



Company Info

Ticker	TXT
Meeting	Annual April 22, 2009
Record Date	February 27, 2009
Incorporated	Delaware
Conglomerate (GICS:20105010)	

Shareholder Returns

	1 yr%	3 yr%	5 yr%
Company	-79.89	-27.29	-11.60
S&P 500	-36.99	-8.36	-2.19
GICS peers	-33.64	0.61	8.59

Annualized shareholder returns. Peer group is based on companies inside the same "Global Industry Classification Standard" code

CGQ Rating

Index Score	56.4
Industry Score	91.6

TXT outperformed 56.4% of the companies in the S&P 500 and 91.6% of the companies in the Capital Goods group.

ISS calculates governance rankings for more than 8,000 companies worldwide based on up to 63 corporate governance variables.

Report Contents

- Proposals and recommendations
- Equity Capital
- Audit Summary
- Director Profiles
- Company Financials
- Executive Compensation
- Dilution and Burn-Rate
- Vote Results
- Proposals

Textron Inc.

Recommendations - US Standard Policy

Item	Code*	Proposal	Mgt. Rec.	ISS Rec.
1.1	M0201	Elect Director Lewis B. Campbell	FOR	FOR
1.2	M0201	Elect Director Lawrence K. Fish	FOR	AGAINST
1.3	M0201	Elect Director Joe T. Ford	FOR	AGAINST
4	M0101	Ratify Auditors	FOR	FOR

*S indicates shareholder proposal

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Corporate Governance Profile

Governance Provisions:

- The board of directors is classified
- Shareholders do not have cumulative voting rights in director elections
- The positions of chairman and CEO are combined
- The company does not have a poison pill in place
- A simple majority vote of shareholders is required to amend the charter or bylaws
- A supermajority vote of shareholders is required to approve certain types of mergers or business combinations
- Shareholders can only act by written consent if such consent is unanimous
- Shareholders may not call special meetings
- The board may amend the bylaws without shareholder approval
- There is not a dual class capital structure in place
- Executives are subject to stock ownership guidelines
- Directors are subject to stock ownership guidelines

Non-Shareholder Approved Incentive Plans:

- Stock-based incentive plans have been adopted without shareholder approval

State Statutes:

- The company is incorporated in a state with anti-takeover provisions
- The company is incorporated in a state without a control share acquisition statute
- The company is incorporated in a state without a cash out statute
- The company is subject to a freezeout provision
- The company is incorporated in a state without a fair price provision
- The company is incorporated in a state without stakeholder laws
- The state of incorporation does not endorse poison pills

ISS Corporate Governance Rating

Governance Factor	Positive	Negative
The audit committee is comprised solely of independent outside directors	x	
The average annual burn rate over the past three fiscal years is 2% or less, or is within one standard deviation of the industry mean	x	
The board is controlled by a supermajority of independent outsiders (independent outsiders greater than 90%)	x	
Directors are subject to stock ownership guidelines	x	
The board of directors is classified		x
There is no disclosure of mandatory holding periods for stock acquired upon exercise of options		x
Stock-based incentive plans have been adopted without shareholder approval		x
No directors have participated in an "ISS endorsed" director education program during the past two years		x

Equity Capital

Type	Votes per share	Issued
Common Stock	1.00	243,446,668
Preferred Stock Series A	1.00	66,923
Preferred Stock Series B	1.00	33,944

Ownership - Common Stock	Number of Shares	Percent of Class
Capital Research Global Investors	13,371,400	5.55
Barclays Global Investors NA (California)	11,245,930	4.66
GE Asset Management, Inc.	9,133,028	3.79
State Street Global Advisors	8,622,975	3.58
Vanguard Group, Inc.	7,473,422	3.10
Lazard Asset Management LLC	6,650,692	2.76
Fidelity Management & Research	5,781,600	2.40

LSV Asset Management	5,730,900	2.38
TIAA-CREF Asset Management LLC	4,515,565	1.87
Bank of New York Mellon Asset Management	4,424,526	1.84
Mellon Capital Management	3,687,382	1.53
PPM America, Inc.	3,484,300	1.45
AllianceBernstein LP	3,443,062	1.43
Lord Abbett & Co. LLC	3,030,250	1.26
Columbia Management Advisors, Inc.	2,659,967	1.10
Northern Trust Investments	2,386,399	0.99
Citigroup Global Markets (United States)	2,299,912	0.95
Maverick Capital Ltd.	2,297,922	0.95
BNP Paribas Arbitrage SNC	2,178,445	0.90
Credit Suisse (United States)	2,145,567	0.89

Source: © 2007 Factset Research Systems, Inc. All Rights Reserved.
As of: 12/31/2008

Company Financials

Stock Snapshot

Industry: Industrial Conglomerates	
Closing Price	\$13.87
Shares Outstanding	242.0M
Market Cap	\$3357.1M
Book Value/share	\$9.77
Dividend Yield	6.6%
Annual Dividend	\$0.92
Sales/share	\$58.86
EPS	\$1.40
Price to Earnings	9.9
Price to book value	1.4
Price to cash flow	4.8
Price to sales	0.2
YTD Performance	-80.5%

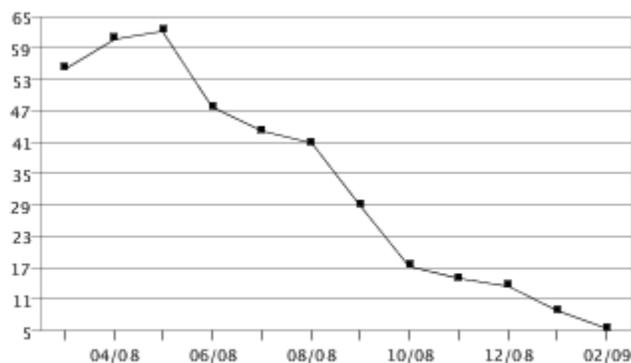
Note: Data in the table above is fiscal year-end.

Historical Financial Performance

Profit & Loss	2008	2007	2006
Revenue	14,246	13,225	11,490
Operating Income after Dep.	1,616	1,784	1,413
Net Income	486	917	601
Working Capital	N/A	N/A	N/A
EBITDA	1,974	2,120	1,703
Cash Flow	2008	2007	2006
Operating Activities (\$ Flow)	750	1,049	969
Total cash from investing	63	(1,406)	(1,409)
Total cash from financing	(790)	87	401
Net change in cash	16	(249)	(16)

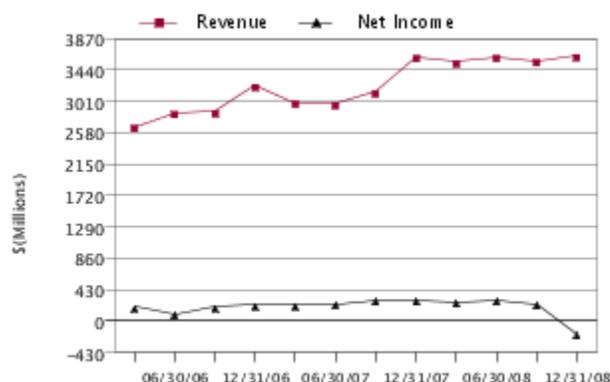
Note: Data in the table above is fiscal year-end. \$ (in Millions)

Price Performance



Note: Data points in the chart above represent month-end stock prices.

Revenue/Income Performance



Note: Data points in the chart above represent quarterly figures.

Comparative Performance	TXT	MMM	SEB	CSL	OTTR	TG
Gross Margin	27.0%	52.1%	9.3%	21.6%	10.7%	18.9%
Profit Margin	4.6%	20.2%	2.9%	7.3%	3.8%	5.6%
Operating Margin	11.3%	21.7%	3.0%	8.4%	5.7%	6.1%
EBITD Margin	13.9	26.3	5.1	10.7	10.7	11.0
Return on Equity	14.6%	35.0%	10.1%	13.7%	5.1%	7.1%
Return on Investment	3.8%	22.3%	9.5%	10.9%	3.3%	6.7%
Return on Assets	1.7%	13.5%	6.3%	7.2%	2.0%	4.9%
P/E	9.9	11.6	10.1	8.4	21.4	20.9
Quick Ratio	1.1	0.9	1.2	0.8	0.6	1.6
Current Ratio	N/A	1.6	2.3	2.2	1.3	2.1
Debt/Assets	65.6	26.5	13.0	19.3	28.3	3.7
Debt/Equity	555.2	68.6	20.8	36.6	69.1	5.4
Total Return	TXT	MMM	SEB	CSL	OTTR	TG
1 Yr TSR	-79.89%	-29.88%	-18.60%	-42.95%	-29.81%	14.12%
3 Yr TSR	-27.29%	-7.20%	-7.37%	-14.43%	-3.38%	13.16%
5 Yr TSR	-11.60%	-5.40%	33.83%	-6.01%	1.21%	4.19%

Notes:

1. S&P Compustat data is "standardized" not "as-reported" so there may be a difference from what is reported in the company's 10-K or 10-Q. Compustat standardizes the original filings to allow for accurate comparisons across companies and industries.
2. Shaded cells in the Comparative Performance table identify the company with the highest performance.

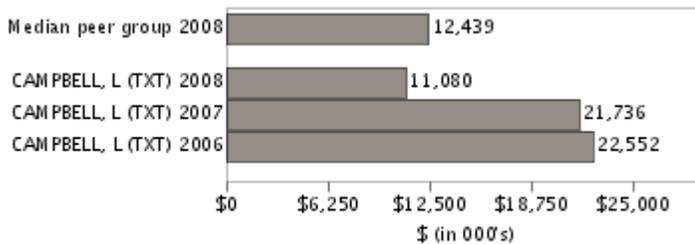
Source: Standard & Poor's Compustat Xpressfeed

For a list of frequently asked questions, go to <http://www.riskmetrics.com/issgovernance/research/companyfinancialsFAQ.html>

Executive Compensation

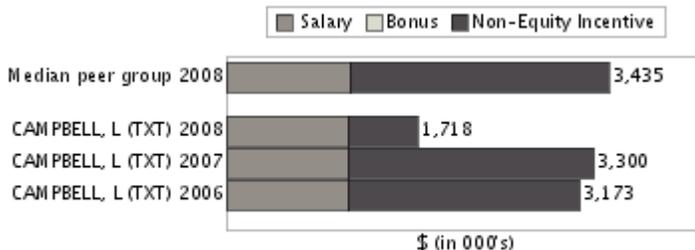
The following executive compensation charts compare the company's CEO total compensation against RMG's selected peer group of at least eight and no more than 12 companies. The charts provided herein are for information purposes and do not directly result in withhold/against vote recommendations on director nominees or equity plan proposals. RMG's selected peer group is independently constructed based on the following key criteria: (1) the company's Global Industry Classification Standards (GICS) and (2) company's size as indicated by revenue, assets (for financial companies) or market capitalization. All compensation data, with the exception of stock award and options valuations, are taken from the company's most recent proxy statement. Stock awards and option values are based on the full grant date fair value rather than the amortized value over the requisite service period. Also, the estimated present value of stock options is determined under full-term assumptions. For a complete listing of frequently asked questions, go to www.riskmetrics.com/policy/ExecutiveCompensationFAQ

Total Compensation



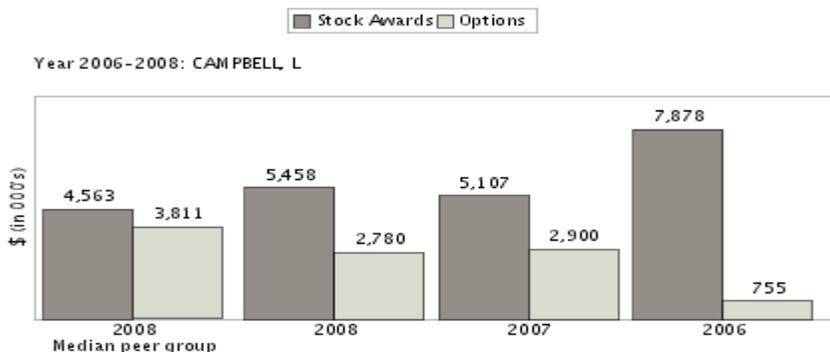
This chart shows a comparison of total compensation for the company's CEO and the median of a peer group for the most recent fiscal year.^{1 2} Total compensation is the sum of all pay components as reported in the summary compensation table by the company. The calculated total compensation figure will not match with the company's disclosed total compensation because stock awards and options are valued under the full grant date fair value rather than the amortized value over the requisite service period. Additionally, options are valued under full-term assumptions. Performance shares are based on target values.

Salary, Bonus and Non-Equity Incentive Awards



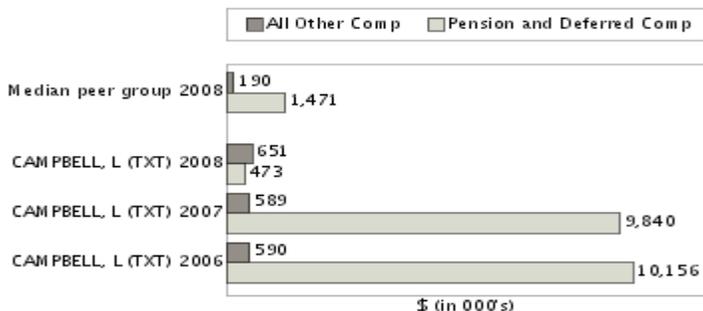
This chart shows a comparison of salary, bonus and non-equity incentive awards for the company's CEO and the median of a peer group for the most recent fiscal year.^{1 2} Bonus may include discretionary or guaranteed amounts. Non-equity incentive awards may include annual performance-based cash bonus, multi-year performance cash award, or awards where performance measures are not stock price driven and are not settled in company's stock.

Stock Awards and Option Awards



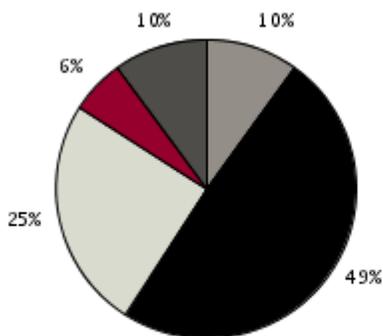
This chart shows the different types of equity plan awards. Stock awards and options values will not match with the company's disclosure as they are valued under the full grant date fair value rather than the amortized value over the requisite service period. The value of stock awards reflects the full grant date value under FAS 123R. Performance shares are based on target values. The estimated present value of options is determined under full-term assumptions.

Change in Pension Value and Deferred Compensation and All Other Compensation



This chart shows the aggregate increase in actuarial value of pension plans, above-market earnings on deferred compensation and all other compensation, which may include, but are not limited to, the following items: perquisites, tax gross-ups, dividends paid on stock or option awards or life insurance premiums. The median group calculation includes companies that do not provide pension and preferential earnings in deferred compensation.

Compensation Mix for Most Recent Fiscal Year



This chart shows the percentage of executive compensation that came from five key areas - Cash compensation, stock awards, options, performance cash compensation and non-performance compensation (which may include perks, tax gross-ups, annual company contributions to vested and unvested defined contribution plans, insurance premiums, dividends paid on stock or options and other compensation not disclosed in other columns).

CEO Stats

General

Age	62
Tenure	15
# of Outside Boards	1
Outside Boards *	Bristol-Myers Squibb Co., Dow Jones & Co., Inc.
Committees at Outside Boards *	Audit, Compensation/Remuneration, Nominating, Governance at Bristol-Myers Squibb Co., Nominating, Governance at Dow Jones & Co., Inc.

Retirement Data

Present Value of Accumulated Benefit	Qualified & Non-Qualified Plan \$50,397,403
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Equity Compensation

Did the company grant performance-contingent options last FY?	No
Did the company grant premium-priced options last FY?	No
Did the company grant discount options last FY?	No
Did the company grant performance-contingent stock awards last FY?	Yes
What were the specific performance measures?	EPS / Net Income; ROC / ROIC; Other Financial; Other Non-Financial

Other Stats

CEO pay as % of company revenue (CEO total comp/revenue)	0.08%
CEO pay as % of company net income (CEO total comp/net income)	2.28%

* As of the most recent annual meeting date of the other companies listed.

Company Financials

Change in Total Direct Compensation vs. Stock and Financial Measures

	% chg in TDC (2008-2007)	1-yr TSR %	3-yr TSR %	Revenue (\$MM)	% Chg in Revenue
CAMPBELL, L	-49.03%	-79.89%	-27.29%	\$14,246	7.72%
Peer Group Avg.	-2.86%	-37.73%	-1.24%	\$14,210.43	7.77%

CFO and Other Named Executive Officers (\$ in 000s)

	Subject Company		
	Principal Financial Officer	Other Three Named Execs*	Top Five Named Execs
Base	\$700	\$1,900	\$3,700
Bonus + Non-Equity Incentive	\$295	\$6,293	\$7,206
Stock Awards	\$1,637	\$12,322	\$19,417
Options	\$834	\$4,377	\$7,990
Chg in Pension value	\$1,472	\$3,781	\$5,726
Above Market Earning on Deferred Comp	\$14	\$332	\$346
All Other Comp	\$221	\$3,109	\$3,981
Total	\$5,173	\$32,114	\$48,367
As a Multiple of Net Income	1.06%	6.61%	9.95%
As a Multiple of Revenue	0.04%	0.23%	0.34%

* Values equate to aggregate totals of those other named executives. Positions include: Executive Vice President and Chief Operating Officer, Executive Vice President and General Counsel, Executive Vice President Government, Strategy Development and International, Communications and Investor Relations

Notes

* CEO Lewis B. Campbell no longer serves on the board of directors of Dow Jones & Co., Inc, which is not reflected under the "CEO Stats" Table.

Footnotes

1. RMG's selected peer group generally contains a minimum of eight and maximum of 12 companies, comprised of companies within the same six-digit Global Industry Classification Standard (GICS) with revenue ranging between 0.5- to 2.0-times the company's revenue. If there are insufficient companies within the six-digit GICS, peer companies would be supplemented from the four-digit GICS or even the two-digit GICS, using the same size parameters. For Financial companies, size is measured by assets rather than revenue; for companies with very high or very low revenues or assets (making it difficult to create a peer group on that basis), market cap is used as the size measure. In cases of some very large companies, a standard index (such as the Dow 30) may be used as the peer group. The peer group does not represent the financial or compensation peer groups that may be disclosed in the company's proxy statement. References made to the peer group are only relevant to this page. GICS represents the Global Industry Classification Standard indices developed by Standard & Poor's and Morgan Stanley Capital International.

2. List of peer companies: Cummins Inc., Danaher Corp., Eaton Corporation, Illinois Tool Works Inc., Jacobs Engineering Group Inc., L-3 Communications Holdings, Inc., Masco Corporation, Paccar Inc. Parker-Hannifin Corp., Terex Corp., 3M CO,

Source: Equilar - Executive Compensation, Standard & Poor's Research Insight - Financial

The following sections show a comparison of the company's share dilution and burn rate against its four-digit GICS group of Capital Goods. The information presented is for informational purposes only.

Dilution Comparison

Dilution is the sum of the total amount of shares available for grant and outstanding under options and other equity awards (vested and unvested) expressed as a percentage of total basic common shares outstanding as of the record date. The dilution figure typically excludes employee stock purchase plans (ESPPs) and 401(k) shares. Existing shareholders face dilution to their ownership interests as companies issue shares of their stock to compensate employees. The distribution of equity may result in a significant reallocation of ownership in a company between existing shareholders, management, and employees. The underlying information for the company is based on the company's equity compensation table in the most recent proxy statement or 10-K.

Textron Inc.	8.92%
Peer group median	9.68%
Peer group weighted average	10.69%
Peer group 75th percentile	14.20%

Burn Rate

Burn rate is a measure of dilution that shows how rapidly a company is using its shares reserved for equity compensation plans. The higher the annual share usage, the more likely the company will dilute the value of shares held by existing investors. It is calculated as the number of shares granted in each fiscal year, including stock options, restricted stock (units), actual performance shares delivered under the long-term incentive plan or earned deferred shares, to employees and directors divided by weighted average common shares outstanding. The adjusted burn rate places a premium on grants of full-value awards using a multiplier based on the company's annual volatility.

Textron Inc.	Non-Adjusted Burn Rate	Adjusted Burn Rate
1-year burn-rate	1.00%	1.16%
3-year average burn-rate	0.99%	1.12%

Vote Results

Vote Results for 04/23/2008 Annual meeting

Proposal	Mgmt Rec	Vote Requirement	Base	Result	% For
1. Elect Director Paul E. Gagne	For	Majority	F+A	Majority	97.47
2. Elect Director Dain M. Hancock	For	Majority	F+A	Majority	98.33
3. Elect Director Lloyd G. Trotter	For	Majority	F+A	Majority	98.32
4. Elect Director Thomas B. Wheeler	For	Majority	F+A	Majority	97.45
5. Ratify Auditors	For	50%	F+A+AB	Pass	97.30
6. Report on Foreign Military Sales	Against	50%	F+A+AB	Fail	6.50
7. Adopt Anti Gross-up Policy	Against	50%	F+A+AB	Fail	44.18

Notes

1. Vote results are for the most recent annual meeting.
2. Abbreviations for the "Base" identifier are as follows: F+A - For and Against; F+A+AB - For, Against and Abstain; Outstanding - Outstanding shares.

Note

Proposals

Items 1.1-1.3: Elect Directors

SPLIT

Board Profile

Nominees	Classification	ISS	Affiliation	Term Ends	Tenure	Age	Audit	Comp	Nom	Committee (C = chair, F= financial expert)	Outside Public Boards	Outside CEO
Lewis B. Campbell ²	Not Independent	Insider	CEO/Chair	2012	15	62					1	
Lawrence K. Fish	Independent	Independent Outsider	Lead Director	2012	10	64			C		1	
Joe T. Ford ⁴	Independent	Independent Outsider		2012	11	71			M		1	

Highlighted cells indicate a WITHHOLD/AGAINST recommendation at current meeting

Continuing Directors

Name	Company	ISS	Affiliation	Term Ends	Tenure	Age	Audit	Comp	Nom	Committee	Outside Public Boards	Outside CEO
Kathleen M. Bader ¹	Independent	Independent Outsider		2010	5	58	M		M		0	
R. Kerry Clark ³	Independent	Independent Outsider		2010	6	56	M	M			1	Y
Ivor J. Evans	Independent	Independent Outsider		2010	6	66		M			3	
Paul E. Gagne	Independent	Independent Outsider		2011	14	62	C F				4	
Dain M. Hancock	Independent	Independent Outsider		2011	4	67	M				0	
Lord Powell of Bayswater ⁵	Independent	Independent Outsider		2010	8	67		C			6	
Lloyd G. Trotter	Independent	Independent Outsider		2011	1	62		M	M		1	
Thomas B. Wheeler	Independent	Independent Outsider		2011	16	72			M		1	
James L. Ziemer ⁶	Independent	Independent Outsider		2010	2	59	F				1	Y

Notes

1 . In 2007, the company sold products to Natureworks LLC. Kathleen M. Bader served as president and CEO of that firm until 2006. Ms. Bader's previous affiliation with that firm does not qualify as material under RMG's definition of independence. The board attested the independence of this director under NYSE rules. Source: Textron Inc., most recent Proxy Statement, p. 8.

2 . In 2007, the Textron Charitable Trust made a donation of \$30,000 to the Eisenhower Fellowships. Lewis B. Campbell serves on the board of that fellowship. Source: Textron Inc., most recent Proxy Statement, p. 8.

3 . During the past three years, the company and its certain business units purchased products from The Procter and Gamble Company or one of its affiliates in aggregate amounts substantially less than 1% of either company's revenue in any such year. R. Kelly Clark served as vice chairman of that firm until 2006. In 2008, the company's joint venture, CitationShares repurchased an aircraft from Cardinal Health, Inc. of which Mr. Clark is the chairman and CEO. These previous transactions do not qualify as material under RMG's definition of independence. The board attested the independence of this director under the NYSE rules. Source: Textron Inc., most recent Proxy Statement, p. 7.

4 . During the past three years, ALLTELL Corporation purchased aircraft parts and services from one of the company's subsidiaries and

certain business units of the company paid ALLTELL Corporation for telephone services with the amounts in each transaction less than 1% of either company's revenues in any such year. In 2008, Cessna Aircraft Company, a business unit of the company, received \$750,000 as deposit for the purchase of three aircraft for delivery in 2011 and 2012 from ALLTELL. Joe T. Ford retired as chairman of the board of that firm last November 2007. Mr. Ford's previous affiliation with that firm does not qualify as material under RMG's definition of independence. The board attested the independence of this director under NYSE rules. Source: Textron Inc., most recent Proxy Statement, pp. 4 and 7.

5. In 2007 and 2008, the Textron Charitable Trust made donations to the Atlantic Partnership amounting to \$10,000 and \$50,000, respectively. Lord Powell serves as chairman of that firm. The previous transactions do not qualify as material under RMG's definition of independence. The board attested the independence of this director under NYSE rules. Source: Textron Inc., most recent Proxy Statement, p. 8.

6. In 2007, the company made a direct payment of honorarium for an outside speaker, at the speaker's request, to the Harley-Davidson Foundation, an affiliate of Harley-Davidson, Inc.. James L. Ziemer is the president and CEO of that firm. This previous transaction does not qualify as material under RMG's definition of independence. The board attested the independence of this director under NYSE rules. Source: Textron Inc., most recent Proxy Statement, p. 8.

Independence

	Number of Directors	Number of Insiders	Number of Affiliated	Percent Independent
Board (15 mtgs)	12	1	0	92%
Audit (11 mtgs)	5	0	0	100%
Compensation (7 mtgs)	4	0	0	100%
Nominating (5 mtgs)	5	0	0	100%

Vote Standard

The company has adopted a majority vote standard (of shares cast) for the election of directors with a plurality carve-out for contested elections, and has a director resignation policy in its bylaws/charter.

Summary Information

Average age	64
Average tenure	8
Average outside boards per director	1.7
Percent of directors who have attended an ISS Accredited Program	0%
Percent of directors who are outside CEOs	17%
Directors with less than 75% attendance	None
Directors who do not own company stock	None
All Current Executive Officers and Directors Beneficial Ownership Percentage	0.98%

Director Profile

Nominees

Name	Primary Employment	Public Boards	Interlock***	Common Shares Presently Held	Number of Exercisable Options**	Percentage of TVP	Total Compensation
Lewis B. Campbell	CEO, Chairman, President - Textron Inc.	Bristol-Myers Squibb Company, Textron Inc.		767,926	467,545	<1%	*
Lawrence K. Fish	Retired	Textron Inc., Tiffany and Co.		44,500	0	<1%	269,486
Joe T. Ford	Financial Services	Textron Inc., EnPro Industries, Inc.		9,000	0	<1%	232,986

Highlighted cells indicate a WITHHOLD/AGAINST recommendation at current meeting

Continuing Directors

Name	Primary Employment	Public Boards	Interlock***	Common Shares Presently Held	Number of Exercisable Options**	Percentage of TVP	Total Compensation
Kathleen M. Bader	Retired	Textron Inc.		17,192	0	<1%	271,142
R. Kerry Clark	CEO, Chairman - Cardinal Health, Inc.	Textron Inc. Cardinal Health, Inc.		7,000	0	<1%	272,296
Ivor J. Evans	Financial Services	Spirit AeroSystems Holdings, Inc., Cooper Industries, Ltd., Textron Inc., ArvinMeritor, Inc.		7,000	0	<1%	239,545

Paul E. Gagne	Retired	Textron Inc., Wajax Income Fund, Inmet Mining Corporation, Fraser Papers Inc., CAE, Inc.	5,120	0	<1%	291,986
Dain M. Hancock	Consultant	Textron Inc.	2,103	0	<1%	265,666
Lord Powell of Bayswater	Retired	Textron Inc., Schindler Holding AG, Caterpillar Inc., LVMH Moet Hennessy Louis Vuitton SA, Mandarin Oriental International Ltd., Hong Kong Land Holdings Limited, Yell Group PLC	2,103	0	<1%	316,986
Lloyd G. Trotter	Financial Services	PepsiCo, Inc., Textron Inc.	2,046	0	<1%	214,117
Thomas B. Wheeler	Retired	Textron Inc., Genworth Financial, Inc.	5,686	0	<1%	231,486
James L. Ziemer	CEO, President - Harley-Davidson, Inc.	Textron Inc., Harley-Davidson, Inc.,	2,086	0	<1%	267,840

Notes

*For executive director data, please refer to the "Executive Compensation" section

**Common shares which can be acquired upon exercise of options within 60 days

***An interlocking board relationship is defined as a situation where an executive of the current company sits on the board of a company where the director is an executive.

Board Review

- A substantial majority of the board members are independent outsiders.

- The key board committees include no insiders or affiliated outsiders.

- Additionally, Lord Powell of Bayswater, a continuing director, sits on more than six boards. In view of the increased oversight and regulatory demands facing board members, RMG believes that directors who are overextended may be jeopardizing their ability to serve as effective representatives of shareholders. In the future, RMG may recommend that shareholders vote AGAINST Lord Powell of Bayswater if he continues to sit on more than six boards. Lord Powell is not up for election this year, given the company's classified board structure.

Company Insights & Overview

Governance Update

At the company's 2008 annual meeting on April 23, two shareholder proposals came to vote. The American Federation of State, County and Municipal Employees (AFSCME) submitted proposal to prohibit most tax gross-up payments to senior executives received a significant 44.18 percent support, which has perhaps caused the board to eliminate such gross-ups, as discussed below. Gross-ups are payments calculated to reimburse an executive for certain tax liabilities. A shareholder group, including the Sisters of St. Francis of Philadelphia, also proposed that the company create a report of Textron's foreign sales of weapons-related products and services; this proposal only garnered 6.5 percent support.

There are no shareholder proposals on the ballot this year; moreover, AFSCME has withdrawn its anti gross-up proposal, perhaps in light of the board's elimination of such practice going forward. During engagements with RMG, the company stated that another shareholder proposal had been withdrawn this year based on the company's disclosure pertaining to its compensation consultants.

On Sept. 24, 2008, the board adopted several amendments to the company's bylaws, which include (i) revision of provisions regarding advance notice of stockholder nominations and other business, in light of recent developments under Delaware case law, to assure that stockholders and the company have a reasonable opportunity to consider nominations and other business proposed to be brought before a meeting of stockholders and to allow for full information to be distributed to stockholders, (ii) clarifying that subsequent

amendments to the indemnification provisions cannot eliminate vested rights and make certain other changes to these provisions consistent with prevailing practices; and (iii) making certain other technical and conforming changes.

Advance Notice Requirement

In 2008, the Delaware courts handed down two decisions, which, read together, indicate a judicial move towards a narrower interpretation of companies' advance notice bylaws. These recent court decisions have encouraged companies to take a closer look at their bylaw provisions to ensure that broad language does not provide loopholes for investors. Specifically, companies are including language designed to provide more detailed advance notice provisions and to ensure full disclosure of economic and voting interests in a shareholder's notice of proposals, including derivatives and hedged positions

The amendments consolidate the advance notice provisions applicable to director nominations (which were in Section 3.03) and other business (which were in section 2.02) into one section (section 2.04). Particularly, the amendment defines more clearly the required processes for stockholders to notify the company of their intention to propose director nominations or other business for consideration at a stockholders' meeting. It has extended the advance notice period from between 90 and 120 days before the anniversary of the preceding year's annual meeting to between 90 and 150 days. It also requires disclosure of all ownership interests, including derivatives, of a stockholder who intends to propose director nominations or other business.

Company Performance

Textron, Inc. has sustained poor total shareholder return (TSR) performance, as determined by RMG's standards. RMG defines poor performance as one- and three-year TSRs in the bottom half of the company's four-digit GICS industry group within the Russell 3000. Note that the Shareholder Returns information, as disclosed on the first page of RMG's analysis, differs from such methodology as that GICS Industry group also includes non-Russell 3000 companies. Additionally, RMG performs its stock performance downloads in March, June, September, and December for all Russell 3000 companies and their respective four-digit GICS industry groups. For companies with fiscal years that do not correspond to the calendar quarters, RMG will use the closest stock performance download. Textron Inc.'s fiscal year end is Jan. 3, 2009 and RMG reviewed the company's stock performance against its GICS peer group as of December 2008. When a company has sustained poor performance per RMG's methodology, we will examine the company's executive compensation practices and governance structure. Specifically, poor TSR coupled with an increase in CEO compensation from the prior year and/or egregious governance provisions will receive greater scrutiny in the context of vote recommendations in director elections.

In this case, Textron Inc.'s one and three TSRs were -79.89 percent and -27.29 percent, respectively, versus -39.53 percent and -4.76 percent for the median of the company's four-digit GICS peer group (2010: Capital Goods), respectively, based on the December 2008 download. As such, RMG will review the compensation paid to the CEO this year over last year, as well as the current governance provisions in place at the company.

Pay-for-Performance Analysis

RMG has a pay-for-performance policy that considers a CEO's compensation package in light of poor company stock performance over an extended time period. As mentioned above, a company performing in the bottom half of its corresponding four-digit GICS industry group over the past one and three fiscal years, coupled with an increase in the CEO's compensation, receives closer scrutiny per this methodology.

In applying this analysis, RMG makes a year-over-year comparison of the total compensation paid to the company's CEO, including base salary, bonus, stock awards (as disclosed in the Grants of Plan-Based Awards table), target performance shares (as disclosed in the Grants of Plan-Based Awards table), option awards (as calculated by Equilar), non-equity incentive plan compensation, change in pension value and nonqualified deferred compensation earnings, and all other compensation. In cases where a continuing CEO's compensation increased in the most recent year-over-year period, despite prolonged relative poor stock returns, RMG will evaluate the nature and rationale of the pay increase to determine whether against/withhold recommendations for compensation committee members are warranted.

Lewis B. Campbell has served as the company's CEO since 1998. Using the formula described above, Mr. Campbell's total compensation decreased by approximately 49.03 percent from \$21.7 million in fiscal 2007 to \$11.08 million in fiscal 2008. The majority of this decrease is attributable to a \$1.58 million decrease in his annual incentive bonus and a \$9.3 million decrease in his pension and deferred compensation value. Because the CEO's compensation did not increase from 2007 to 2008, RMG will not recommend that shareholders withhold votes from the compensation committee members. We will, however, continue to monitor the company's pay practices to ensure that there is no pay-for-performance disconnect going forward.

Executive Compensation Review

In RMG's 2008 proxy analysis, several poor pay practices were highlighted at Textron, including CEO Lewis B. Campbell's total pay magnitude, his high personal usage of the company's aircraft, and executives' above market non-qualified deferred compensation earnings. The high use of personal aircraft and the executives' above market earnings still exist.

The analysis below discusses some of the recent actions taken by the Compensation Committee, including highlighting positive governance steps taken and several concerns in regards to the company's compensation practices relative to RMG's policies.

Positive Governance Changes

Elimination of Certain Perquisites & Tax Gross-Ups (excise & perquisite related)

Prior to 2008, the company provided named executives with a number of perquisites, including financial planning and income tax preparation, annual physical exams, personal use of company aircraft, company vehicles, and a club membership program. During 2007, the Compensation Committee eliminated all perquisites except for personal use of company aircraft and annual physical exams effective Jan. 1, 2008.

At its February 2009 meeting, the Compensation Committee adopted a policy prohibiting any new agreements requiring the company to pay tax gross-ups to executive officers that are not generally available to other employees. Per a clarifying phone call with the company, this tax gross-up elimination applies to perquisites and excise taxes, prospectively.

Personal Aircraft Use by NEOs and Directors

During 2008, the Compensation Committee further required named executives 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. The company does not disclose what certain personal use is defined as. The company's proxy statement also indicates that its non-employee directors are able to utilize for personal use aircraft in which Textron has a fractional ownership interest on an as-available basis. However, RMG notes that non-employee directors are also required to reimburse the company for the cost per hour of flight time.

CEO Severance Multiple Reduced

As disclosed in its 2007 proxy, the company reduced the severance multiple for Mr. Campbell from 2.5 times to 2.0 salary and annual cash incentive for a non-change in control involuntary termination.

Base Salaries of NEOs Frozen for Three Years

In January 2008, the Compensation Committee reviewed the base salaries of the NEOs. This analysis and benchmarking showed that each NEO is near or slightly above the competitive pay levels for their respective position and therefore no base pay increases were provided in 2008. This is the third consecutive year with no base pay increases for senior executives.

New Performance Criteria Introduced for AIP

Beginning with the 2008 AIP bonuses, a Workforce Diversity component was introduced into the calculation equation with a 5 percent weighting. The company also moved the ROIC-WACC performance criteria from a multiplier to a component in the equation with a 45 percent weighting to more appropriately balance it with the other performance metric of EPS.

Annual Incentive Compensation (AIC) in 2008

For fiscal 2008 the performance criteria for the annual incentive cash bonuses to executives were based 45 percent on Earnings per Share (EPS) performance relative to budget, 45 percent on Return on Invested Capital (ROIC) above the company's Weighted Average Cost of Capital (WACC), 5 percent on Workforce Diversity, and 5 percent on Leadership Behaviors. The target incentive for CEO Campbell was 100 percent of his base salary of \$1.1 million.

The 2008 performance targets set by the Compensation Committee were: \$3.77 EPS (as adjusted for divestitures during the year), 8 percent for ROIC vs. WACC, and 1.8 percent for increased workforce diversity. The company's 2008 actual results were \$3.26 for EPS, which was below target, 10.6 percent for ROIC vs. WACC was above target, 1 percent increase for workforce diversity was below target, and leadership behaviors were also factored in at 80 percent out of 100. These results, as weighted under the disclosed bonus calculation, resulted in a 76.18 percent payout. However, due to the cancellation of a large government contract and problems in the company's financial unit, the Compensation Committee further discounted this payout by 20 percent. As such, 56.18 percent of the target award was paid out to executives. CEO Campbell received \$617,980 compared to \$2.2 million in fiscal 2007.

Compensation Practices of Concern

Excessive New Hire Package - \$22.4 million for new COO

Scott C. Donnelly joined Textron from General Electric, Inc. as executive VP and COO in June 2008 and became President and COO in January 2009. Mr. Donnelly's new hire package included the following pay components collectively valued at \$22.4 million.

Non-Performance Based Payments - \$19.9 million

\$4.1 million sign-on bonus - to offset long-term incentives he forfeited at former employer (\$2.1 - paid Sept.2008, \$2.0 - paid Feb.2009)

\$490,000 cash payment - in lieu of additional stock award currently prohibited by limitations in the company's LTI plan

\$850,000 base salary

\$1.32 million - 2008 guaranteed minimum cash bonus under AIC to offset forfeited annual incentive bonus at former employer

\$2.5 million - for the loss of value on his Cincinnati, Ohio home which was purchased by the company's relocation firm

\$476,629* - Present value of additional 19 years of service granted under the company's SERP

\$2.7 million** - 200,000 stock options that vest at 20% over five year, strike price of \$47.84

\$7.5 million**- 155,893 time-based restricted shares to vest 25 percent over three years, final 25 percent to vest ratably over three additional years

Performance Based Payments - \$2.5 million

\$2.5 million** - 54,539 PSUs earned based on EPS and ROIC award cycles ending in 2008 (5,511), 2009 (17,531), and 2010 (31,497), paid in cash

* As reported in the Pension Benefits table

**As reported in the Grants of Plan-based Awards table

Jan. 2009 - Additional Non-Performance \$1 Million Payment Awarded

When he was appointed as President of the company in January 2009, the Compensation Committee provided Mr. Donnelly with an additional \$1.0 million (valued as of the approval of the grant) in cash-settled, non-performance based, restricted stock units which vest equally over three years. In line with the company's new policy in 2008 to pay dividend equivalents on unvested restricted stock units, Mr. Donnelly will also receive dividend equivalents on a quarterly basis prior to this award fully vesting. He was also offered an increase in his base salary from \$850,000 per annum to \$935,000, which he declined "in light of general salary freezes at the company."

RMG questions the justification for providing dividends on these cash-settled restricted stock units. If the participant leaves before the awards fully vest, he/she would have already received a steady stream of dividends.

AIP Bonus Not Discounted

The terms of employment for Mr. Donnelly guaranteed him a threshold cash award under the AIP of \$1,320,000, with the ability to reach 200% of what would otherwise be a target similar to the other NEOs, if performance criteria achieved superior results. Performance results were not superior, and the 2008 AIP bonuses at the company were paid out at 56.18 percent of target. This included a 20 percent further discretionary discount by the Compensation Committee due to the loss of a large government contract. Mr. Donnelly, who joined the company in July 2008, received his full AIP bonus of \$1,320,000. Based on communications with the company, RMG learned that this amount was the full amount of the 2008 bonus he was eligible to receive at GE had he not left the company. Therefore the company felt no need to discount it as it represents a full year of performance. CEO Campbell received an AIP bonus of \$617,980 in 2008 and had worked for the company the full year.

Payment for Loss on Home - \$2.5 million

Providing relocation packages to new hires or transferring employees is not considered a poor pay practice. However, if a relocation package to an executive is especially excessive, this perquisite would be considered a poor pay practice. Given the current housing market conditions and the large drops in home values in recent years, most homeowners are finding that their home is worth less now than what they paid for it just a few years ago. Executives should not be sheltered from this downturn in the housing market. In Dec. 2008, pursuant to an amendment to Donnelly's employment agreement, the company provided him with approximately \$2.5 million dollars as a "make-whole" payment due to the loss of value in his Cincinnati, Ohio home following his relocation to Providence, Rhode Island. The amount includes \$1.13 million in tax reimbursements on this relocation payment.

19 Additional Years of Service Credit under SERP

Mr. Campbell, the current CEO and Chairman, joined the company in 1992 after a 24 year career at his former employer. The company provided him with a "make-whole" benefit under the company's SERP plan as part of his new hire package. As stated in the company's proxy, when Mr. Donnelly was hired the company decided Mr. Donnelly's termination benefits would be generally equivalent to CEO Campbell's. Textron even amended its SERP plan in Dec.2008 to provide this "make-whole" benefit to Mr. Donnelly and any future executives that the company decides to provide this benefit to. CEO Campbell is age 62; Mr. Donnelly age 47, according to the company's 10-K report for fiscal 2008. The current value of this award, as indicated in the Pension Benefits Table is \$476, 629. Mr. Donnelly's SERP benefit will vest at 100 percent after 10 years of service with the company.

Per written communications to RMG, the company added that this benefit was provided to Mr. Donnelly because he had to forfeit the entire balance in his GE SERP due to his termination from GE before age 60 and this perk was necessary to recruit him to the company. This information is not disclosed in the company's proxy statement.

Granting additional years of service is counter to the pay for performance philosophy. SERPs are different from typical qualified pension plans in two ways. They do not receive the favorable tax deductions enjoyed by qualified plans, and the company pays taxes on the income it must generate in order to pay the executive in retirement. SERPs typically guarantee fixed payments to the executive for life but are often payable as a lump-sum value of accrued benefits at the time of retirement. SERP benefits are entitlements that are not performance driven or aligned with long-term shareholder interests. RMG believes that providing unearned additional years of service credit is not in line with best practices and moreover, can drastically increase the costs of the plan to shareholders and recommends that the company no longer provide additional unearned service credits to future executives.

Lack of Succession Planning by the Board and CEO

Paying for new executive talent can be costly for shareholders, especially if the majority of a compensation package is not tied to performance. This is evidenced by the \$19.9 million in non-performance based compensation in Mr. Donnelly's new hire package. None of these payments are contingent upon Mr. Donnelly's individual performance as the company's new COO and President, or contingent upon the company's future performance. These payments are being provided for untested performance, yet are guaranteed even if Mr. Donnelly's performance does not meet the board's expectations. Such arrangements also suggest a lack of succession planning on the part of Mr. Campbell as CEO and the Nominating Committee of the board, which may have avoided the need for an expensive recruitment package. Since there is no guarantee that Mr. Donnelly will be successful in his new role, the Board should have structured a compensation arrangement more contingent on performance rather than providing the bulk of the \$19.9 million package as fixed or guaranteed payments.

Ongoing Excessive Personal Use of Company Aircraft

In fiscal 2007, CEO Campbell received \$494,716 for his personal use of company aircraft. In fiscal 2008, this personal aircraft usage increased by 19.34 percent, or \$590,417, representing approximately 54 percent of his fiscal 2008 base salary. RMG notes that its analysis of perquisite allowances at S&P 500 Industrial companies which included companies within the 4-digit Global Industry Classification Standard codes of 1510 (Materials), 2010 (Capital Goods), 2020 (Commercial Services & Supplies), 2030 (Transportation), and 2510 (Automobiles & Components) found that 58.6 percent of the companies provided personal use of corporate aircraft to their CEOs in 2006, which remained unchanged in 2007. Notably, from 2006 to 2007, median reported value fell from \$89,672 to \$76,778, representing a 14.4 percent decline. The median value of perquisites for S&P 500 Industrial chief executives also fell by approximately 31 percent from 2006 to 2007, from \$91,058 to \$62,768. The company states that the value of Mr. Campbell's usage is higher than the prior year due primarily to an increase in the average cost of fuel, despite a decrease in personal usage hours from 2007 (which was apparently not enough to offset the increased fuel costs). The company also discloses that non-business use of the corporate aircraft increases the company's tax liability as these costs are not deductible as business expenses.

As cited in the Wall Street Journal article, "For Some CEOs, the Perks Keep Flowing" on April 3, 2009, the company justifies Mr. Campbell's excessive personal aircraft use as "an extremely important example to showcase the real-life efficiencies and other benefits to potential customers" because the company owns Cessna Aircraft Co. RMG does not concur with the argument that excessive personal use by the company's CEO is important to sell airplanes.

According to RMG policy, excessive or overly generous perquisites such as personal use of corporate aircraft or other inappropriate arrangements are a poor pay practice. When other companies are reducing this use, the company is increasing this already excessive usage. Allowing excessive personal use of company aircraft is an unnecessary cost to shareholders and runs counter to the pay for performance philosophy. In light of the new SEC disclosure rules on executive compensation, many companies are eliminating unwarranted perks, such as personal use of aircraft and car allowances, which may be considered stealth compensation. RMG recommends the company reconsider this practice because of the excessive cost incurred by shareholders.

Conclusion & Vote Recommendation

Although Textron has made several positive governance and compensation changes, RMG has concerns over executives' ongoing high personal usage of the company's aircraft and Mr. Donnelly's excessive new hire package, which includes minimal performance-based components. The company employs a majority vote standard for the election of directors. Under this voting standard, voting AGAINST a director nominee could have resulted in the nominee not being re-elected to serve on the board should he/she fail to receive more votes FOR his/her election than AGAINST. That being said, RMG believes that the Compensation Committee of the company should be held accountable for approving these poor compensation practices. Due to these poor pay practices, RMG would ordinarily recommend AGAINST votes for members of the Compensation Committee, however since no committee members are up for election this year, RMG recommends AGAINST votes on the current non-employee nominees, who include independent director and Nominating Committee member Mr. Ford, and independent lead director and Nominating Committee Chair, Mr. Fish. RMG does not recommend AGAINST vote on the CEO because he is not responsible for approval of the pay practices.

Vote FOR Item 1.1.

Vote AGAINST Items 1.2 and 1.3.

US Standard Policy

Item 4: Ratify Auditors**FOR**

The board recommends that Ernst & Young LLP be approved as the company's independent accounting firm for the coming year. Note that the auditor's report contained in the annual report is unqualified, meaning that in the opinion of the auditor, the company's financial statements are fairly presented in accordance with generally accepted accounting principles.

Audit Summary

Accountants	Ernst & Young LLP
Auditor Tenure	16
Audit Fees	
Audit Fees :	\$ 8,573,000.00
Audit-Related Fees:	\$1,938,000.00
Tax Compliance/Preparation*:	\$0.00
Other Fees:	\$605,000.00
Percentage of total fees attributable to non-audit ("other") fees:	5.44%

* Note: Only includes tax compliance/tax return preparation fees. If the proxy disclosure does not indicate the nature of the tax services, those fees will appear in the "other" column.

Vote FOR Item 4.*US Standard Policy*

Additional Information and Instructions

**Textron Inc.
40 WESTMINSTER ST
PROVIDENCE RI 02903
4014212800**

Shareholder Proposal Deadline: November 11, 2009

Solicitor: D.F. King & Co.

Security ID:883203101 (CUSIP), 883203200 (CUSIP), 883203309 (CUSIP),

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Textron Inc.

April 3, 2009

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Analysts

Lead Analyst(s): Oz Tolon; Challie Dunn



Company Info

Ticker	TXT
Meeting	Annual April 22, 2009
Record Date	February 27, 2009
Incorporated	Delaware
Conglomerate (GICS:20105010)	
Shares Held on Record Date	
Shares Voted	
Date Voted	

Textron Inc.

Recommendations - US Standard Policy

Item Code*	Proposal	Mgt. Rec.	ISS Rec.	VOTED
1.1	M0201 Elect Director Lewis B. Campbell	FOR	FOR	
1.2	M0201 Elect Director Lawrence K. Fish	FOR	AGAINST	
1.3	M0201 Elect Director Joe T. Ford	FOR	AGAINST	
4	M0101 Ratify Auditors	FOR	FOR	

*S indicates shareholder proposal

Shareholder Returns

	1 yr%	3 yr%	5 yr%
Company	-79.89	-27.29	-11.60
S&P 500	-36.99	-8.36	-2.19
GICS peers	-33.64	0.61	8.59

Annualized shareholder returns. Peer group is based on companies inside the same "Global Industry Classification Standard" code

CGQ Rating

Index Score	56.4
Industry Score	91.6

TXT outperformed 56.4% of the companies in the S&P 500 and 91.6% of the companies in the Capital Goods group.

ISS calculates governance rankings for more than 8,000 companies worldwide based on up to 63 corporate governance variables.