Orion Marine Group Inc
Form 8-K
December 17, 2009

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

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 11, 2009

ORION MARINE GROUP, INC.
(Exact name of Registrant as specified in its charter)

Delaware	1-33891	26-0097459
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

12000 Aerospace, Suite 300.
Houston, Texas 77034
(Address of principal executive offices)

(713) 852-6500
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

Orion Marine Group, Inc. (the “Company”) entered into employment agreements with each of Peter R. Buchler, Vice President and General Counsel of the Company, Elliott J. Kennedy, Executive Vice President of the Company, and James L. Rose, Executive Vice President of the Company on December 11 (for Mr. Buchler) and December 15 (for Messrs. Kennedy and Rose), 2009. The employment agreements, effective as of December 4, 2009, include the following material provisions for each executive:

Peter R. Buchler

- Initial term expiring June 30, 2011;
- Annual base salary of $225,000;
- Eligibility for bonuses and perquisites as determined by the Company’s Board of Directors;
- One-time signing bonus of $15,000, payable within 30 days of the date of the employment agreement;
- In the event of Termination without Cause or for Good Reason not during a protection period, Mr. Buchler will receive severance benefits of:
  - (1) Continued payment of his base salary for a period of twelve months, in accordance with the Company’s standard payroll practices; (2) Monthly payment for a period of twelve months of $2,500 to cover transitional expenses; plus (3) Lump sum payment equal to the most recent bonus awarded to Mr.Buchlerin accordance with the Executive Incentive Plan (“EIP”) or any replacement plan.
- In the event of Termination without Cause or for Good Reason during a protection period, Mr. Buchler will receive severance benefits of:
  - A severance payment, payable in a lump sum, of (1) twenty-four months of his base salary; (2) twenty-four months of $2,500 for transitional expenses; plus (3) two times the most recent bonus awarded to Mr. Buchler pursuant to the EIP or any replacement plan.

The foregoing description of Mr. Buchler's employment agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the employment agreement, a copy of which is attached hereto as Exhibit 10.3 and is incorporated herein by reference.

Elliott J. Kennedy

- Initial term expiring September 30, 2011;
- Annual base salary of $231,000;
- Eligibility for bonuses and perquisites as determined by the Company’s Board of Directors;
- One-time signing bonus of $15,000, payable within 30 days of the date of the employment agreement;
- Company provided vehicle
- In the event of Termination without Cause or for Good Reason not during a protection period, Mr. Kennedy will receive severance benefits of:
  - (1) Continued payment of his base salary for a period of twelve months, in accordance with the Company’s standard payroll practices; (2) Monthly payment for a period of twelve months of $2,500 to cover transitional expenses; (3) Monthly payment for a period of twelve months of $600 in lieu of a Company provided vehicle; plus (4) Lump sum payment equal to the most recent bonus awarded to Mr. Kennedy in accordance with the EIP or any replacement plan.

- o In the event of Termination without Cause or for Good Reason during a protection period, Mr. Kennedy will receive severance benefits of:
  - § A severance payment, payable in a lump sum, of (1) twenty-four months of his base salary; (2) twenty-four months of $2,500 for transitional expenses; (3) twenty-four times Mr. Kennedy's monthly car allowance, plus (4) two times the most recent bonus awarded to Mr. Kennedy pursuant to the EIP or any replacement plan.

The foregoing description of Mr. Kennedy's employment agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the employment agreement, a copy of which is attached hereto as Exhibit 10.4 and is incorporated herein by reference.

James L. Rose

- o Initial term expiring March 31, 2011;
- o Annual base salary of $231,000;
- o Eligibility for bonuses and perquisites as determined by the Company's Board of Directors;
- o One-time signing bonus of $15,000, payable within 30 days of the date of the employment agreement;
- o Monthly car allowance of $585
- o In the event of Termination without Cause or for Good Reason not during a protection period, Mr. Rose will receive severance benefits of:
  - § (1) Continued payment of his base salary for a period of twelve months, in accordance with the Company's standard payroll practices; (2) Monthly payment for a period of twelve months of $2,500 to cover transitional expenses; (3) Monthly payment for a period of twelve months of the monthly car allowance; plus (4) Lump sum payment equal to the most recent bonus awarded to Mr. Rose in accordance with the EIP or any replacement plan.
- o In the event of Termination without Cause or for Good Reason during a protection period, Mr. Rose will receive severance benefits of:
  - § A severance payment, payable in a lump sum, of (1) twenty-four months of his base salary; (2) twenty-four months of $2,500 for transitional expenses; (3) twenty-four times Mr. Rose's monthly car allowance, plus (4) two times the most recent bonus awarded to Mr. Rose pursuant to the EIP or any replacement plan.

The foregoing description of Mr. Rose's employment agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the employment agreement, a copy of which is attached hereto as Exhibit 10.5 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits:

Exhibit Number	Description
10.3	Employment Agreement effective December 4, 2009 between Orion Marine Group, Inc. and Peter R. Buchler
10.4	Employment Agreement effective December 4, 2009 between Orion Marine Group, Inc. and Elliott J. Kennedy
10.5	Employment Agreement effective December 4, 2009 between Orion Marine Group, Inc. and James L. Rose

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	Orion Marine Group, Inc.	
Dated: December 17, 2009	By:	/s/ Mark R. Stauffer
		Executive Vice President and Chief Financial Officer

style="margin:0in 0in .0001pt 10.0pt;text-indent:-10.0pt;">Accrual at the beginning of period

$

223

$

222

Provision

70

67

Settlements

(69)

(70

)

Acquisitions			56
Adjustments*			(4)
Accrual at the end of period	$	276	
	$	219	

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

Note 9. Debt

On January 24, 2014, we entered into a five-year term loan agreement with a syndicate of banks in the principal amount of $500 million. On January 30, 2014, we issued $250 million in 3.65% notes due 2021 and $350 million in 4.30% notes due 2024 under our shelf registration statement. Upon the closing of the Beechcraft acquisition on March 14, 2014, we fully drew down on the five-year term loan and used the cash, along with the net proceeds of the issuance of the notes, to finance a portion of the acquisition.

Note 10. Accumulated Other Comprehensive Loss and Other Comprehensive Income

The components of Accumulated Other Comprehensive Loss are presented below:

(In millions)	Foreign Currency Translation Adjustments	Pension and Postretirement Benefit Adjustments	Deferred Gains/Losses on Hedge Contracts	Accumulated Other Comprehensive Loss
For the three months ended March 29, 2014				
Beginning balance	$ 93	$ (1,110)	$ (10)	$ (1,027)
Other comprehensive income before reclassifications	(6)		(9)	(15)
Amounts reclassified from Accumulated Other Comprehensive Loss		18	2	20
Other comprehensive income	(6)	18	(7)	5
Ending balance	$ 87	$ (1,092)	$ (17)	$ (1,022)
For the three months ended March 30, 2013				
Beginning balance	$ 81	$ (1,857)	$ 6	$ (1,770)
Other comprehensive loss before reclassifications	(10)		(5)	(15)
Amounts reclassified from Accumulated Other Comprehensive Loss		32	(2)	30
Other comprehensive income	(10)	32	(7)	15
Ending balance	$ 71	$ (1,825)	$ (1)	$ (1,755)

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

(In millions)	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
For the three months ended March 29, 2014			
Pension and postretirement benefits adjustments:			
Amortization of net actuarial loss*	$ 29	$ (10)	$ 19
Amortization of prior service cost*	(2)	1	(1)
Pension and postretirement benefits adjustments, net	27	(9)	18
Deferred gains/losses on hedge contracts:			
Current deferrals	(11)	2	(9)
Reclassification adjustments	2		2
Deferred gains/losses on hedge contracts, net	(9)	2	(7)
Foreign currency translation adjustments	(7)	1	(6)
Total	$ 11	$ (6)	$ 5
For the three months ended March 30, 2013			
Pension and postretirement benefits adjustments:			
Amortization of net actuarial loss*	$ 48	$ (17)	$ 31
Amortization of prior service cost*	1		1
Pension and postretirement benefits adjustments, net	49	(17)	32
Deferred gains/losses on hedge contracts:			
Current deferrals	(6)	1	(5)
Reclassification adjustments	(2)		(2)
Deferred gains/losses on hedge contracts, net	(8)	1	(7)
Foreign currency translation adjustments	(2)	(8)	(10)
Total	$ 39	$ (24)	$ 15

**These components of other comprehensive income are included in the computation of net periodic pension cost. See Note 11 of our 2013 Annual Report on Form 10-K for additional information.*

Note 11. Commitments and Contingencies

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

Note 12. Derivative Instruments and Fair Value Measurements

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

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Assets and Liabilities Recorded at Fair Value on a Recurring Basis

We manufacture and sell our products in a number of countries throughout the world, and, therefore, we are exposed to movements in foreign currency exchange rates. We utilize foreign currency exchange contracts to manage this volatility. Our foreign currency exchange contracts are measured at fair value using the market method valuation technique. The inputs to this technique utilize current foreign currency exchange forward market rates published by third-party leading financial news and data providers. These are observable data that represent the rates that the financial institution uses for contracts entered into at that date; however, they are not based on actual transactions so they are classified as Level 2. At March 29, 2014 and December 28, 2013, we had foreign currency exchange contracts with notional amounts upon which the contracts were based of $510 million and $636 million, respectively. At March 29, 2014, the fair value amounts of our foreign currency exchange contracts were a $2 million asset and a $19 million liability. At December 28, 2013, the fair value amounts of our foreign currency exchange contracts were a $2 million asset and a $15 million liability.

We primarily utilize forward exchange contracts which have maturities of no more than three years. These contracts qualify as cash flow hedges and are intended to offset the effect of exchange rate fluctuations on forecasted sales, inventory purchases and overhead expenses. At March 29, 2014, we had a net deferred loss of $17 million in Accumulated other comprehensive loss related to these cash flow hedges. Net gains and losses recognized in earnings and Accumulated other comprehensive loss on cash flow hedges, including gains and losses related to hedge ineffectiveness, amounted to a $7 million net loss in both the first quarter of 2014 and 2013. We expect to reclassify a $13 million net loss from Accumulated other comprehensive loss to earnings in the next twelve months.

We hedge our net investment position in major currencies and generate foreign currency interest payments that offset other transactional exposures in these currencies. To accomplish this, we borrow directly in foreign currency and designate a portion of foreign currency debt as a hedge of a net investment. We record changes in the fair value of these contracts in other comprehensive income to the extent they are effective as cash flow hedges. Currency effects on the effective portion of these hedges, which are reflected in the foreign currency translation adjustments within Accumulated other comprehensive loss, produced a $2 million after-tax loss in the first quarter of 2014, resulting in an accumulated net gain balance of $4 million at March 29, 2014. There was no ineffectiveness recorded related to these hedges during the first quarter of 2014.

Our Finance group has entered into interest rate exchange contracts to mitigate exposure to changes in the fair value of its fixed-rate receivables and debt due to fluctuations in interest rates. These interest rate exchange contracts are not exchange traded and are measured at fair value utilizing widely accepted, third-party developed valuation models. The actual terms of each individual contract are entered into a valuation model, along with interest rate data, which is based on readily observable market data published by third-party leading financial news and data providers. At March 29, 2014 and December 28, 2013, we had interest rate exchange contracts with notional amounts upon which the contracts were based of $203 million and $229 million, respectively. The fair value amounts of our interest rate exchange contracts were a $2 million asset and a $5 million liability at both March 29, 2014 and December 28, 2013.

Our exposure to loss from nonperformance by the counterparties to our derivative agreements at March 29, 2014 was minimal. We do not anticipate nonperformance by counterparties in the periodic settlements of amounts due. We historically have minimized this potential for risk by entering into contracts exclusively with major, financially sound counterparties having no less than a long-term bond rating of A. The credit risk generally is limited to the amount by which the counterparties contractual obligations exceed our obligations to the counterparty. We continuously monitor our exposures to ensure that we limit our risks.

Assets Recorded at Fair Value on a Nonrecurring Basis

During the periods ended March 29, 2014 and December 28, 2013, certain assets in the Finance group were measured at fair value on a nonrecurring basis using significant unobservable inputs (Level 3). The table below sets forth the balance of those assets at the end of the period in which a fair value adjustment was taken.

(In millions)	**March 29, 2014**	**December 28, 2013**
Finance receivables held for sale	$ 61	$ 65
Impaired finance receivables	46	45
Other assets	9	35

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The following table represents the fair value adjustments recorded for each asset measured at fair value on a non-recurring basis.

	Gain (Loss) Three Months Ended	
(In millions)	**March 29, 2014**	**March 30, 2013**
Finance receivables held for sale	$ 1	$ 12
Impaired finance receivables	(5)	(3)
Other assets	(1)	(4)

Finance receivables held for sale are recorded at fair value on a nonrecurring basis during periods in which the fair value is lower than the cost value. Fair values of each loan in this portfolio were determined based on a combination of discounted cash flow models and recent third-party offers to estimate the price we expect to receive in the principal market for each loan, in an orderly transaction. The gains on finance receivables held for sale during 2013 were primarily the result of the payoff of loans in amounts, and sale of loans at prices, in excess of the values established in previous periods.

Impaired nonaccrual finance receivables represent assets recorded at fair value on a nonrecurring basis since the measurement of required reserves on our impaired finance receivables is significantly dependent on the fair value of the underlying collateral. For impaired nonaccrual finance receivables secured by aviation assets, the fair values of collateral are determined primarily based on the use of industry pricing guides. Fair value measurements recorded on impaired finance receivables resulted in charges to provision for loan losses and primarily related to initial fair value adjustments.

Other assets in the tables above primarily include repossessed aviation assets. The fair value of these assets was largely determined based on the use of industry pricing guides. If the carrying amount of the assets is higher than their estimated fair value, we record a corresponding charge to income for the difference.

Assets and Liabilities Not Recorded at Fair Value

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

	March 29, 2014		December 28, 2013	
(In millions)	**Carrying Value**	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Manufacturing group				
Long-term debt, excluding leases	$ (2,965)	$ (3,164)	$ (1,854)	$ (2,027)
Finance group				
Finance receivables held for investment, excluding leases	1,173	1,236	1,231	1,290
Debt	(1,247)	(1,244)	(1,256)	(1,244)

Fair value for the Manufacturing group debt is determined using market observable data for similar transactions or Level 2 inputs. At both March 29, 2014 and December 28, 2013, approximately 30% of the fair value of term debt for the Finance group was determined based on observable market transactions (Level 1). The remaining Finance group debt was determined based on discounted cash flow analyses using observable market inputs from debt with similar duration, subordination and credit default expectations (Level 2). Fair value estimates for finance receivables held for investment were determined based on internally developed discounted cash flow models primarily utilizing significant unobservable inputs (Level 3), which include estimates of the rate of return, financing cost, capital structure and/or discount rate expectations of current market participants combined with estimated loan cash flows based on credit losses, payment rates and expectations of borrowers ability to make payments on a timely basis.

Note 13. Income Tax Expense

Income tax expense equated to an effective income tax rate of 30.4% and 19.8% in the first quarter of 2014 and 2013, respectively, compared with the U.S. federal statutory income tax rate of 35.0%. In the first quarter of 2014, the difference between the statutory and the effective income tax rate was primarily due to benefits from income attributable to international operations in countries with lower tax rates. In the first quarter of 2013, the difference between the statutory and the effective income tax rate was primarily related to the retroactive reinstatement and extension of the Federal Research and Development Tax Credit as part of the American Taxpayer Relief Act of 2012 enacted on January 2, 2013.

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Note 14. Segment Information

We operate in, and report financial information for, the following five business segments: Bell, Textron Systems, Industrial, Finance and the newly formed Textron Aviation segment as discussed in Note 1.

Segment profit is an important measure used for evaluating performance and for decision-making purposes. Segment profit for the manufacturing segments excludes interest expense, certain corporate expenses and acquisition and restructuring costs related to the Beechcraft acquisition. The measurement for the Finance segment includes interest income and expense along with intercompany interest expense. Our revenues by segment and a reconciliation of segment profit to income from continuing operations before income taxes are as follows:

	Three Months Ended	
(In millions)	**March 29, 2014**	**March 30, 2013**
REVENUES		
Manufacturing group		
Textron Aviation	$ 785	$ 708
Bell	873	949
Textron Systems	363	429
Industrial	797	727
	2,818	2,813
Finance segment	29	42
Total revenues	$ 2,847	$ 2,855
SEGMENT PROFIT		
Manufacturing group		
Textron Aviation	$ 14	$ (8)
Bell	96	129
Textron Systems	39	38
Industrial	66	57
	215	216
Finance segment	4	19
Segment profit	219	235
Corporate expenses and other, net	(43)	(55)
Interest expense, net for Manufacturing group	(35)	(37)
Acquisition and restructuring costs	(16)	
Income from continuing operations before income taxes	$ 125	$ 143

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

Overview and Consolidated Results of Operations

On March 14, 2014, we completed the acquisition of Beech Holdings, LLC, which included Beechcraft Corporation and other subsidiaries, (collectively Beechcraft). The acquired Beechcraft business and the legacy Cessna segment have been combined to form a new segment named Textron Aviation. The results of Beechcraft have been included in Textron s consolidated financial statements only for the period subsequent to the completion of the acquisition. As a result, the consolidated financial results for the three months ended March 29, 2014 do not reflect a full three months of Beechcraft operations.

An analysis of our consolidated operating results is set forth below. A more detailed analysis of our segments operating results is provided in the Segment Analysis section on pages 21 to 26.

Revenues

	Three Months Ended	
(Dollars in millions)	**March 29, 2014**	**March 30, 2013**
Revenues	$ 2,847	$ 2,855
% change compared with prior period		

Revenues decreased $8 million in the first quarter of 2014, compared with the first quarter of 2013, reflecting the following fluctuations:

- Lower Bell revenues of $76 million, primarily due to lower commercial volume reflecting lower aircraft deliveries.
- Lower Textron Systems revenues of $66 million, largely due to lower volume in the Unmanned Aircraft Systems (UAS) product line.
- Lower Finance revenues of $13 million, primarily attributable to gains on the disposition of finance receivables held for sale during the first quarter of 2013.
- Higher Textron Aviation revenues of $77 million, primarily due to the impact of the Beechcraft acquisition of $101 million, partially offset by lower volume of $38 million. The volume impact was primarily the result of lower pre-owned aircraft and CitationAir volume of $91 million, partially offset by higher Citation jet, Caravan and aftermarket volume of $47 million.
- Higher Industrial segment revenues of $70 million, primarily due to higher volume of $38 million, largely in the Fuel Systems and Functional Components product line, and a $22 million impact from acquisitions.

Cost of Sales and Selling and Administrative Expense

(Dollars in millions)	Three Months Ended March 29, 2014	March 30, 2013
Operating expenses	$ 2,659	$ 2,661
Cost of sales	2,357	2,382
% change compared with prior period	*(1)%*	
Gross margin percentage of Manufacturing revenues	*16.4%*	*15.3%*
Selling and administrative expenses	$ 302	$ 279
% change compared with prior period	*8%*	

Manufacturing cost of sales and selling and administrative expenses together comprise our operating expenses. Cost of sales decreased $25 million, 1%, in the first quarter of 2014, compared with the first quarter of 2013, principally due to lower net volume, partially offset by the impact from acquired businesses. In the first quarter of 2014, gross margin increased as a percentage of Manufacturing revenues reflecting improved pricing, largely at the Textron Aviation segment and lower research and development expenses of $14 million, partially offset by lower margin at the Bell segment, largely due to an unfavorable mix of commercial aircraft deliveries.

Selling and administrative expense increased $23 million, 8%, to $302 million in the first quarter of 2014, compared with the first quarter of 2013. The increase was primarily due to a $19 million impact from acquired businesses and $11 million of higher provision for loan losses at the Finance segment.

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Acquisition and Restructuring Costs

In the first quarter of 2014, we incurred $16 million in acquisition and restructuring costs related to the Beechcraft acquisition, which includes $11 million of transaction costs, primarily related to advisory services, and $5 million of severance costs resulting from a restructuring program as described below. These costs are not included in segment profit.

In connection with the integration of Beechcraft, we initiated a restructuring program in our Textron Aviation segment in the first quarter of 2014 to align the Cessna and Beechcraft businesses, reduce operating redundancies and maximize efficiencies. We expect to incur costs for this program related to employee terminations, facility consolidations, contract terminations and other transition-related costs, and estimate that this program will result in charges of approximately $35 million in 2014. We expect to incur additional costs in 2015, but do not expect these costs to be material. On April 23, 2014, we announced a reduction of approximately 750 positions and expect to record a charge of $12 million related to this action in the second quarter of 2014.

Income Taxes

Income tax expense equated to an effective income tax rate of 30.4% and 19.8% in the first quarter of 2014 and 2013, respectively, compared with the U.S. federal statutory income tax rate of 35.0%. In the first quarter of 2014, the difference between the statutory and the effective income tax rate was primarily due to benefits from income attributable to international operations in countries with lower tax rates. In the first quarter of 2013, the difference between the statutory and the effective income tax rate was primarily related to the retroactive reinstatement and extension of the Federal Research and Development Tax Credit as part of the American Taxpayer Relief Act of 2012 enacted on January 2, 2013.

Backlog

(In millions)	**March 29, 2014**	**December 28, 2013**
Bell	$ 6,253	$ 6,450
Textron Systems	2,821	2,803
Textron Aviation	1,521	1,018

Backlog increased $503 million at the Textron Aviation segment primarily as a result of the Beechcraft acquisition.

Segment Analysis

We operate in, and report financial information for, the following five business segments: Textron Aviation, which consists of the legacy Cessna segment combined with the newly-acquired Beechcraft business, Bell, Textron Systems, Industrial and Finance. Segment profit is an important measure used for evaluating performance and for decision-making purposes. Segment profit for the manufacturing segments excludes interest expense, certain corporate expenses and acquisition and restructuring costs related to the Beechcraft acquisition. The measurement for the Finance segment includes interest income and expense along with intercompany interest expense.

In our discussion of comparative results for the Manufacturing group, changes in revenue and segment profit typically are expressed for our commercial business in terms of volume, pricing, foreign exchange and acquisitions. Additionally, changes in segment profit may be expressed in terms of mix, inflation and cost performance. Volume changes in revenue represent increases/decreases in the number of units delivered or services provided. Pricing represents changes in unit pricing. Foreign exchange is the change resulting from translating foreign-denominated amounts into U.S. dollars at exchange rates that are different from the prior period. Acquisitions refer to the results generated from businesses that were acquired within the previous 12 months. For segment profit, mix represents a change due to the composition of products and/or services sold at different profit margins. Inflation represents higher material, wages, benefits, pension or other costs. Cost performance reflects an increase or decrease in research and development, depreciation, selling and administrative costs, warranty, product liability, quality/scrap, labor efficiency, overhead, product line profitability, start-up, ramp up and cost-reduction initiatives or other manufacturing inputs.

Approximately 30% of our 2013 revenues were derived from contracts with the U.S. Government. For our segments that have significant contracts with the U.S. Government, we typically express changes in segment profit related to the government business in terms of volume, changes in program performance or changes in contract mix. Changes in volume that are discussed in net sales typically drive corresponding changes in our segment profit based on the profit rate for a particular contract. Changes in program performance typically relate to profit recognition associated with revisions to total estimated costs at completion that reflect improved or deteriorated operating performance or award fee rates. Changes in contract mix refers to changes in operating margin due to a change in the relative volume of contracts with higher or lower fee rates such that the overall average margin rate for the segment changes.

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Textron Aviation

(Dollars in millions)		Three Months Ended March 29, 2014		March 30, 2013
Revenues	$	785	$	708
Operating expenses		771		716
Segment profit (loss)		14		(8)
Profit margin		2%		(1)%

Textron Aviation Revenues and Operating Expenses

The following factors contributed to the change in Textron Aviation s revenues from the prior year quarter:

(In millions)		2014 versus 2013
Acquisitions	$	101
Volume		(38)
Pricing		14
Total change	$	77

In the first quarter of 2014, Textron Aviation s revenues increased $77 million, 11%, compared with the first quarter of 2013, primarily due to the impact of the Beechcraft acquisition of $101 million and favorable pricing of $14 million in most of our product offerings, partially offset by lower volume of $38 million. The volume impact was primarily the result of lower pre-owned aircraft volume of $66 million and lower CitationAir volume of $25 million, largely related to exiting our fractional share business, partially offset by higher Citation jet, Caravan and aftermarket volume of $47 million. We delivered 35 Citation jets in the first quarter of 2014, compared with 32 jets in the first quarter of 2013. During the first quarter of 2014, the portion of the segment s revenues derived from aftermarket sales and services represented 33% of its total revenues, compared with 31% in the first quarter of 2013.

Textron Aviation s operating expenses increased by $55 million, 8%, in the first quarter of 2014, compared with the first quarter of 2013, primarily due to the incremental operating costs related to the Beechcraft acquisition, partially offset by the impact of lower expenses due to lower net sales volume at Cessna as described above. Textron Aviation s operating expenses exclude acquisition and restructuring costs related to Beechcraft, which are reported separately and are discussed in the Acquisition and Restructuring Costs section above.

Textron Aviation Segment Profit

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

(In millions)		2014 versus 2013
Pricing, net of inflation	$	12
Volume and mix		7

Other		3
Total change	$	22

Textron Aviation s segment profit increased $22 million in the first quarter of 2014, compared with the first quarter of 2013, largely due to higher pricing as described above. Segment profit was also favorably impacted by volume and mix of $7 million, primarily resulting from higher Citation jet and Caravan volume.

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Bell

(Dollars in millions)	Three Months Ended March 29, 2014	March 30, 2013
Revenues:		
V-22 program	$ 380	$ 361
Other military	215	225
Commercial	278	363
Total revenues	873	949
Operating expenses	777	820
Segment profit	96	129
Profit margin	11%	14%

Bell manufactures helicopters, tiltrotor aircraft, and related spare parts and provides services for military and commercial markets. Bell s major U.S. Government programs at this time are the V-22 tiltrotor aircraft and the H-1 helicopter platforms, which are both in the production stage and represent a significant portion of Bell s revenues from the U.S. Government.

Bell Revenues and Operating Expenses

The following factors contributed to the change in Bell s revenues from the prior year quarter:

(In millions)	2014 versus 2013
Volume	$ (83)
Other	7
Total change	$ (76)

Bell s revenues decreased $76 million, 8%, in the first quarter of 2014, compared with the first quarter of 2013, primarily due to lower volume, which included the following factors:

- $92 million decrease in commercial volume, largely related to lower aircraft deliveries. Bell delivered 34 commercial aircraft in the first quarter of 2014, compared with 40 commercial aircraft in the first quarter of 2013.
- $10 million decrease in other military volume, primarily reflecting lower H-1 program volume. Bell delivered 5 H-1 aircraft in the first quarter of 2014, compared with 6 aircraft in the first quarter of 2013.
- $19 million increase in V-22 program volume, primarily reflecting higher product support volume of $35 million. This increase was partially offset by lower aircraft deliveries as we delivered 8 V-22 aircraft in the first quarter of 2014, compared with 9 aircraft in the first quarter of 2013.

Bell s operating expenses decreased $43 million, 5%, in the first quarter of 2014, compared with the first quarter of 2013, primarily due to lower sales volume as discussed above.

Bell Segment Profit

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

(In millions)		**2014 versus 2013**
Volume and mix	$	(31)
Other		(2)
Total change	$	(33)

Bell s segment profit decreased $33 million, 26%, in the first quarter of 2014, compared with the first quarter of 2013, primarily due to the unfavorable mix of commercial aircraft deliveries and lower volume as described above.

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Textron Systems

	Three Months Ended	
(Dollars in millions)	March 29, 2014	March 30, 2013
Revenues	$ 363	$ 429
Operating expenses	324	391
Segment profit	39	38
Profit margin	11%	9%

Textron Systems Revenues and Operating Expenses

The following factors contributed to the change in Textron Systems revenues from the prior year quarter:

(In millions)	2014 versus 2013
Volume	$ (71)
Acquisitions	5
Total change	$ (66)

Revenues at Textron Systems decreased $66 million, 15%, in the first quarter of 2014, compared with the first quarter of 2013, primarily due to lower volume in the UAS product line of $58 million and in the Marine and Land Systems product line of $21 million, partially offset by higher volume in the Weapons and Sensors product line of $11 million.

Textron Systems operating expenses decreased $67 million, 17%, in the first quarter of 2014, compared with the first quarter of 2013, primarily due to lower volume.

Textron Systems Segment Profit

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

(In millions)	2014 versus 2013
Performance	$ 7
Volume and mix	(4)
Other	(2)
Total change	$ 1

Segment profit at Textron Systems increased $1 million, 3%, in the first quarter of 2014, compared with the first quarter of 2013, primarily due to favorable performance of $7 million, largely due to cost reduction initiatives across most product lines, partially offset by lower volume described above.

Industrial

(Dollars in millions)	Three Months Ended March 29, 2014	March 30, 2013
Revenues:		
Fuel Systems and Functional Components	$ 492	$ 457
Other Industrial	305	270
Total revenues	797	727
Operating expenses	731	670
Segment profit	66	57
Profit margin	8%	8%

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Industrial Revenues and Operating Expenses

The following factors contributed to the change in Industrial s revenues from the prior year quarter:

(In millions)		2014 versus 2013
Volume	$	38
Acquisitions		22
Other		10
Total change	$	70

Industrial segment revenues increased $70 million, 10%, in the first quarter of 2014, compared with the first quarter of 2013, primarily due to higher volume of $38 million and the impact of acquisitions of $22 million. Higher volume was largely related to the Fuel Systems and Functional Components product line, principally reflecting automotive industry demand in Europe and Asia.

Operating expenses for the Industrial segment increased $61 million, 9%, in the first quarter of 2014, compared with the first quarter of 2013, largely due to the impact from higher sales volume discussed above and additional operating expenses from recently acquired businesses.

Industrial Segment Profit

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

(In millions)		2014 versus 2013
Volume and mix	$	8
Other		1
Total change	$	9

Segment profit for the Industrial segment increased $9 million, 16%, in the first quarter of 2014, compared with the first quarter of 2013, primarily due to the impact from higher volume as described above.

Finance

	Three Months Ended			
(In millions)		March 29, 2014		March 30, 2013
Revenues	$	29	$	42
Segment profit		4		19

Finance segment revenues decreased $13 million in the first quarter of 2014, compared with the first quarter of 2013, primarily attributable to a $12 million impact from gains on the disposition of finance receivables held for sale during the first quarter of 2013. These gains resulted from the payoff of loans in amounts, and sale of loans at prices, in excess of the values established in previous periods.

Finance segment profit decreased $15 million in the first quarter of 2014, compared with the first quarter of 2013, primarily due to an impact from gains on finance receivables held for sale as discussed above and higher provision for loan losses of $11 million. These decreases in segment profit were partially offset by lower administrative expense of $5 million, primarily associated with the exit of the non-captive business.

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Finance Portfolio Quality

The following table reflects information about the Finance segment s credit performance related to finance receivables that are classified as held for investment.

(Dollars in millions)		**March 29, 2014**		**December 28, 2013**
Finance receivables	$	1,427	$	1,483
Nonaccrual finance receivables		98		105
Ratio of nonaccrual finance receivables to finance receivables		6.87%		7.08%
60+ days contractual delinquency	$	125	$	80
60+ days contractual delinquency as a percentage of finance receivables		8.76%		5.39%

Liquidity and Capital Resources

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

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

(Dollars in millions)		**March 29, 2014**		**December 28, 2013**
Manufacturing group				
Cash and equivalents	$	682	$	1,163
Debt		3,225		1,931
Shareholders equity		4,363		4,384
Capital (debt plus shareholders equity)		7,588		6,315
Net debt (net of cash and equivalents) to capital		37%		15%
Debt to capital		43%		31%
Finance group				
Cash and equivalents	$	98	$	48
Debt		1,247		1,256

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

We maintain an effective shelf registration statement filed with the Securities and Exchange Commission that allows us to issue an unlimited amount of public debt and other securities. On January 30, 2014, we issued $250 million in 3.65% notes due 2021 and $350 million in 4.30% notes due 2024 under this registration statement. On January 24, 2014, we also entered into a five-year term loan agreement with a syndicate of banks in the principal amount of $500 million. Upon the closing of the Beechcraft acquisition on March 14, 2014, we fully drew down on the five-year term loan and used the cash, along with the net proceeds of the issuance of the notes, to finance a portion of the acquisition. The balance of the Beechcraft acquisition purchase price was paid from cash on hand.

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Manufacturing Group Cash Flows

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

	Three Months Ended	
(In millions)	**March 29, 2014**	**March 30, 2013**
Operating activities	$ (64)	$ (468)
Investing activities	(1,556)	(95)
Financing activities	1,140	(101)

The first quarter of our fiscal year typically results in net cash outflow from operating activities, in part due to the timing of incentive and deferred compensation payments and pension contributions. Consistent with prior years, we expect positive cash flows from operating activities for the full year.

In the first quarter of 2014, we made $96 million in incentive and deferred compensation payments and $17 million in pension contributions, compared to $149 million and $140 million, respectively, in the first quarter of 2013. These lower payments in the first quarter of 2014, accounted for $176 million of the improvement in net operating cash flows, while the remaining improvement was largely attributable to other favorable changes in working capital, including a $168 million increase in customer deposits at Bell, resulting from higher performance-based payments on certain contracts, along with more deposits on commercial aircraft.

Investing cash flows in the first quarter of 2014 included a $1.5 billion aggregate cash payment to acquire Beechcraft. Cash flows from investing activities also included capital expenditures of $66 million and $77 million in the first quarter of 2014 and 2013, respectively.

In the first quarter of 2014, financing activities primarily consisted of proceeds of $1.1 billion from long-term debt, which was used to finance a portion of the Beechcraft acquisition, and proceeds of $184 million from the issuance of commercial paper. Financing activities in the first quarter of 2013 primarily included the repayment of $312 million of outstanding debt, which was partially offset by proceeds of $205 million from the issuance of commercial paper. In February 2014, we repurchased 4.3 million shares of our outstanding common stock from a counterparty for $150 million under an accelerated share repurchase agreement as disclosed in Note 5 to the Consolidated Financial Statements.

Finance Group Cash Flows

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

	Three Months Ended	
(In millions)	**March 29, 2014**	**March 30, 2013**
Operating activities	$ 4	$ 7
Investing activities	70	197
Financing activities	(24)	(149)

Cash flows from investing activities primarily included collections on finance receivables totaling $108 million and $173 million in the first quarter of 2014 and 2013, respectively, partially offset by finance receivable originations of $41 million and $26 million, respectively.

Cash used for financing activities included $62 million of cash payments on long-term and nonrecourse debt in the first quarter of 2014, compared with $170 million of payments in the first quarter of 2013. These cash outflows were partially offset by proceeds from long-term debt of $38 million and $41 million in the first quarter of 2014 and 2013, respectively.

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Consolidated Cash Flows

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

	Three Months Ended	
(In millions)	**March 29, 2014**	**March 30, 2013**
Operating activities	$ (26)	$ (395)
Investing activities	(1,520)	16
Financing activities	1,116	(230)

In the first quarter of 2014, we made $99 million in incentive and deferred compensation payments and $17 million in pension contributions, compared to $154 million and $149 million, respectively, in the first quarter of 2013. These lower payments in the first quarter of 2014, accounted for $187 million of the improvement in net operating cash flows, while the remaining improvement was largely attributable to other favorable changes in working capital, including a $168 million increase in customer deposits at Bell, resulting from higher performance-based payments on certain contracts, along with more deposits on commercial aircraft.

In the first quarter of 2014, investing activities primarily included a $1.5 billion aggregate cash payment to acquire Beechcraft. Total cash provided by financing activities in the first quarter of 2014 primarily consisted of proceeds of $1.1 billion from long-term debt, which was used to finance a portion of the Beechcraft acquisition, and proceeds of $184 million from the issuance of commercial paper, partially offset by $150 million related to an accelerated share repurchase program. In the first quarter of 2013, financing activities primarily included the repayment of $482 million of outstanding debt, which was partially offset by the issuance of $205 million of commercial paper.

Captive Financing and Other Intercompany Transactions

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

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

	Three Months Ended	
(In millions)	**March 29, 2014**	**March 30, 2013**
Reclassifications from investing activities:		
Finance receivable originations for Manufacturing group inventory sales	$ (41)	$ (26)

Cash received from customers and sale of receivables		75		101
Other				11
Total reclassifications from investing activities		34		86
Reclassifications from financing activities:				
Dividends received by Manufacturing group from Finance group				(20)
Total reclassifications and adjustments to cash flow from operating activities	$	34	$	66

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Critical Accounting Estimates

The accounting policies that we believe are most critical to the portrayal of our financial condition and results of operations are disclosed on pages 34 through 37 in our 2013 Annual Report on Form 10-K. The following section provides an update of the year-end disclosure for long-term contracts to include program profit adjustments made during the quarter.

Long-Term Contracts

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

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

(In millions)	Three Months Ended March 29, 2014	March 30, 2013
Gross favorable	$ 24	$ 9
Gross unfavorable	(3)	(2)
Net program profit adjustments	$ 21	$ 7

Forward-Looking Information

Certain statements in this Quarterly Report on Form 10-Q and other oral and written statements made by us from time to time are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements, which may describe strategies, goals, outlook or other non-historical matters, or project revenues, income, returns or other financial measures, often include words such as believe, expect, anticipate, intend, plan, estimate, guidance, project, target, potential, will, sh
may and similar expressions intended to identify forward-looking statements. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause our actual results to differ materially from those expressed or implied by such

forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update or revise any forward-looking statements. In addition to those factors described herein under RISK FACTORS, among the factors that could cause actual results to differ materially from past and projected future results are the following:

- Interruptions in the U.S. Government s ability to fund its activities and/or pay its obligations;
- Changing priorities or reductions in the U.S. Government defense budget, including those related to military operations in foreign countries;
- Our ability to perform as anticipated and to control costs under contracts with the U.S. Government;
- The U.S. Government s ability to unilaterally modify or terminate its contracts with us for the U.S. Government s convenience or for our failure to perform, to change applicable procurement and accounting policies, or, under certain circumstances, to withhold payment or suspend or debar us as a contractor eligible to receive future contract awards;

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- Changes in foreign military funding priorities or budget constraints and determinations, or changes in government regulations or policies on the export and import of military and commercial products;
- Volatility in the global economy or changes in worldwide political conditions that adversely impact demand for our products;
- Volatility in interest rates or foreign exchange rates;
- Risks related to our international business, including establishing and maintaining facilities in locations around the world and relying on joint venture partners, subcontractors, suppliers, representatives, consultants and other business partners in connection with international business, including in emerging market countries;
- Our Finance segment s ability to maintain portfolio credit quality or to realize full value of receivables;
- Performance issues with key suppliers or subcontractors;
- Legislative or regulatory actions, both domestic and foreign, impacting our operations or demand for our products;
- Our ability to control costs and successfully implement various cost-reduction activities;
- The efficacy of research and development investments to develop new products or unanticipated expenses in connection with the launching of significant new products or programs;
- The timing of our new product launches or certifications of our new aircraft products;
- Our ability to keep pace with our competitors in the introduction of new products and upgrades with features and technologies desired by our customers;
- Increases in pension expense or employee and retiree medical benefits;
- Continued demand softness or volatility in the markets in which we do business;
- Difficulty or unanticipated expenses in connection with integrating acquired businesses; and
- The risk that anticipated synergies and opportunities as a result of acquisitions will not be realized or the risk that acquisitions do not perform as planned, including, for example, the risk that acquired businesses will not achieve revenue projections.

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

There has been no significant change in our exposure to market risk during the fiscal quarter ended March 29, 2014. For discussion of our exposure to market risk, refer to Item 7A. Quantitative and Qualitative Disclosures about Market Risk contained in Textron s 2013 Annual Report on Form 10-K.

Item 4. **CONTROLS AND PROCEDURES**

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

On March 14, 2014, we completed the acquisition of Beech Holdings, LLC, which included Beechcraft Corporation and other subsidiaries. This business will be integrated into our system of internal control over financial reporting during the fiscal year. There were no other changes in our internal control over financial reporting during the fiscal quarter ended March 29, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 6. EXHIBITS

10.1	Form of Non-Qualified Stock Option Agreement
10.2	Form of Stock-Settled Restricted Stock Unit Grant Agreement with Dividend Equivalents
10.3	Form of Performance Share Unit Grant Agreement
10.4	Second Amendment to the Deferred Income Plan for Textron Executives, dated March 24, 2014
10.5	Second Amendment to the Severance Plan for Textron Key Executives, dated March 24, 2014
12.1	Computation of ratio of income to fixed charges of Textron Inc. Manufacturing Group
12.2	Computation of ratio of income to fixed charges of Textron Inc. including all majority-owned subsidiaries
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from Textron Inc. s Quarterly Report on Form 10-Q for the quarterly period ended March 29, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to the Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TEXTRON INC.

Date: May 1, 2014 /s/ Mark S. Bamford

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

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