EXHIBIT 14

(Part 1 of 3)

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In re: **BERNARD L. MADOFF INVESTMENT SECURITIES LLC,** **Debtor,**	**Adv. Pro. No. 08-01789 (BRL)** **SIPA LIQUIDATION** **(Substantively Consolidated)** **Adv. Pro. No. 10-5287 (BRL)**
IRVING H. PICARD, Trustee for the Liquidation of Bernard L. Madoff Investment Securities LLC, **Plaintiff,** **v.** **SAUL B. KATZ, et al.,** **Defendants.**	**11-CV-03605 (JSR) (HBP)**

Bruce Dubinsky Deposition Binder

Tabs 26-80

Part II of III

ATTORNEY WORK PRODUCT
PRIVILEGED & CONFIDENTIAL

DUFF & PHELPS

EXHIBIT
D-25B
1-11-12

MOODY'S

INDUSTRIAL MANUAL

1986

VOL. 2

TEXTRON INC.

CAPITAL STRUCTURE

LONG TERM DEBT

Issue	Rating	Amount Outstanding	Times Charges Earned 1985	Times Charges Earned 1984	Interest Dates	Call Price	Price Range 1985	Price Range 1984
1. S.f. debenture 7½s, 1997	A3	$19,200,000			J & J 15	[1]102.25	76½-65⅞	66½- 60⅝
2. 11% Notes, 1995	A3	100,000,000			J & J 1	[2]......	101⅞-99½	[6]......
3. Debenture 9¼s, 2016	A3	150,000,000			M& S 15	[1]109¼	[7]......	[7]......
4. 10⅝% Euronotes	A3	100,000,000			Jan. 7	101½	....	....
5. 11¾% subord. notes, 1995	Baa1	[4]149,200,000			M& N 1	[5]100	104 -101⅞	[4].....
6. Subord. debenture 12¾s, 2010	Baa1	[4]99,800,000			M& N 1	[1]111.92	[4].....	[4].....
7. Textron Int'l Inc. s.f. deb. 7¾s, 1987	A3	10,800,000	2.39	5.03	Ann. Oct. 1	100.00	....	....
8. Textron Financial eurobonds 5⅝s, 1996	Baa3	70,000,000			Oct. 23	102½	....	....
9. Avco Corp. 12% senior notes, 1990	Baa3	65,000,000			J & D 15	[2].....	103½-98⅝	100 - 85⅛
10. Avco Corp. conv. sub. deb. 5½s, 1993	Ba2	19,300,000			M31 & N30	[1]101.65	92½-87	90½- 63⅛
11. Avco Corp. sub. deb. 7½s, 1993	Ba2	49,100,000			M31 & N30	100	83¾-70	72 - 60⅛
12. Other long-term debt	....	1,074,100,000			....	.....	....	....

CAPITAL STOCK

Issue	Par Value	Amount Outstanding	Earned per Sh. 1985	Earned per Sh. 1984	Divs. per Sh. 1985	Divs. per Sh. 1984	Call Price	Price Range 1985	Price Range 1984
1. $2.08 cum. conv. pfd., Ser. A	No par	1,863,000 shs.	$98.16	$56.92	$2.08	$2.08	$50.00	65 - 36	47¼- 28¾
2. $1.40 cum. conv. pfd., Ser. B	No par	702,000 shs.			1.40	1.40	45.00	53 - 28¾	38 - 23¾
3. Common	$0.25	37,318,000 shs.	[3]4.83	[3]2.12	1.80	1.80	.....	59¾- 32⅝	43½- 25⅞

[1]Subject to change, see text. [2]Callable in future; see text. [3]Based on average shares on continuing oper. assuming conversion of preferred stock and exercise of warrants and stock options. [4]Offered May 6, 1985. [5]On or after May 1, 1992. [6]Offered June 27, 1985. [7]Offered Mar. 5, 1986.

HISTORY

Incorporated in Delaware July 31, 1967 as American Textron Inc.; present title adopted Jan. 2, 1968 upon merger of a company of the same name which was incorporated in Rhode Island, April 16, 1928 under name of Franklin Rayon Corp. as successor to Special Yarns Corp. and Franklin Rayon Yarn Dyeing Co. Name changed to Atlantic Rayon Corp. March 24, 1939; to Textron Incorporated, May 18, 1944, to Textron American, Inc., Feb. 24, 1955, on merger of American Woolen Co. and Robbins Mills, Inc.; to Textron Inc. May 16, 1956.

Note: For various acquisitions and changes 1943 through 1952, principally on textile operations, see Moody's 1961 Industrial Manual.

For various acquisitions and changes from 1953 through 1964, see Moody's 1968 Industrial Manual.

In Jan. 1965, acquired control of Le Progres Industriel, a Belgian machine tool manufacturer. Now operated as Progres Jones & Lamson, part of Waterbury Farrel machine tool Division.

In Feb. 1965 acquired Old King Cole to supplement the plastic line of the Fanner division.

In July 1965 acquired the South Coast Marine Co. for the marine fittings business of Sprague Division.

In Sept. 1965 acquired Erie Tool Works and Lakeview Forge Co., which became a part of Fanner Division.

In Sept. 1965, Townsend Co. acquired a substantial interest in American Screw (Chile). (Nationalized by Chilean Govt. on Sept. 5, 1972).

In Oct. 1965 acquired from H.K. Porter Co. its Patterson-Sargent paint business. Vita Var to which it was added changed its name to Patterson-Sargent division.

In Jan. 1966, acquired Cleveland Metal Abrasive for the Fanner Division.

On Mar. 1, 1966, acquired the net assets of W.A. Sheaffer Pen Co.

In May 1966 sold Parkersburg Div. to Parmac, Inc.

In June 1966 sold Weinbrenner Div. to Weinbrenner Shoe Corp.

In Aug. 1966 sold GC Electronics (of Textron Electronics, Inc.) to Hydrometals, Inc.

In August 1966 sold Nuclear Metals Div. to Whittaker Corp.

In August 1966 acquired the LPG Division of the Weatherhead Co. to operate as a unit of the Sprague division.

On Sept. 1, 1966 acquired the net assets of Bostitch, Inc. for 1,299,808 shares of Textron common stock on basis of 1¼ Textron com. shs. for each Bostitch class A and class B com. sh.

In October 1966 sold Beacon Div. to Beacon Milling Co.

In Dec. 1966 sold feed operation of Professional Feeds Div. to the International Milling Co. retaining the corn milling plant to operate as a unit of Spencer Kellogg Div.

In Jan. 1967 acquired the Thompson Grinder Company which became a part of the Waterbury Farrel Division.

In June, 1967 acquired American Crossarm and Conduit Co. and on Sept. 29, 1967 acquired A.P. DeSanno & Son, Inc. Both now part of Fanner Division.

On Nov. 7, 1967 acquired Gorham Corp. in exchange for 893,312 common shares at rate of 1.8 common shares for each share Gorham common.

On Jan. 1, 1968, Textron Electronics, Inc. was merged into Textron Industries, Inc., subsidiary, which on Jan. 2, 1968 was merged into parent, Textron Inc.

On Jan. 3, 1968 acquired net assets of Fafnir Bearing Co. in exchange for 3,046,388 $2.08 cumulative convertible preferred shares at rate of 1.3 preferred shares for each share Fafnir common.

On Mar. 1, 1968 acquired net assets of Bridgeport Machines, Inc. and its subsidiary True-Trace Corp.

In May 1968, acquired Industrial Stapling Sales, Pty., Ltd., Australia, a distributor of company's Bostitch Division's product line, now operated as a subsidiary called Bostitch-Australia.

On July 15, 1968, acquired net assets of Talon, Inc., in exchange for 4,844,628 shares of $1.40 convertible preferred stock, at rate of one preferred share for each common share of Talon.

On Aug. 1, 1968, acquired net assets of Polaris Industries, Inc. in exchange for 216,017 common shares, at rate 0.71 common share for each common share of Polaris.

On Feb. 22, 1969, sold Caroline Foods Division to Wilson & Co., Inc.

On Apr. 18, 1969 sold the Peat Mfg. Co. unit of Hall Mack Division.

On Apr. 25, 1969 acquired the net assets of Donahue Sales Corp. in exchange for 737,845 common shares.

On May 21, 1969 acquired the net assets of Ellingsworth Mfg. Co. and related companies. Mich. Fastener Co.; Ellingsworth Realty Co. and Paw-Paw Box Co. in exchange for 165,032 common shares.

On Aug. 25, 1969 sold Fafnir-INA Needle Roller Bearing Co., a unit of Fafnir Division.

On Aug. 29, 1969 sold the housewares segments of the Randall Division.

In July 1969 sold Sheaffer Pen de Brazil and company's 57.3% ownership in Sheaffer Argentina.

In Sept. 1969 acquired Reizart, Inc. for cash.

On April 27, 1970, acquired Ri Ri Holding A.G., Switzerland, manufacturer of slide fasteners.

On July 2, 1970, acquired Mikin Co., operated as unit of Speidel Division.

Also in July, sold Amsler-Morton Co., Pittsburgh to E.W. Bowman, Inc., Uniontown, Pa.

On Sept. 11, 1970 acquired Aero Zipp Ltd., London, manufacturer of slide fasteners.

On Nov. 30, 1970 sold American Crossarm and Conduit unit of Fanner Division.

On Dec. 23, 1970, acquired Calan Co., operated as unit of Speidel Division; also acquired Welsh Manufacturing Co. for 171,397 com. shs.

On Mar. 31, 1971, acquired Auto-Soler Co. thru exchange of 0.415 Co. com. shs. for each Auto-Soler com. sh.

On May 15, 1971 acquired Adcock-Shipley Ltd., a British producer of horizontal and verticle milling machines.

On May 28, 1971 sold North Kansas City Corn Mill unit of Spencer Kellogg.

On Sept. 8, 1971 sold Aetna Bearing Co. to Katy Industries, Inc.

On May 1, 1972 sold MB Electronics Division.

On May 18, 1972 merged American Research and Development Corp. in exchange for 1,842,000 common shares.

On July 31, 1972 acquired E-Z-Go, Nassau, operated as a unit of E-Z-Go Division.

On July 31, 1972 acquired Valentine Holdings Australia, manufacturer of greeting cards, business forms and computer services; operated as subsidiary of Textron Pacific Pty. Ltd.

On Nov. 30, 1972 sold Gibson Electric Division of Gibson Caribe (P.R.).

On Dec. 30, 1972 acquired Wernicke Co. (Germany) manufacturer of special optical equipment for lens preparation; operated as subsidiary of Textron Atlantic.

In Mar. 1973 increased its interest from 30% to 50% in Max Co. Ltd. (Japan) manufacturer of stapling equipment. Terms not disclosed.

In Apr. 1973, sold Cleveland Metals and Abrasives Unit of Fanner.

In June 1973, sold A.P. DeSanno unit of Fanner. Also sold Fafnir Walzlager unit of Fafnir.

In July 1973, acquired Security Corp. thru exchange of 2 com. shs. for each share of Security Corp.

In Aug. 1973, sold Lighting Circuit Division of Textron Canada, Ltd.

In Oct. 1973, acquired 80% interest in Sofrembal (France).

In Nov. 1973, merged Dalmo Victor Division with Bell Aerospace Co. division.

In July 1974, sold Paramount Die division of CWC for cash.

In Oct. 1974 sold Pittron division to Bucyrus-Erie Co. for cash.

In Oct. 1974 acquired Zapata Haynie, Baltimore Resin Plant operated as a unit of Spencer Kellogg.

In Feb. 1975 acquired Richline Co. to be operated as a unit of Townsend Division.

In Mar. 1975 sold Spectrolab Div. to Hughes Aircraft.

In Sept. 1975 sold Maico Div. to Heath Tecna Corp.

In Nov. 1975 sold Hall Mack Div. to Scovill Mfg. Co.

In May, 1976 sold LPG Div. of Sprague Div. to Golay & Co., Inc.

In May 1976 acquired Cam Cast, Inc. to be operated as a part of the CWC Castings Div.

In June 1976 sold Welsh Div. to Norton Company.

On Jan. 17, 1977 Townsend division acquired Sabre Saw Chain.

In Mar. 1978 Co. announced the sale of Security Insurance Group to Orion Capital Corp. for $50,000,000 in cash and a $12,500,000 six year subord. note. Co. also received ten year warrants to purchase 600,000 shs. of Orion's capital com. stock at an exercise price of $10.50.

In May 1978, Co. acquired Jacobsen Manufacturing Co., a subsidiary of Allegheny Ludlum Industries Inc. for cash.

In Aug. 1978, Co.'s Valentine division acquired John Sands Holding Ltd. Terms were not disclosed.

In Oct. 1978, Co. sold its WECO Division.

In Dec. 1978, Co. purchased the coatings resin business of Ashland Oil for its Spencer Kellogg Division.

In Mar. 1979, Co.'s Walker Parkersburg division acquired the assets of American Modular Systems Designs, Inc.

In Mar. 1979, Co. sold the assets and business of the North Brunswick, N.J. plant of Co.'s Patterson Sargent unit to Whittaker Corp.

On Mar. 30, 1979 Bridgeport Machines division acquired the business and assets of Harig Products.

In May 1980 Valentine Sands division acquired Norman J. Field & Co. for $3,750,000.

On Dec. 16, 1980 Textron Inc. acquired Basic Microelectronics, Inc. It will continue as a stand-alone division.

In Mar. 1981, the consumer products business of Jacobsen was merged into Homelite.

In June, 1981 Textron Inc. disposed of its Burkart, Talon and Willco divisions to Nucon Holdings, Inc. The Randall unit of the former Burkart Randall division continues as a stand-alone division.

In May 1981, sold the Walker Parkersburg division for about $18,000,000 to Butler Manufacturing Co.

On June 19, 1981 Sheaffer Eaton disposed of its Camp Manufacturing Company operation to Michel, Camp Manufacturing Company.

On July 21, 1981 Textron Inc. disposed of the Polaris Unit of its Polaris E-Z-Go division to Polaris Industries, Inc., a Minnesota corporation. E-Z-Go continues as a stand-alone division of Textron Inc.

On Jan. 3, 1982 Textron Inc. formed Bell Helicopter Textron and Hydraulic Research divisions into corporate subsidiaries, Bell Helicopter Textron Inc. and HR Textron Inc.

On Feb. 29, 1984 HR Textron subsidiary completed the acquisition of Purolator Technologies Inc., a subsidiary of Purolator Inc.

On Mar. 1, 1984 the Bridgeport Machines Division acquired McWilliams Machinery Sales, Inc., exclusive distributors of the Japax line of Electrical Discharge Machines and CAD/CAM systems in the U.S.

On June 12, 1984 acquired EM Systems, Inc., a manufacturer of military airborne and surface surveillance equipment.

In Feb. 1985 acquired Avco Corp. for $1.4 billion.

In Apr. 1985 sold Shuron fashion frames and lenses division.

In May 1985 sold Jones & Lamson.

In July 1985 sold American Research & Development and Sprague Meter.

In July 1985 acquired the Automotive Wheel Trim Unit of Rockwell International.

In Aug. 1985 sold Spencer Kellogg for $57,000,000 in cash as well as a royalty on certain products manufactured and sold by Spencer Kellogg; also, thru subsidiary, acquired the hydraulic filter products business of Can Flo Corp.

In Sept. 1985 sold the John Sands unit of Valentine Sands to Advertisers Newspapers, Ltd.

In Oct. 1985 sold Fafnir Bearing.

In Dec. 1985 closed Basic Microelectronics unit.

On Feb. 21, 1986 sold Bostitch for approximately $193,000,000.

In Feb. 1986 sold Valentine Sands.

On Feb. 3, 1986 sold Dalmo Victor Division for $174,000,000

Proposed Reduction of Indebtedness and Sales of Assets: Textron has announced its intention to reduce its consolidated indebtedness by approximately $1 billion within the twelve to eighteen-month period following the end of its 1984 fiscal year through a combination of sales of assets and funds generated internally through normal operations. In furtherance of such plan, Textron has announced its intention to sell its Bell Helicopter, Jones & Lamson, Spencer Kellogg Divisions, Fafnir Bearing, Bridgeport Machines and Avco Aerostructures contingent upon appropriate purchase prices being obtained.

SUBSIDIARIES

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

Textron Canada Ltd. (Canada)
Textron Financial Corp. (Del.)
Textron Pacific Ltd. (Australia)
  Valentine Sands Ltd. (Australia)
TIH Corp. (Del.)
  Bell Helicopter International Sales Corp. (Del.)
  Textron Atlantic Inc. (Del.)
    Textron Ltd. (U.K.)
  Textron DISC Inc. (Del.)
Bell Helicopter Textron Inc. (Del.)
HR Textron Inc.
Textron Acceptance Corp. (Del.)
Dorfinco Corp. (Del.)
Textron International Finance Corp. (Del.)
Textron Atlantic Belgium S.A. (Belgium)
Textron Atlantic SARL (France)
Textron Atlantic B.V. (Netherlands)
Societe Fabrications Bostitch (France)
Textron S.A. de C.V. (Mexico)
Avco Corp.

BUSINESS AND PRODUCTS

Textron reorganized its businesses into three major categories in 1985. The three new categories—Aerospace/Technology, Commercial Products, and Financial and Other Services—are further subdivided into eight segments: Propulsion, Helicopters, and Systems and Electronics are within the Aerospace/Technology category; Industrial and Consumer comprise the Commercial Products category; and Finance, Insurance and Management Services constitute Financial and Other Services.

AEROSPACE/TECHNOLOGY

Propulsion

Avco Lycoming Stratford manufacturers gas turbine engines for the Army's M1 main battle tank, military and commercial helicopters, commercial aircraft, executive jets and marine vehicles. New engine sales are made to manufacturers or to the U.S. Government. Spares and aftermarket services are provided through division customer services and service centers.

Avco Lycoming Williamsport produces reciprocating and small gas turbine engines for general aviation fixed-wing aircraft and helicopters. New engine models are sold directly to airframe manufacturers. Replacement engines and parts are sold to aircraft owners through a worldwide distribution network.

Avco Lycoming Greer is an internal supplier of blades and discs, components that are used in turbine engines assembled by Textron's Avco Lycoming Stratford and Williamsport divisions for military and commercial customers.

Helicopters

Bell Helicopter Textron produces helicopters and spare parts for the U.S. and foreign governments and civilian markets. It is introducing new concepts in vertical takeoff and landing aircraft. Bell has coproduction programs in Japan, Indonesia and Turkey and large aftermarket sales of technical, training and logistics support. Bell's sales force includes independent representatives.

Systems and Electronics

Avco Aerostructures is a subcontractor to the aerospace industry. It produces structural components, such as wings, for the B-1B, C-5A/C-5B and commercial aircraft, and tail sections for the C-130.

Bell Aerospace Textron produces rocket engines, missile and spacecraft propulsion systems, aircraft landing systems, gravity sensing systems, inertial navigation instruments, air cushion vehicles and surface effect ships. Its principal customer is the U.S. Department of Defense.

Avco Electronics designs and manufactures electronics products for other companies, including personal computers, electronic telephone switchboards and keysets, video and matrix displays, mail sorting computers and power supplies.

HR Textron is a leader in high technology aerospace controls, which are sold primarily to aerospace and defense markets. Its products include servovalves, flight control actuators and associated electronics; fuel, hydraulic and pneumatic valves and actuation controls; cryogenic coolers; filters and automatic test equipment.

Avco Research Laboratory performs high temperature gas research principally for the U.S. Departments of Defense and Energy. Among the technologies being investigated are high power lasers, sensors, Magnetohydrodynamic electric power generation, coal gasification and coal combustion.

Avco Specialty Materials is a leader in the emerging field of advanced composite materials, principally boron fibers and silicon carbide metal matrix composites and fire protection materials, which are sold to aerospace firms, the U.S. Government and manufacturers of sporting goods and to hydrocarbon processors.

Avco Systems develops and produces advanced technology systems for the U.S. Department of Defense. These systems include the reentry system and vehicle for the Peacekeeper missile, and antiarmor and airfield attack munitions.

COMMERCIAL PRODUCTS

Industrial

Camcar manufactures cold-formed threaded fasteners and custom designed components incorporating proprietary designs, such as the TORX, Crimp-tite, and Strux fastener systems and Raycarl cold-forming process. Its sales force serves original equipment manufacturers and industrial distributors.

Cherry is a leader in blind fastener systems for aerospace and commercial applications. It also manufactures locknut products and other fasteners. Cherry supplies fastener users with installation tools and automated systems. It markets though the division's sales force and a worldwide distributor network.

Townsend designs and manufactures proprietary fasteners, installation systems, precision cold-formed parts, saw chains and accessories. Marketing is achieved through sales engineering specialists, supplemented by distributors and sales agents.

CWC produces castings for automotive, truck and off-highway equipment manufacturers. Its major products include automotive camshafts, diesel engine blocks, cylinder heads, transmission cases, and other gray iron components, which are sold to engine and parts manufacturers by the division's sales force.

Randall produces metal and plastic functional parts and decorative trim, primarily for automotive and appliance manufacturers as original equipment. It also supplies such products to commercial accounts and other Textron divisions.

Consumer

E-Z-Go is a leading producer of three- and four-wheel gasoline and electric golf cars, related parts and accessories. It also produces utility vehicles for the turf and industrial/commercial markets. Its products are distributed through independent distributors and company branch locations.

Homelite produces gasoline and electric chain saws, string trimmers, pumps and generators. It also manufactures walk-behind and riding lawn mowers and snow removal equipment marketed under the Homelite-Jacobsen name. Its products are sold through retailers by a direct sales force and wholly-owned branches.

Jacobsen Turf produces an extensive line of maintenance machines for large turf grass areas. Its products include precision reel mowers, large and mid-size turf tractors, rotary mowers, seeders, aerators, sweepers, trimmers, edgers and blowers, which are sold and serviced through about 50 contracted distributors.

Gorham's quality consumer tabletop products include sterling silver and stainless steel flatware, china dinnerware, full lead crystal and silverplated holloware. The division also produces bronze memorials and offers gift products. Most of its products are sold through conventional retail channels of distribution.

Sheaffer Eaton's principal lines are Sheaffer fountain pens, mechanical pencils and desk sets; Eaton social stationery and typing papers; At-A-Glance appointment and record books and Duo-Tang report covers. These products are distributed worldwide through wholesale, retail and business incentive channels.

Speidel watch attachments, identification bracelets, watches, fashion jewelry and men's toiletries are sold to jewelry, drug, department, and discount stores and mass merchandisers by Speidel's direct sales force and through independent wholesalers.

FINANCIAL AND OTHER SERVICES

Finance

Avco Financial Services (AFS) is principally engaged in consumer finance. Its finance operations involve unsecured loans and loans secured by personal property in relatively small amounts and for short periods. AFS operates approximately 1,200 finance offices in Australia, Canada, Japan, the U.K. and the U.S., through which it offers a range of products, including VISA and MasterCard.

Textron Financial Corporation (TFC) is a commercial finance company offering equipment leasing, secured loans and inventory financing. TFC also invests in third party leveraged lease transactions and engages in real estate financings.

Insurance

Avco Financial Insurance/Balboa Insurance Group is a leading provider of property/casualty and life products, collateral protection and tracking, and premium financing. The insurance group is among the largest U.S. writers of credit accident and health, credit and vendor single interest insurance. It markets its products to customers of AFS, [illegible] agents and financial institutions.

Paul Revere Insurance Group's principal product is individual non-cancellable disability income insurance. Paul Revere's products are marketed in the U.S. and Canada through three distribution systems: direct sales agencies, brokerage offices and agreements with other major insurance companies.

Management Services

Avco Management Services manages, operates and maintains facilities for the U.S. and foreign governments and for corporate clients. It buys and ships material, recruits personnel and gives technical assistance in support of its clients' projects.

PROPERTIES

The principal manufacturing plants and properties operated by Avco are owned by Avco, except for the Stratford, Conn. plant of the Avco Lycoming Stratford Division. Various executive, warehouse and other facilities of Avco, and substantially all of the consumer finance offices of Avco Financial Services, Inc., are leased. The Avco Lycoming Stratford Division plant and material portions of the machinery and equipment used by Avco in the performance of its government contracts are owned by the United States Government. They are provided to Avco pursuant to facilities contracts which authorize Avco to use them without charge in the performance of specified Government supply contracts. In addition, their use is permitted in the performance of other Government contracts, generally without charge, provided prior Government approval is obtained, and, under certain limited circumstances, in the performance of commercial work if Governmental approval is obtained and appropriate rentals are paid to the Government. These facilities contracts are terminable by the Government at any time, but Textron does not anticipate that any such termination will occur so long as the facilities are required in the performance of material Government contracts, or that it will be prevented from using the facilities for commercial work so long as all Government requirements are met.

LETTER TO STOCKHOLDERS

The following is the letter to shareholders of B.F. Dolan, President and Chief Executive Officer of Textron Inc. as it appeared in the Company's 1985 Annual Report.

To Our Shareholders:

Textron had an outstanding year in [illegible] The direction for the Company was set in [illegible] year's letter to shareholders where it was [illegible]ed that, through the acquisition of Avco [illegible]poration, Textron was reaffirming its stra[illegible] of seeking improved return on equity and [illegible]bility in growth through diversification. [illegible] pleased to report that during 1985 the applica[illegible]tion of that strategy produced the best results in Textron's history.

Sales, net income and earnings per share climbed to record highs, reflecting both th[illegible] quisition of Avco Corporation and solid [illegible]ating performances by most divisions, [illegible]ularly those in the Aerospace/Techno[illegible] and Financial and Other Services cate[illegible] Return on shareholders' equity rose sharply to 15% in 1985 from 9% the year before.

Record Results Achieved. For the full [illegible] Textron's sales from continuing operations were $4.0 billion, an increase of 88% from 1984's $2.1 billion. Including the results of our unconsolidated finance and insurance subsidiaries, total revenues from continuing operations exceeded $5.7 billion. Net income rose 122% to $251.8 million ($6.75 per share), versus $113.5 million ($3.11 per share) last year.

Net income for 1985 included $28.2 million ($.76 per share) from an extraordinar[illegible] and a change in accounting. Income per share before these items amounted to $5.99, compared to last year's $3.11 per share.

Earnings from continuing operations were $180.1 million, equal to $4.83 per share. Had proceeds from the disposition of discontinued divisions been available for debt repayment at the beginning of 1985, the decrease in interest expense would have resulted in an increase in earnings from continuing operations to approximately $207.4 million, equivalent to $5.56 per share.

A Combination That Works. Even before the acquisition of Avco was officially completed, programs had been set in motion to bring the two companies together in an orderly fashion, while sustaining their combined earnings momentum. In organizing the combination, the Textron and Avco operating units were grouped into three business categories: Aerospace/Technology, Commercial Products, and Financial and Other Services. Each of these categories is discussed in detail in the operating review.

Strengthening the Balance Sheet. For more than a decade, Textron has maintained a strong and conservative financial position. With the borrowing of $1.4 billion for the purchase of Avco, the Company became more dependent upon outside debt financing. Accordingly, one of management's key goals for 1985 was to strengthen the balance sheet.

A program of orderly disposition of certain divisions was undertaken to reduce debt and achieve better strategic focus for Textron. Substantial progress has already been achieved with the sale of seven divisions: American Research and Development, Fafnir Bearing, Jones & Lamson, Shuron, Spencer Kellogg, Sprague Meter and Valentine Sands. Three other divisions, Bostitch, Bridgeport Machines and Dalmo Victor, are in the process of being sold.

The operating results of the divisions sold, and to be sold, are reported as discontinued operations in Textron's financial statements.

Another major part of this program was the sale in September of four million shares of Textron common stock. Net proceeds of $185 million were used to repay debt. The capital structure was further strengthened through several financings, which served to balance and lengthen the maturities of the remaining debt incurred to purchase Avco.

To date, cash proceeds from dispositions have provided approximately $210 million for debt reduction. These proceeds, combined with those of dispositions now in process and other debt reduction efforts, will enable us to meet our timetable for reducing debt by approximately $1 billion prior to the July 1, 1986 target we had set.

A Strong Company. While record earnings were being achieved, our new organization was put into place in 1985. The corporate headquarters' staffs of Textron and Avco were consolidated for efficiency. Integrated benefit programs and a consolidated budget were implemented.

In less than a year, two good companies have been combined successfully into a single, much stronger Textron. The dedicated effort of all of our 56,000 employees has been a key ingredient in the combination of Avco and Textron. Additionally, your Board of Directors was strengthened by the election of six former Avco directors, two from within Avco's management and four outside directors. In December, William A. Anders, Senior Executive Vice President Textron Operations, was elected to the Board of Directors in recognition of his substantial operating responsibilities. R. Heath Larry, a director since 1974, Chairman of the Nominating Committee and a member of the Executive Committee, will retire from the Board in April 1986. His active participation and counsel for more than a decade have been most helpful.

Textron Emphasizes Return on Equity. Management has rededicated itself to the principles adopted by the Company when it changed from a textile company to a conglomerate more than thirty years ago.

Textron's basic mission is to increase shareholder value by sustaining attractive returns on equity. We plan to fulfill this mission through the proper positioning and allocation of corporate assets and by improving the performance of the balanced diversity of businesses that comprise Textron. Shareholder value in the marketplace has increased by 64% since the end of 1984. With the solid strategic positioning already attained in 1985, Textron is stronger than ever and better prepared to take advantage of opportunities for future profitable growth.

We look forward to 1986 and the years that follow with optimism and pledge to continue our efforts on your behalf.

B.F. Dolan
President and
Chief Executive Officer

MANAGEMENT

Principal Corporate Officers

B.F. Dolan, Pres. & Chief Exec. Off.
R.P. Straetz, Chmn.
R.P. Bauman, Vice-Chmn.
W.J. Ledbetter, Senior Exec. Vice-Pres., Admin. & Planning
D.G. Little, Exec. Vice-Pres. & Chief Fin. Off.
T.D. Soutter, Exec. Vice-Pres. & Gen. Counsel
W.F. Wayland, Senior Vice-Pres., Human Resources
M.G. Wilkins, Jr., Senior Vice-Pres., Fin. & Invest.
R.W. Caine, Jr., Vice-Pres., Corp. Commun.
R.B. Clendenen, Vice-Pres., Internal Audit
J.J. Delucca, Vice-Pres. & Treas.
E.P. Fitzgerald, Vice-Pres., Taxes
A.M. Friedman, Vice-Pres. & Deputy Gen. Counsel
E.O. Handy, Jr., Vice-Pres., Empl. Ben.
M.L. Howell, Vice-Pres., Govt. Affairs
W.P. Janovitz, Vice-Pres. & Contr.
J.L. Morse, Vice-Pres., Risk Mgmt./Insur.
Rita Powers, Vice-Pres. & Sec.
R.A. Watson, Vice-Pres., Pension Invest.

Corporate Operating Management

W.A. Anders, Senior Exec. Vice-Pres., Textron Oper.
D.K. Farrar, Senior Exec. Vice-Pres. & Pres., Avco Oper.
O.G. Achuff, Group Vice-Pres.
G.E. Atwell, Group Vice-Pres.
L.S. Bishop, Group Vice-Pres.
C.F. Chapin, Group Vice-Pres.
G.K. Currie, Group Vice-Pres.
G.H. Hartmann, Group Vice-Pres.
J.J. Mahoney, Group Vice-Pres.
E.V. Marshall, Group Vice-Pres.
N.C. Willcox, Acting Group Vice-Pres., Dalmo Victor & Chmn., Bell Aerospace
W.R. Gallagher, Vice-Pres., Intl.

Directors

(Showing Age & Principal Corporate Affiliations)

Robert P. Bauman, (54) Vice-Chmn., Textron Inc.; Dir., Capital Cities/ABC Inc.

Daniel B. Burke, (57) Pres. & Dir., Capital Cities/ABC, Inc.; Dir., Consolidated Rail Co., Fireman's Fund Corp. and Cities in Schools, Inc., Newspaper Advertising Bureau.

Joseph R. Carter, (67) Chmn. & Dir., Wyman-Gordon Co.; Dir., State Mutual Securities, Inc.; Honorary Dir., The Bank of Boston.

R. Stuart Dickson, (56) Chmn., Ruddick Corp.; Dir., PCA International, Hemby Investments, Kings Entertainment Co., First Union National Bank.

B.F. Dolan, (58) Pres. & Chief Exec. Off., Textron Inc.; Dir., Allendale Mutual Insurance Co., First Union Corp.

William M. Ellinghaus, (63) Exec. Vice-Chmn., New York Stock Exchange; Dir., J.C. Penney Corp., Bristol-Myers Co., Bankers Trust Co., International Paper Co., Armstrong World Industries, Inc.; New York Partnership; Chmn., WNET-TV.

Dante C. Fabiani, (68) Director and Retired President, Crane Co.; Chmn., Pirelli Enterprises Corp.; Dir., Kearney Nat'l, Inc., Southeastern Public Service Co., Varlen Corp., Evans Products Co., CF & I Steel Corp.; Fischbach Corp.; APL Corp., Northview Corp., Cambrian & General Securities p.l.c.

Donald K. Farrar, (47) Senior Exec. Vice-Pres., Textron Inc. and Pres., Avco Operations.

Webb C. Hayes, III, (65) Partner, law firm of Baker & Hostetler; Pres., The Rutherford B. Hayes Presidential Center.

Amos A. Jordan, Jr. (63) Pres. & Chief Exec. Off., Center for Strategic and International Studies at Georgetown University.

James R. Martin, (67) Chmn., Massachusetts Mutual Life Ins. Co; Dir., Hasbro, Inc., Stanhome, Inc.

Barbara Scott Preiskel, (61) Former Senior Vice President Motion Picture Association; Dir., American Stores Co., R.H. Macy & Co., Inc., The Washington Post Co., General Electric Co., Mass. Mutual Life Insurance Co.

John J. Schmidt, (58) Chmn. & Chief Exec. Off., Santa Fe Southern Pacific Corp.; Dir., Harris Bankcorp, Inc., Harris Trust and Savings Bank.

Sam F. Segnar, (58) Retired Chmn. & Chief Exec. Off., HNG/InterNorth, Inc.; Dir., Becor Western Co., First City Bancorp of Tex., Hartmarx Corp.

Jean Head Sisco, (59) Partner, Sisco Associates.; Dir., C&P Telephone Co., Carter Hawley Hale Stores, Inc., Perpetual American Bank, F.S.B., Saga Corp., Santa Fe Southern Pacific Corp., United Brands Co., Washington Mutual Investors Funds, Inc.

J. Paul Sticht, (68) Chmn. of Exec. Cmte., R.J. Reynolds Industries, Inc.; Dir., Celanese Corp., The Wachovia Corp., Wachovia Bank & Trust Co., N.A., S.C. Johnson & Son, Inc., Chrysler Corp., Sea-Land Corp.

Robert P. Straetz, (64) Chmn. of Bd., Textron Inc.; Dir., Fleet Financial Group, Inc., Greyhound Corp., The Rhode Island Port Authority and Economic Development Council.

Howard R. Swearer, (54) Pres., Brown University; Dir., Bolt Beranek & Newman, Inc., SBSF Fund, Inc.; Keystone Provident Life Insurance Co.

Meetings, Organization and Remuneration

For their service on the Board, non-employee directors are paid $20,000 per year plus $750 for each meeting of the Board which they attend. Directors serving on the Executive Committee receive an additional $6,000 per year. The Board has standing Audit, Nominating, Organization and Compensation, and Pension Committees. Directors who serve on a standing committee receive $750 for each meeting of such committee which they attend. The Chairman of each standing committee receives an additional $250 for each committee meeting attended. Employee directors do not receive fees or other compensation for their service on the Board or its committees.

Each member of the Board is reimbursed for expenses incurred in connection with each Board or committee meeting attended.

Audit Committee

The Audit Committee recommends to the Board a firm of independent certified public accountants to conduct the annual examination of Textron's financial statements, reviews with such firm the overall scope and results of the annual examination, reviews and approves the performance by such independent accountants of professional services in addition to those which are audit-related and reviews the fees charged by the independent accountants for professional services. In addition, the Audit Committee meets with the independent accountants, representatives of management, and Textron's internal auditors to review accounting activities and the areas of financial control and reporting.

Seven non-employee directors presently serve on the Audit Committee. Various members of management (including the Executive Vice President and Chief Financial Officer, the Vice President and Controller, and the Executive Vice President and General Counsel) are regularly invited to be present at Audit Committee meetings. The Vice President of Internal Audit has direct access to the Audit Committee and to Textron's Chief Executive Officer if at any time he wishes to report or consult on any matter.

Nominating Committee

The Nominating Committee has been given the task of reviewing the qualifications of, and recommending to the Board, individuals for nomination as directors of Textron. Five non-employee directors presently serve on the Committee.

Organization and Compensation Committee

The Organization and Compensation Committee recommends to the Board executive compensation for Textron, its Divisions and subsidiaries and recommends to the Board the levels within which salaries may be approved by management. The Committee reviews and makes recommendations to the Board concerning plans, programs and benefits which relate to executive compensation, including incentive compensation and stock options. In addition, the Organization and Compensation Committee reviews and makes recommendations to the Board concerning selection, recruiting, hiring and promotion of key executive personnel.

Pension Committee

The Pension Committee is responsible for overseeing the operations of Textron's tax-qualified retirement plans. The Pension Committee reviews the qualifications of independent actuaries and auditors, the management of investments, the accounting for and the valuations of plans, and any significant changes in their design and funding. The Pension Committee makes recommendations to the Board relating to the foregoing.

Auditors: Arthur Young & Co.

Annual Meeting: 4th Wednesday in April.

Shareholder Relations: Maurice G. Wilkins, Jr., Senior Vice-Pres., Finance and Investment. **Tel.:** (401)421-2800.

No. of Stockholders: Dec. 28, 1985: pfd., 5,000; common, 40,000.

No. of Employees: Dec. 28, 1985, 56,000.

Office: 40 Westminster St., Providence, RI 02903. **Tel.:** (401)421-2800.

Mail Address: P.O. Box 878, Providence, RI 02901.

INCOME ACCOUNTS

COMPARATIVE CONSOLIDATED INCOME ACCOUNT, YEARS ENDED DEC. 28
(Taken from Company's Annual Report to Shareholders)
(in thousands of dollars)

	Dec. 28,'85	Dec. 29,'84	Dec. 31,'83
Sales	$4,038,500	$2,148,000	$2,046,400
Cost of sales	3,175,200	1,712,500	1,637,800
Selling and admin. exp.	571,800	302,100	293,100
	291,500	133,400	115,700
Equity in pre-tax income of unconsol. finan. and insur. subsidiaries	213,400	21,200	17,300
Int. inc.	12,100	11,000	12,400
Int. exp.	(216,200)	(32,900)	(33,400)
Inc. from contin. oper. bef. inc. taxes	300,800	132,700	112,000
Inc. taxes	120,700	55,200	43,000
Inc. from continuing oper. before extra. gain and cumul. effect of a change in accting. principle	180,100	77,500	69,000
Income from discont. oper., net of inc. taxes	43,500	36,000	19,700
Extra. gain, net of inc. taxes	16,400	......	......
Cum. eff. of a change in accting. principle	11,800	......	......
Net income	$251,800	$113,500	$88,700
Retained earnings, beginning of yr.	1,152,800	1,105,200	1,083,100
Preferred dividends	3,300	4,100	4,600
Common dividends	63,700	61,500	61,900
Exercise of stock options and warrants & exch. for deb.	......	300	100
[2]Retained earnings, end of year	1,337,600	1,152,800	1,105,200
SUPPLEMENTARY P.&L. DATA			
Maintenance and repairs	......	59,400	47,200
Advertising costs	......	42,500	41,300

Consolidated Statement of Changes in Financial Position (in $000):

	1985	1984
Source of funds:		
Inc. from continuing oper.	$180,100	$77,500
Undistrib. earnings of unconsolid. finan. and insur. subsidiaries	(78,400)	(12,100)
Deprec. and amort.	98,900	38,900
Total from continuing oper.	200,600	104,300
Inc. from discont. oper.	43,500	36,000
Deprec. and amort.	25,500	26,300
Total from discont. oper.	69,000	62,300
Total from operations	269,600	166,600
Extraord. gain	16,400	......
Proceeds on sale of divisions	210,000	......
Disposition of invest.	67,200	6,700
Other—net	9,400	31,000
	572,600	204,300
Use of funds:		
Capital contribution to unconsol. finance subsidiary	15,400	......
Capital expenditures	172,200	119,000
Divs.	67,000	65,600
Purchase of comm. stock for treas.	......	29,800
[1]Changes in oper. working capital:		
Inc. (dec.) in curr. assets:		
Accts. receiv.	42,900	110,300
Invent.	23,300	49,800
Other curr. assets	(27,800)	6,700
Dec. (inc.) in curr. liab.:		
Accounts payable	(2,800)	(47,600)
Income taxes	36,500	50,000
Other curr. liab.	(130,500)	(55,100)
	196,200	328,500
Inc. (dec.) in funds before financing and acquisition of Avco	376,400	(124,200)
Financing excluding acquisition of Avco:		
Long-term borrowings	501,300	5,200
7¾% Subord. Debs. exchanged by holders for Allied Corporation comm. stock owned by Textron	(83,200)	......
Other changes in debt—net	(1,004,400)	(3,900
Sales of common stock	209,400	......
Cash provided (used) by financing activities	(376,900)	1,300
Acquisition of Avco:		
Long-term borrowings	1,386,600	......
Cost assigned to:		
Invest. in unconsolid. finan. and insur. subsidiaries	(1,163,900)	......
Prop., plant and equip. and other assets	(630,500)	......
Long-term debt and other liab. assumed	422,300	......
Working capital excluding cash	(9,300)	......
Avco cash at acquisition	5,200	......
Increase (decrease) in cash and short-term investments during the period	4,700	(122,900)
Cash and short-term investments at beginning of period	42,900	165,800
Cash and short-term invest. at end of period	$47,600	[illegible]

[1]Excludes changes in working capital rela[illegible] acquisition of Avco and disposition of discon[illegible] operations.

BALANCE SHEETS

COMPARATIVE CONSOLIDATED BALANCE SHEET, AS OF
(Taken from Reports filed with the Securities & Exchange Commission)
(in thousands of dollars)

ASSETS	Dec. 28,'85	Dec. 29,'84	Dec. 31,'83
Cash & short-term invest.	47,600	42,900	165,800
Notes & accts. receivable (net)	616,500	549,800	439,500
Marketable securities	......	......	......
Future inc. taxes	......	......	......
Net assets of discontinued oper.	......	......	......
[2]Inventories	1,025,600	877,300	827,500
Net assets of discont. oper.	397,800	......	......
Other current assets	28,400	44,800	38,100
Total current assets	2,115,900	1,514,800	1,470,900
Plant & equip. (generally at cost)	1,089,900	1,126,900	1,048,900
Depreciation & amortization	501,000	674,500	636,000
Net property	588,900	452,400	412,900
Excess cost of companies acq., etc.		43,900	36,600
Other investments	333,200	104,800	98,500
Sundry other assets (incl. patents, at cost less amortization)		30,300	34,000
Investments in cos. not consol. at equity	1,299,400	63,800	51,700
Total assets	4,337,400	2,210,000	2,104,600
LIABILITIES			
Accounts payable	345,300	217,300	169,700
Short-term debt	20,700	28,900	8,300
Current maturities of long-term debt	18,100	26,700	14,800
Federal income tax provision	61,700	36,600	86,600
Dividend payable	......	......	......
Other curr. liab.	613,000	335,600	280,500
Total current liabilities	1,058,800	645,100	559,900
Long-term debt	1,503,100	200,400	231,600
Other liabilities	142,200	110,600	68,500
[10]$1.40 cum. conv. preferred stock	10,000	12,200	12,800
[3]$2.08 cum. conv. preferred stock	31,000	36,000	42,100
Common stock ($0.25)	10,100	9,000	9,000
Capital surplus	355,500	148,300	141,600
Retained earnings	1,337,600	1,152,800	1,105,200
Unrealized loss on invest.	......	......	......
Currency trans. adj.	(61,800)	(30,000)	(20,000)