officer or employee of Textron (or any of its subsidiaries), and no "compensation committee interlocks" existed during fiscal year 2008.

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SECURITY OWNERSHIP

Security Ownership of Management

The column headed "Number of Shares of Common Stock" includes all shares of Textron common stock beneficially owned by directors and executive officers of Textron, shares held for the executive officers by the trustee under the Textron Savings Plan, and shares obtainable within 60 days of January 3, 2009, upon the vesting of restricted stock units or the exercise of stock options. No director or executive officer owns any shares of Textron preferred stock. No director or executive officer beneficially owned in excess of 1% of the outstanding shares of common stock. Directors and executive officers as a group beneficially owned approximately 1% of the outstanding shares of common stock. Ownership indicated is as of the end of the 2008 fiscal year, which was January 3, 2009.

Each director and executive officer has sole voting and investment power over his or her shares, except in those cases in which the voting or investment power is shared with the trustee or as otherwise noted. An objective of Textron's director and executive compensation programs is to align the financial interests of the directors and the executive officers with that of shareholders. Accordingly, the value of a significant portion of the directors' and the executive officers' total compensation is dependent upon the value they generate on behalf of shareholders.

Name	Number of Shares of Common Stock
Kathleen M. Bader	17,192(1)
Lewis B. Campbell	767,926(2)(3)(4)
R. Kerry Clark	7,000(1)
Scott C. Donnelly	156,470(3)
Ivor J. Evans	7,000(1)
Lawrence K. Fish	44,500(1)
Joe T. Ford	9,000(1)
Ted R. French	509,925(2)(3)
Paul E. Gagné	5,120(1)
Dain M. Hancock	2,103(1)
Mary L. Howell	189,493(2)(3)
Terrence O'Donnell	264,045(2)(3)
Lord Powell of Bayswater KCMG	2,103(1)
Lloyd G. Trotter	2,046(1)
Thomas B. Wheeler	5,686(1)
James L. Ziemer	2,086(1)
All current directors and executive officers as a group (18 persons)	2,392,469(2)(3)

(1) Excludes stock units held by our non-employee directors under the Directors Deferred Income Plan that are paid in cash following termination of service as a director, based upon the value of Textron common stock, as follows: Ms. Bader, 21,287 shares; Mr. Clark, 27,272 shares; Mr. Evans, 19,083 shares; Mr. Fish, 43,072 shares; Mr. Ford, 54,411 shares; Mr. Gagné, 50,546 shares; Mr. Hancock, 19,510 shares; Lord Powell, 22,997 shares; Mr. Trotter, 6,197 shares; Mr. Wheeler, 72,742 shares and Mr. Ziemer, 9,781 shares.

(2) Includes the following shares obtainable within 60 days of January 3, 2009, upon the vesting of restricted stock units or the exercise of stock options: Mr. Campbell, 467,545 shares; Mr. French, 370,739 shares; Ms. Howell, 130,568 shares; Mr. O'Donnell, 205,798 shares; and all current directors and executive officers as a group, 1,459,142 shares.

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(3)
Excludes (i) stock units held under non-qualified deferred compensation plans that are paid in cash, based upon the value of Textron common stock, as follows: Mr. Campbell, 104,883 shares; Mr. Donnelly, 166 shares; Mr. French, 8,437 shares; Ms. Howell, 134,222 shares; and Mr. O'Donnell, 86,337 shares, (ii) unvested restricted stock units payable in stock, as follows: Mr. Campbell, 173,620 shares; Mr. Donnelly, 155,893 shares; Mr. French, 58,463 shares; and Ms. Howell and Mr. O'Donnell, 39,442 shares, (iii) unvested performance share units that are paid in cash when earned and valued based upon the value of Textron common stock, as follows: Mr. Campbell, 130,438 shares; Mr. Donnelly, 49,028 shares; Mr. French, 40,013 shares; and Ms. Howell and Mr. O'Donnell, 27,527 shares.

(4)
Excludes 60,000 shares under a retention award which will vest in May 2011. Upon vesting, these shares will convert to restricted share units which are paid in cash, based upon the value of Textron common stock.

Security Ownership of Certain Beneficial Holders

Capital Research Global Investors, a division of Capital Research and Management Company, whose address is 333 Hope Street, Los Angeles, CA 90071, is deemed to be the beneficial owner of 13,371,400 shares, or approximately 5.5% of Textron's Common Stock, held on behalf of its advisees. Of the reported shares, Capital Research Global Investors has sole voting power with respect to 941,400 shares and sole dispositive power with respect to all reported shares. Of the shares deemed to be beneficially owned by Capital Research Global Investors, The Investment Company of America has sole voting power over 12,430,000 shares. This information was provided to Textron by a representative of Capital Research Global Investors in a letter dated February 9, 2009 and is reflected in a Schedule 13G filed with the SEC on February 17, 2009 by Capital Research Global Investors.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires Textron's directors, executive officers and controller to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the Securities and Exchange Commission and to provide copies of such reports to Textron. As an administrative matter, Textron assists its reporting persons in fulfilling their responsibilities to prepare and file reports pursuant to Section 16(a), including with respect to making determinations on the availability of exemptions from reporting.

Based solely upon a review of copies of such reports and written representations of the reporting persons, to our knowledge, during the 2008 fiscal year, all such reporting persons timely filed all of the reports they were required to file under Section 16(a).

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AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors has furnished the following report on its activities:

The committee reviewed and discussed the audited consolidated financial statements and the related schedules in the Annual Report referred to below with management. The committee also reviewed with management and the independent registered public accounting firm (the "independent auditors") the reasonableness of significant judgments and the clarity of disclosures in the financial statements, the quality, not just the acceptability, of the company's accounting principles and such other matters as are required to be discussed with the committee by Statement on Auditing Standards No. 61 (as amended). In addition, the committee discussed with the independent auditors the auditors' independence from management and the company including the matters in the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communication with the audit committee concerning independence and considered the possible effect of non-audit services on the auditors' independence.

The committee discussed with the company's internal and independent auditors the overall scope and plans for their respective audits and met with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the company's internal controls, including internal controls over financial reporting, and the overall quality of the company's financial reporting. The committee also reviewed the company's compliance program. Eleven committee meetings were held during the year.

In reliance on the reviews and discussions referred to above, the committee recommended to the Board of Directors that the audited consolidated financial statements and the related schedules be included in the Annual Report on Form 10-K for the fiscal year ended January 3, 2009, to be filed with the Securities and Exchange Commission. The committee also reported to the Board that it had selected Ernst & Young LLP as the company's independent auditors for 2009, and recommended that this selection be submitted to the shareholders for ratification.

PAUL E. GAGNÉ, CHAIRMAN
KATHLEEN M. BADER
R. KERRY CLARK
DAIN M. HANCOCK
JAMES L. ZIEMER

COMPENSATION COMMITTEE REPORT

The Organization and Compensation Committee of the Board of Directors has furnished the following report:

The committee reviewed the Compensation Discussion and Analysis to be included in Textron's 2009 proxy statement and discussed that Analysis with management.

Based on its review and discussions with management, the committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in Textron's 2009 proxy statement and Textron's Annual Report on Form 10-K for the fiscal year ended January 3, 2009.

This report is submitted by the Organization and Compensation Committee.

LORD POWELL OF BAYSWATER KCMG, CHAIRMAN
R. KERRY CLARK
IVOR J. EVANS
LLOYD G. TROTTER

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COMPENSATION DISCUSSION AND ANALYSIS

Overview and Objectives of Compensation Program

Textron is a multi-industry company that leverages its global network of aircraft, industrial and finance businesses to provide customers with innovative solutions and services around the world. We have approximately 43,000 employees in 28 countries. In order to operate our business effectively, we strive to attract and retain executives with skills necessary for our success. In addition to having direct responsibility for each of their respective functional areas, each of our executive officers also has broad responsibility for the management of our diverse portfolio of businesses.

The Organization and Compensation Committee of the Board of Directors (the "Committee") is strongly committed to making performance the primary factor in determining compensation for our executives. In particular, the Committee believes a significant portion of compensation for senior executives should be linked to the long-term performance of the company. The Committee also believes that rewards for high performance should be delivered predominantly in shares and other equity-based instruments, so that the interests of the company's senior executives are closely linked to the interests of the company's shareholders.

For 2008, the major yardsticks which the Committee used to measure performance were earnings per share and return on invested capital, with small components related to leadership behaviors and workforce diversity. The Committee believes that these measures are effective indicators of shareholder returns and help ensure effective use of the capital which shareholders entrust to the Company.

Reflecting its determination to make sure Textron conforms to good governance and best practices, the Committee recently implemented several significant changes to our compensation programs for executives. These include:

- Eliminating certain perquisites such as company vehicles, club memberships, financial planning and income tax preparation
- Requiring executives to reimburse the company for certain personal use of company aircraft
- Prohibiting future agreements to gross-up executive officers for taxes
- Freezing senior executive salaries for the third year in a row
- Reducing severance multiples for certain named executive officers from 2.5x to 2.0x
- Reducing the discretionary element in the Company's incentive programs in favor of giving greater weight to objective performance measures
- Eliminating the multiplier in relation to ROIC-WACC performance in the short and long-term incentive programs
- Introducing Workforce Diversity as a new component to the Annual Incentive program
- Adding another component to the short and long-term incentive programs linked to improving the Company's efficient use of cash
- Prohibiting the Committee's lead compensation consultant from providing any other services to the Company

Many of the changes listed above are also further discussed in the remainder of the Compensation Discussion and Analysis.

The Committee recognizes that in order to attract and retain top-class executives capable of managing a global, multi-industry company like ours, the company must establish a total compensation program that is competitive in the industries in which we do business, as well as with corporations with which we compete for talent. The primary objectives of our executive compensation program are to:

- Attract and retain qualified executives to lead the company
- Motivate executives to produce strong financial performance for the long-term benefit of shareholders, by including a significant equity component in the compensation program
- Establish a clear, objective link between pay and performance
- Compensate our executives commensurate with performance and share price appreciation
- Maintain a compensation structure that increases at-risk compensation for more senior positions

Role of Compensation Consultant

Under its charter, the Committee has the authority to retain outside consultants or advisors as it deems necessary to provide desired expertise and counsel. Since 2005, the Committee has engaged the services of Towers Perrin as its compensation consultant. The lead consultant from Towers Perrin reports directly and exclusively to the Committee and provides expert, objective support regarding current and emerging best practices with regard to executive compensation. He attended six of the seven Committee meetings in 2008.

The lead consultant provides direct and candid advice on any executive compensation matter as requested by the Committee. Examples of specific services provided in 2008 are:

- Guided the Committee through the negotiation process with our new Chief Operating Officer, including recommending competitive compensation levels and components
- Advised the Committee on the composition of the compensation peer group
- Prepared analyses and recommendations for senior executive compensation levels as compared to the compensation peer group
- Evaluated the company's compensation program and advised on alternative designs for consideration
- Advised on the implications of the economic crisis on executive compensation
- Provided guidance on the company's tax deductibility of incentive compensation

In April 2008, the Committee, and subsequently the full Board, approved a resolution prohibiting its lead consultant from performing any other services for the company, however, the prohibition is limited only to the lead consultant and does not apply to Towers Perrin generally. During 2008 and in prior years, Towers Perrin has, from time to time, provided services to the company on various matters unrelated to the executive compensation consulting services provided to the Committee. None of these services had a role in determining the amount or form of executive compensation. The table below shows the types of services and amounts of fees that have been paid to Towers Perrin since 2005:

Type of Service	2008	2007	2006	2005
Executive Compensation Consulting to the Compensation Committee of the Board of Directors	$429,276	$607,124	$618,631	$235,346
Compensation surveys, job titling study, and miscellaneous research requests from Management	29,287	28,423	8,626	24,328
Other fees (not related to compensation)	1,633	3,086	37,171	58,375
Total	$460,196	$638,633	$664,428	$318,049

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Establishing an Appropriate Compensation Peer Group

The Committee feels strongly about being informed on current pay practices and trends in the marketplace; and, it relies upon its consultant to provide data, analysis, and market perspective to support the Committee's decision-making process. To enhance the relevance of this market perspective to Textron, the Committee has adopted criteria for selecting compensation comparator companies. These criteria include the selection of companies that are representative of the labor market in which our company competes for executive talent, that operate in similar industries, have significant global operations, and that have median annual revenue that approximates Textron's revenue.

During 2008, the lead consultant recommended several changes to the 2007 peer group primarily due to the changes in scope of peer company operations. The lead consultant recommended that the maximum revenue for a compensation peer company be changed from $25 billion to $35 billion which allowed General Dynamics to remain in the group, and allowed for the addition of Honeywell and Northrop Grumman. This change resulted in larger representation from the aerospace/defense sector. Other recommended changes were to remove Electronic Data Systems (now a subsidiary of Hewlett Packard) and to add ITT Industries, which participates in both the aerospace/defense and general manufacturing sectors. The three additions and one deletion result in a 21 company compensation peer group as set forth below that has median revenue of $13.2 billion, which is approximately Textron's FY07 revenue.

The companies comprising the compensation peer group are:

3M Company	Medtronic, Inc
Boston Scientific Corporation	Northrop Grumman Corporation
Eaton Corporation	Parker-Hannifin Corporation
Emerson Electric Co.	Pitney Bowes Inc
EMC Corporation	QUALCOMM Incorporated
General Dynamics Corporation	Raytheon Company
Goodrich Corporation	Seagate Technology
Honeywell International Inc	Rockwell Automation, Inc
ITT Corporation	Texas Instruments Incorporated
Lexmark International, Inc	Xerox Corporation
L-3 Communications	

Elements of the Compensation Program

Each year the Committee (1) reviews the compensation program for executives by drawing on relevant professional studies and literature, obtaining relevant market data and trends from its consultant, consulting with senior management and the Board, and (2) approves, or recommends to the Board for approval, such changes and refinements as it deems necessary to ensure that compensation for our executives remains in line with company strategy and competitive practice. The Committee has designed a compensation program comprised of the following primary elements: base salary, annual incentive compensation, long-term incentive compensation and post-employment benefits. The Committee believes that each element is necessary in order to remain competitive within our peer group. In addition, the Committee believes that annual incentive compensation establishes a clear link between pay and performance and motivates the achievement of short-term business objectives and results in compensation aligned appropriately with performance. Likewise, the Committee believes that long-term incentive compensation, which combines features of cash-based compensation with stock-based compensation, motivates our executives to produce strong financial performance for the long-term benefit of our shareholders.

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In late 2006, the Committee initiated a comprehensive study of the company's annual and long-term incentive compensation programs that included a thorough review of external best practices, as well as a re-examination of incentive program elements most likely to motivate employees to achieve long-term shareholder value. The Committee then recommended revisions to the structure of the company's incentive compensation programs. In its January 2008 meeting, the Board approved changes to the overall design of the company's annual and long-term incentive compensation programs applicable to all participating employees to be effective January 1, 2008. The primary changes to the compensation program designs were:

2008 Annual Incentive Compensation Program

- Removing the metric of Return on Invested Capital (ROIC) above the company's Weighted Average Cost of Capital (WACC) as a multiplier and including it instead as a component in the calculation to more appropriately balance this metric against the other metrics used to measure performance

- Weighting primary metrics of earnings per share relative to budget (EPS) and ROIC-WACC equally to emphasize objective fiscal performance, efficient growth and sustained long-term shareholder value

- Introducing a component to improve workforce diversity to link the annual incentive program with the company's goals of having a more inclusive and diverse workforce

- Reducing weighting of discretionary component to accommodate new ROIC-WACC and Workforce Diversity components, and renaming it "Leadership Behaviors"

2008 Long-Term Incentive Compensation Program

- Adding dividend equivalents to restricted stock unit (RSU) grants prospectively to better align management's interests with shareholder interests

- Eliminating the discretionary component in the performance share unit (PSU) design to better align with best practices by increasing the weighting of objective performance measures

- Eliminating the ROIC stretch opportunity in the PSU design and replacing it with interpolated payouts between target and maximum to better align with market best practice

- Changing payout ranges, increasing cap to 150% on components, to give ample incentive for truly outstanding performance

Compensation Mix

With input from the lead consultant, and after consultation with the Board, the Committee approves the design and level for each element of compensation for NEOs. The mix of compensation elements is not set according to pre-established guidelines but reflects the general goal of giving greater weight to long-term and objective performance-based compensation. The Committee has created a compensation structure that emphasizes at-risk compensation elements, with the greatest focus given to long-term incentives to align management interests with those of shareholders. The Committee continues to believe that the CEO's compensation should, even more so than other senior executives, be linked to the long-term performance of the company. Therefore, the CEO has a greater percentage of both long-term incentive compensation and performance- based compensation than the other NEOs.

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The compensation decisions made in 2008 resulted in relative compensation opportunities consisting of the elements and at the levels set forth in the chart below:

(Chart excludes Mr. Donnelly who was hired in June 2008)

(1) Target total compensation consists of annualized base salary, annual incentive compensation target opportunity, and long-term incentive compensation target opportunity, but excludes perquisites and post-employment benefits.

(2) Performance-based compensation includes the executive's annual incentive compensation target opportunity and long-term incentive compensation target opportunity. Non-performance-based compensation includes base salary.

(3) Equity-based compensation includes the executive's long-term incentive compensation target opportunity. Non-equity-based compensation includes base salary and annual incentive compensation target opportunity.

Base Salary

Each year, the Committee reviews and approves base salaries for NEOs. In support of this review, the lead consultant provides relevant benchmark data and analysis. The Committee targets base salaries for NEOs at competitive levels for executives in positions with similar responsibilities at comparable companies and has not increased base salaries for NEOs for the third consecutive year. The Committee also acknowledges that individual base salaries may vary based on factors such as individual responsibilities, complexity of position versus that of the market benchmark(s), performance, experience, and future potential.

Annual Incentive Compensation

The Committee, after discussions with the consultant, approves the annual incentive structure and performance goals in January of each year. For 2008, each NEO was eligible to earn an annual cash incentive based on the partial achievement of company financial goals of EPS and ROIC-WACC, as well as operational and personal performance goals called Leadership Behaviors and Workforce Diversity. Leadership Behaviors incorporated subjective assessments of key business objectives focused

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on improving the operations of the company in areas such as company strategy, customer focus, talent management, Textron Six Sigma, supply chain, regulatory compliance, and information technology.

An eligible executive's target opportunity is established as a percentage of his or her base salary. The target incentive percentages range from 65% for Ms. Howell and Mr. O'Donnell, 75% for Mr. French, 90% for Mr. Donnelly to 100% for Mr. Campbell. The Committee approved these percentages to provide market-competitive levels of target opportunity by position that also reflect anticipated levels of contribution.

Long-Term Incentive Compensation

Our long-term incentive compensation program is focused on rewarding multi-year financial and operational performance as well as long-term growth in shareholder value. For 2008, NEOs had the opportunity to realize long-term incentive compensation through three vehicles: (1) cash-settled performance share units (PSUs), (2) stock-settled restricted stock units (RSUs) and (3) stock options. Annual long-term incentive grants are made on March 1 (or the closest trading day prior to March 1 if it is not a trading day) in each year. When determining the level of the grant, the Committee considers each NEOs functional and enterprise management responsibilities, past performance, potential contributions to the company's profitability and growth, the value of prior long-term incentive grants, competitive data regarding prevalent grant levels and potential dilution to shareholders.

The three long-term incentive vehicles awarded to NEOs in 2008 are described below:

Performance Share Units

Performance share unit awards typically span a three-year performance period, with vesting at the end of the third fiscal year. Dividends are not paid on unvested share units. For PSUs granted in 2008, based on performance on earnings per share and return on invested capital, NEOs may earn from 0% to 150% of the units originally granted. Upon vesting, all earned PSUs are valued based on the average closing price of our common stock for the first ten trading days of the fiscal year following the end of the third fiscal year and are paid in cash in the first quarter following the performance period. This award type combines incentive for increasing share price, as well as meeting objective performance metrics set by the Committee.

Restricted Stock Units

Restricted stock units, settled in stock, typically constitute the right to receive one share of common stock upon vesting which occurs for one-third of the units on the third anniversary of the date of the grant, an additional one-third on the fourth anniversary of the date of the grant, and the final one-third on the fifth anniversary of the date of the grant. In 2008, grants of restricted stock units included the right to receive dividend equivalent payments on a quarterly basis prior to vesting. This award type combines incentive for increasing share price, as well as serving to retain top talent in a manner that is less sensitive to share price fluctuation.

Stock Options

Stock options vest ratably over three years beginning on the first anniversary of the date of grant. Stock options are granted with an exercise price equal to the closing price of common stock traded on the New York Stock Exchange on the date of the grant. This award type aligns the interest of management with shareholders by providing value only based on share price increase.

Perquisites

Prior to 2008, NEO perquisites had historically included financial planning and income tax preparation, annual physical exams, personal use of company aircraft, company vehicles, and a club membership program. During 2007, the Committee evaluated current and emerging best practices in

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the area of perquisites and eliminated, effective January 1, 2008, all perquisites except for personal use of company aircraft and annual physical exams.

In addition, during 2008, the Committee required each NEO to enter into aircraft time sharing agreements with the company to facilitate reimbursement for certain personal use of company aircraft including travel by non-immediate family members.

Post-Employment Benefits

We provide certain post-employment benefits that are only available to select senior executives (including certain NEOs) that typically depend on one or a combination of age and/or service. Post-employment benefits available in 2008 included:

- Supplemental Retirement Plan for Textron Key Executives ("SERP"): Non-qualified enhanced pension benefit
- Textron Spillover Pension Plan: Non-qualified benefit plan to make up for IRS limits in qualified pension plans
- Textron Spillover Savings Plan: Non-qualified benefit plan to make up for IRS limits in qualified savings plans
- Survivor Benefit Plan for Textron Key Executives: An additional 2x base salary paid as a death benefit
- Deferred Income Plan for Textron Executives: Non-qualified plan that provides elective and non-elective deferred compensation

Stock Ownership Requirements

One objective of our executive compensation program is to align the financial interests of our NEOs with the interests of our shareholders. As a result, we require that senior executives maintain a minimum level of stock ownership which may be achieved through outright ownership of shares, Textron Savings Plan shares, unvested restricted stock units, and unvested share equivalents in Textron compensation and benefit plans. Minimum ownership levels are expressed as a multiple of base salary as follows: five times for the CEO and COO, and three times for other NEOs. All NEOs currently meet their respective stock ownership requirements based on the methodology approved by the Committee.

2008 Compensation Actions for Named Executive Officers

Hiring of new Chief Operating Officer

Scott Donnelly joined Textron as Executive Vice President and Chief Operating Officer on June 30, 2008 from General Electric Company (GE) where he had been President and CEO of GE Aviation. During the negotiations and recruiting process, the Committee received regular guidance from the lead consultant regarding Mr. Donnelly's compensation package. To attract Mr. Donnelly, the Committee approved the following terms for his employment:

- Annual base salary of $850,000
- Annual Incentive Compensation target of 90% of base salary, with a 2008 guaranteed minimum award of $1,320,000 (to make-up for foregone annual incentive payment from GE)
- Cash bonus of $4,100,000 in recognition of the substantial long-term incentive awards that he forfeited when he left his position at GE, $2,100,000 of which was paid in September 2008, with the balance paid in February 2009.

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To compensate Mr. Donnelly for substantial equity awards that were forfeited from GE, he was granted the following sign-on equity award on July 3, 2008: 200,000 Stock Options with an exercise price of $47.84 that vest in 20% equal installments beginning August 1, 2009; 155,893 Restricted Stock Units, 25% of which will vest on August 1 in each of 2009, 2010 and 2011 and the remaining 25% of which will vest ratably on August 1 in 2012, 2013, and 2016; Performance Share Units, earned based on Textron's earnings per share and return on invested capital for the award cycles ending in 2008 (5,511 shares), 2009 (17,531 shares), and 2010 (31,497 shares); and

Cash payment of $490,000 paid in July 2008, in lieu of additional stock options which had been agreed to but could not be granted due to limitations of our 2007 Long-Term Incentive Plan.

In addition, in December 2008, pursuant to an amendment to his employment letter, the company paid Mr. Donnelly approximately $2.5 million to make him whole as a result of the reduced value of his Cincinnati, Ohio residence which was sold to the Company's relocation firm upon his relocation to Providence, Rhode Island.

Appointment of Scott Donnelly as President

On January 16, 2009, the Board appointed Mr. Donnelly to the position of President. He will also continue in his role as Chief Operating Officer. Coincident with this appointment, Mr. Campbell relinquished the title of President, but will continue in his role as Chairman and Chief Executive Officer of Textron.

As a result of his appointment to the position of President, Mr. Donnelly was offered an increase in base salary from $850,000 to $935,000 per year, however, he declined to accept it at this time in light of the salary freezes which have been put in place for Textron employees generally. Mr. Donnelly has received a one-time grant of cash-settled restricted stock units valued at $1 million (based upon the share price at the time the grant was approved in January 2009) which will vest in equal installments over the next three years with dividend equivalent payments on a quarterly basis prior to vesting.

The Committee's Process

For NEOs other than Mr. Donnelly, the Committee reviewed various performance and market data while considering 2008 compensation actions, including: individual, team and company performance, financial performance relative to strategic and financial peers, relevant market data and input from the Committee's consultant. Prior to making decisions or recommendations, the Committee also reviewed the specific historical situation for each NEO including tally sheets, which reflect the potential share-derived wealth of the NEOs and their accumulated retirement benefits, potential payouts of stock-based compensation, stock ownership and cash vs. non-cash compensation for each executive from prior years. Additionally, the CEO provided input into compensation decisions for NEOs other than himself. Final decisions regarding compensation were made by the Committee based on feedback from the full Board.

We have historically compensated our CEO at higher levels with respect to all elements of compensation than the other NEOs since the Board and the Committee believes the CEO position has the greatest ability to contribute to our success. In recent years, the CFO has received the next highest level of compensation while the remaining NEOs, who are all members of our Management Committee, have received among them substantially equivalent levels of compensation. The Committee set Mr. Donnelly's target pay between the CFO and CEO reflecting his level of responsibility as COO and prospective impact on the company's operations.

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2008 Base Salary Actions

In January 2008, the Committee reviewed current benchmark data for the NEOs prepared and presented by the consultant. The data presented showed that the base salary for each NEO remains near or slightly above competitive levels for executives in positions with similar responsibilities at comparable companies. The Committee approved no base salary increases for 2008; this was the third consecutive year with no base salary increases for the NEOs.

2008 Annual Incentive Compensation Payments

For fiscal year 2008, the Committee established an annual incentive design for the NEOs that based 45% of the annual incentive opportunity on earnings per share (EPS) performance relative to budget, 45% on Return on Invested Capital (ROIC) above the company's Weighted Average Cost of Capital (WACC), 5% on Workforce Diversity and 5% on Leadership Behaviors. The percentage that could be earned on each of these metrics ranged from 0% to 200% based on a predetermined payout scale.

In January 2008, the Committee approved a 2008 EPS target of $3.77 (as adjusted for divestitures during the year) for Annual Incentive Compensation purposes; set a target increase of 1.8% for diversity within salaried, U.S. based employees and established leadership behaviors for the NEOs, which included objectives relating to Textron Six Sigma, the company's customer-focused growth strategy, talent development, the company's integrated supply chain strategy, and regulatory compliance and risk management. The formula for determining 2008 annual incentive awards for the NEOs, and the resulting payout earned are detailed below:

	Threshold	Target	Maximum	Actual Achievement	Percent Earned	Component Weighting	Weighted Payout
EPS	$ 3.20	$ 3.77	$ 4.52	$ 3.26	28.49%	45%	12.82%
ROIC vs. WACC	0.0%	8.0%	16.0%	10.6%	131.91%	45%	59.36%
Workforce Diversity	1.8%	1.8%	3.6%	1.0%	0.00%	5%	0.00%
Leadership Behaviors	----------	Not Applicable	----------		80.00%	5%	4.00%
Total Earned Calculated Result:							76.18%
Committee Negative Discretion Applied:							*-20.00%*
Total Award % Paid:							**56.18%**

Results below "threshold" earn 0%; Results at "target" earn 100%; Results at "maximum" earn 200%.

EPS for incentive purposes can differ from EPS as calculated under Generally Accepted Accounting Principles (GAAP) as a result of a change in accounting principle or adjustments for certain non-recurring items. Examples of non-recurring items include asset impairments, restructuring charges, mark to market allowances and gains or losses related to dispositions. For the fiscal year ended January 3, 2009, EPS for incentive compensation purposes was $3.26, compared to the target of $3.77 (as adjusted for divestitures during the year). At its January 2009 meeting, the Committee discussed the annual incentive compensation awards to be paid to the NEOs for the 2008 performance period. The EPS performance against the target earned a 28.49% award on this metric, as interpolated

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based on the scale below. The Committee approved this portion of the award which constituted 45% of the total incentive opportunity.

EPS Payout Scale

EPS Achieved as a % of Target	% Earned
Below 85%	0%
85%	20%
100%	100%
120%	200%

The Leadership Behaviors payout scale ranged from 0% to 200% (of the 5% component weight) based on the Committee's subjective assessment of the NEOs' achievement of their performance objectives. In December 2007, the CEO circulated proposed objectives for himself and other NEOs to all Board members for comment. Each Board member provided feedback, which the CEO incorporated into a revised set of objectives that was approved by the Committee in its January 2008 meeting.

In early 2009, the CEO prepared and circulated his self-assessment for each objective to members of the Committee. Each Committee member provided feedback, which was presented in the January 2009 Committee meeting to help determine final compensation decisions for the CEO and other NEOs. Prior to finalizing these decisions, the Chairman of the Committee solicited input from all Board members. After consideration of these inputs, the Committee approved a payment equal to 80% for Leadership Behaviors for each NEO, citing achievement of most of the stated goals. The Committee's decision to provide the same percentage for this portion of the award to each NEO is consistent with historical practice, which reflects shared enterprise management responsibilities. This decision is not automatic, however; different percentages could be applied in any year as determined by the Committee to reflect performance issues or other factors.

In light of the Company's challenging year, primarily as a result of the cancellation of a large government contract in addition to the problems encountered at our financing unit, the Committee exercised its negative discretion allowable under the Annual Incentive Plan for each NEO who was in his or her position for all of 2008. The result was a reduction of 20% to the calculated award, from 76.18% to 56.18% for these executives.

Based on the 2008 performance that in aggregate fell short of the targets set by the Committee, combined with the negative discretion described above, the Committee approved the following annual incentive awards in accordance with the program design:

Name	Target %	Percent of Target Earned	Annual IC Paid
L.B. Campbell	100%	56.18%	$ 617,980
T.R. French	75%	56.18%	294,945
S.C. Donnelly*	90%	n/a	1,320,000
M.L. Howell	65%	56.18%	191,714
T. O'Donnell	65%	56.18%	191,714

* Guaranteed Annual Incentive award per his June 2008 employment letter

2008 Long-Term Incentive Compensation Payments

1) PSU award calculations for the 2006-2008 Performance Period

In January 2006, the following grants of performance share units were made to the NEOs: For Mr. Campbell, 148,680 PSUs; for Mr. French, 31,164 PSUs; and for Ms. Howell and Mr. O'Donnell, 21,452 PSUs.

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For the 2006-2008 PSU grants, the formula for determining the actual percentage of the award earned following the three-year performance period was:

(a) The cumulative EPS target for the 2006-2008 performance share unit cycle was $8.20. Meeting or exceeding the three-year performance target results in 100% being earned for this portion of the award. For the three-year performance period ended January 3, 2009, earnings per share for incentive compensation purposes, calculated as described above, was $9.58. As a result, the full 60% of this component was earned.

(b) If Textron's ROIC averages 100 basis points or more above the WACC over the award period, then this portion of the award will be earned. Average ROIC for this period, calculated as described above, was 20.57%; or 1,102 basis points higher than the company's three-year average cost of capital of 9.55%. As a result, the full 15% of this component was earned.

(c) Leadership Initiatives are determined on a scale of 0% to 100% based on financial and operational performance against goals set at the beginning of the three-year performance period. Leadership Initiatives for the CEO are cascaded to other NEOs. Each NEO was awarded an 80% payout for the Leadership Initiatives component for the 2006-2008 cycle. This percentage was derived by taking the three-point average of the annual performance on Leadership Initiatives during this period. It reflects the Committee's view that many, but not all, of the objectives set at the beginning of the three-year performance period had been achieved.

(d) An additional payout of up to 30% may be earned to the extent that the three-year average trailing ROIC exceeds three-year average trailing WACC by greater than 200 basis points. For the 2006-2008 performance period, the maximum payout of 30% can be earned if ROIC is 900 or more basis points above WACC. Based on the ROIC performance described above, the maximum payout of 30% was earned.

2) PSU award calculations for the 2008-2008 Performance Period

In June 2008, as described above, the Committee approved a grant of 54,539 PSUs to Mr. Donnelly, 5,511 of which vested in 2008. For performance periods beginning in 2008, the formula for determining the actual percentage of the award earned is:

(a) The EPS target for the 2008-2008 performance period was $3.77 (as adjusted for divestitures during the year). Meeting or the performance target results in 100% being earned for this

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portion of the award. Performance above or below target is interpolated based on the below scale:

EPS Payout Scale

EPS Achieved as a % of Target	% Earned
Below 80%	0%
80%	50%
100%	100%
120%	150%

For the one-year performance period ended January 3, 2009, earnings per share for incentive compensation purposes, calculated as described above, was $3.26. As a result, 66.18% of this component (weighted at 50%) was earned.

(b)

If Textron's average ROIC is 8% higher than the average WACC over the award period, then 100% of this portion of the award is earned. Performance above or below target is interpolated based on the below scale:

ROIC-WACC Payout Scale

ROIC-WACC Performance	% Earned
0%	0%
8%	100%
16%	150%

For the one-year performance period ended January 3, 2009, ROIC for incentive compensation purposes was 20.10%, or 10.78% higher than the company's cost of capital of 9.32%. As a result, 117.38% of this component (weighted at 50%) was earned.

Based on the company's financial results and individual performance, and valuing each performance share unit earned at a share price of $14.889 (calculated as described below), in January 2009, the Committee approved the below PSU payments for the 2006-2008 performance period (2008-2008 for Mr. Donnelly).

Name	PSUs Granted	Percent of Target Earned	PSUs Earned	PSU Payment for 2006-2008 (1)
L.B. Campbell	148,680	125.00%	185,850	$ 2,767,121
T.R. French	31,164	125.00%	38,955	580,001
S.C. Donnelly*	5,511	91.78%	5,058	75,307
M.L. Howell	21,452	125.00%	26,815	399,249
T. O'Donnell	21,452	125.00%	26,815	399,249

*

Payment related to the one-year, 2008-2008 PSU cycle

(1)

Cash payment of PSUs earned is based on the average closing market value of Textron common stock for the first ten trading days of the fiscal year following the end of the fiscal year performance period.

2008 Long-Term Incentive Grants

In its December 2007 and January 2008 meetings, the Committee's primary considerations in setting 2008 long-term incentive (LTIC) grant levels included the level of each NEO's target Total Direct Compensation (base salary, annual incentive compensation, and long-term incentive compensation) in comparison to compensation comparators, past grant levels, and individual performance. As shown in the table below, the Committee also approved a common percent allocation of this value across the three LTIC components for each NEO. The Committee determined that this

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allocation of value provided balanced long-term incentives and wealth accumulation opportunities while providing slightly more value in the form of PSUs, as to which both performance criteria and share value affect the amount of the payout of the award. All three grant types align with shareholder interests, as the value of each grant is denominated in shares or share equivalents.

During these same meetings, the Committee also approved the PSU incentive design for 2008-10 performance period. The components and weightings are described above. The Committee adopted a three-year cumulative EPS target for the 2008-10 performance period that, in their estimation, would require solid but not unreachable performance during this period in order to be achieved.

The table below displays the total LTIC value approved by the Committee. Also provided is the percentage allocation across the three long-term incentive components and the number of shares granted:

Name	2008 Total LTIC Value (1)	PSUs (2008-2010) Performance Period (40% of Value)	Restricted Stock Units (30% of Value)	Stock Options (30% of Value)	Stock Option Exercise Price
L.B. Campbell	$ 6,100,000	60,058	40,702	153,557	$ 54.170
T.R. French	1,830,000	18,017	12,211	46,067	54.170
M.L. Howell	1,260,000	12,405	8,407	31,718	54.170
T. O'Donnell	1,260,000	12,405	8,407	31,718	54.170

(1) The "Total LTIC Value" does not directly correlate to the FAS 123R expense on our financial statements for two reasons. First, there is a timing difference between the closing share price when the Board approved the LTIC targets and the grant date closing share price (which was used in the FAS 123R calculations to value grants for Textron's financial statements). Second, the methodology to determine this value, as provided by the lead consultant, uses an economic valuation methodology that is different than the FAS 123R methodology. The consultant's methodology is designed to allow for comparability of compensation levels from company to company within the survey database of Towers Perrin.